

CHAPTER 1

RESIDENTIAL STATUS

1. ICAI STUDY MATERIAL QUESTIONS

Concept problem 1

Mr. Anand is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 6th June, 2023. From the following details for the PY 2023-24, determine the residential status of Mr. Anand for AY 2024-25, assuming that his stay in India in the last 4 previous years (preceding PY 2023-24) is 400 days:

Particulars	Date
Date entered into the CDC in respect of joining the ship by Mr. Anand	6 th June, 2023
Date entered into the CDC in respect of signing off the ship by Mr. Anand	9 th December, 2023

Concept Problem 2

Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years.

- Find out his residential status for the assessment year 2024-25.
- Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?
- What would be your answer if Srinath had visited India for 120 days instead of 100 days every year, including P.Y. 2023-24?

Concept problem 3

Mr. B, a Canadian citizen, comes to India for the first time during the P.Y. 2019-20. During the financial years 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24, he was in India for 55 days, 60 days, 90 days, 150 days and 70 days, respectively. Determine his residential status for the A.Y. 2024-25.

Concept problem 4

The business of a HUF is transacted from Australia and all the policy decisions are taken there. Mr. E, the Karta of the HUF, who was born in Kolkata, visits India during the PY 2023-24 after 15 years. He comes to India on 1.4.2023 and leaves for Australia on 1.12.2023.

Determine the residential status of Mr. E and the HUF for AY 2024-25.

Concept problem 5

Mr. Ram, an Indian citizen, leaves India on 22.9.2023 for the first time, to work as an officer of a company in Germany. Determine his residential status for the A.Y. 2024-25.

Concept problem 6

Mr. Dey, residing in US since 1990, visits India for 30 days every year. He came back to India on 1.4.2022 for permanent settlement. What will be his residential status for A.Y. 2024-25?

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS & SELF DRAFTED QUESTIONS
Concept problem 7

Determine the residential status of Ms. Nicole Kidman, an Australian actress, for the A.Y. 2024-25, from the following information about her stay in India contained in her passport.

F.Y.	From	To	F.Y.	From	To
2023-24	May 3 rd	August 12 th	2018-19	May 3 rd	August 12 th
2022-23	July 23 rd	August 11 th	2017-18	May 3 rd	August 12 th
2021-22	February 9 th	March 26 th	2016-17	May 3 rd	August 12 th
2020-21	September 8 th	March 26 th	2015-16	May 3 rd	August 12 th
2019-20	May 17 th	September 30 th	-	-	-

Concept problem 8

Determine the residential status of the Assessee in the following cases for the FY 2023-24:

- Ronaldo comes to India to participate in an Asian Football Tournament on 4th April, 2023. He stays in India upto 15th September, 2023. He again comes back to India on 14th January, 2024 and stays in India upto 31st March, 2024.
- Saina Nehwal leaves India for the first time on 28th of September, 2023 to participate in The International Badminton Tournament. She does not come back to India upto 31st March, 2024.
- Ricky Ponting comes to India for the first time on 10th October, 2023 and stays in India for 185 days.

Concept problem 9

Decide whether we need to test both conditions for determining the residential status or only first conditions in the following cases:

S No.	Particulars	Comment
1	Mr. Ram, citizen of India, leaves India for a job in UK.	
2	Neha, citizen of India, leaves for Germany to start her business.	
3	Bharat, an Indian citizen, leaves India in an Indian ship, as passenger.	
4	Ravi, citizen of India, leaves India as a crew member of Titanic (Foreign Ship).	
5	Ashish, citizen of India, leaves India as a crew member of INS Virat (Indian Ship).	
6	Mr. Bobby Jindal, citizen of US, born in India in 1975, comes on a visit to India. All his parents and grandparents were born in US.	
7	M.F Husain, citizen of Qatar, was born in India in 1940, comes on a visit to India.	
8	Shyam, an Indian citizen comes on a visit to India (Indian Income 15 lakhs).	
9	Shyam, an Indian citizen comes on a visit to India (Indian Income 16 lakhs).	

Concept problem 10

Miss Kate, born in US, (both of her parents were born in Canada and one of her grandfather was born in Mexico, a grandmother was born in Alaska, and the other one in Delhi) stays in India during the PY 2023-24 for 196 days. Her stay in India during the preceding 10 years is as follows:

PY	No. of Days	PY	No. of Days

PY	No. of Days	PY	No. of Days
2022-23	200	2017-18	Nil
2021-22	65	2016-17	84
2020-21	56	2015-16	365
2019-20	105	2014-15	10
2018-19	Nil	2013-14	300

Determine the residential status in the above case for PY 2023-24.

Concept problem 11

- Karta of one HUF comes to India every year for a minimum of 60 days and maximum 91 days. Determine the residential status of the HUF and also that of Karta for the AY 2024-25.
- Garg HUF has 15 properties in India & 20 properties outside India. All the Properties are managed by the Karta, Bharat from India. Determine the residential Status of the HUF.
- Yadav HUF has certain Properties in India and certain properties outside India. All these properties are managed by its Karta, Ashish from outside India. Determine the residential status of the HUF.
- Kant HUF has got 10 businesses all situated in South Africa. However, the Karta Saiyam manages these businesses partly from South Africa and partly from India. Determine the residential status of HUF.
- Barnwal HUF has six businesses outside India which are managed by some members outside India and four businesses in India which are managed by some members in India. Determine the residential status of HUF.

Concept problem 12

ABC Inc., a Swedish company headquartered at Stockholm, not having a permanent establishment in India, has set up a liaison office in Mumbai in April, 2023 in compliance with RBI guidelines to look after its day-to-day business operations in India, spread awareness about the company's products and explore further opportunities. The liaison office takes decisions relating to day-to-day routine operations and performs support functions that are preparatory and auxiliary in nature. The significant management and commercial decisions are, however, in substance made by the Board of Directors at Sweden. Determine residential status of ABC Inc. for AY 2024-25.

Concept Problems 13

- Ram, a chartered accountant, is presently working in a firm in India. He has received an offer for the post of CFO from a company in USA. As per the offer letter, he should join the company at any time between 1st September, 2023 and 31st October, 2023. He approaches you for your advice on the following issues to mitigate his tax liability in India
 - Date by which he should leave India to join the company.
 - Direct credit of part of his salary to his bank account in Delhi maintained jointly with his mother to meet requirement of his family.
 - Period for which he should stay in India when he comes on leave.
- Rahul visits India during the PY 2023-24. He arrives on 1st May at 4 AM & leaves on 20th of June at 9 AM. He again arrives on 17th September at 11 AM and leaves on 28th October at 5 PM. He again arrives on 10th February at 12 Noon and leaves on 16th march at 7 PM. He has stayed in India in the preceding 4 years for 850 days. Determine his residential status.

Concept Problems 14

An individual, who is an Indian resident, is allowed to hold two different citizenships simultaneously. Is the citizenship a determining factor for residential status of an individual?

Solution

Citizenship of a country and residential status of that country are separate concepts. A person may be an Indian national /citizen, but may not be a resident in India. On the other hand, a person may be a foreign national /citizen, but may be a resident in India.

The residential status of resident, non-resident, etc. are determined on the basis of number of days an individual actually stays in India during the previous year. The provisions of section 6 of the Income-tax Act, 1961 are the determining factor of residential status of an individual.

However, as per section 6(1A), an Indian citizen whose Total Income excluding income from foreign sources exceeds 15 lakhs and such income is not taxed anywhere in other countries due to domicile or residence, he shall be deemed as resident.

CHAPTER 2

SCOPE OF TOTAL INCOME

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

From the following particulars of income furnished by Mr. Anirudh pertaining to the year ended 31.3.2024, compute the total income for the assessment year 2024-25, if he is:

- i) Resident and ordinarily resident;
- ii) Resident but not ordinarily resident;
- iii) Non-resident

S. No.	Particulars	Amount
(a)	Short term capital gain on sale of shares in Indian Company received in Germany	15,000
(b)	Dividend from a Japanese Company received in Japan	10,000
(c)	Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
(d)	Dividend from RP Ltd., an Indian Company	6,000
(e)	Agricultural income from lands in Gujarat	25,000

Concept Problem 2

Mr. David, an Indian citizen aged 40 years, a government employee serving in the Ministry of External Affairs, left India for the first time on 31.03.2023 due to his transfer to High Commission of Canada. He did not visit India any time during the previous year 2023-24. He has received the following income for the Financial Year 2023-24:

S. No.	Particulars	Amount
(i)	Salary (computed)	5,00,000
(ii)	Foreign Allowance [not included in (i) above]	4,00,000
(iii)	Interest on fixed deposit from bank in India	1,00,000
(iv)	Income from agriculture in Nepal	2,00,000
(v)	Income from house property in Nepal	2,50,000

Compute his gross total income for Assessment Year 2024-25.

Concept Problem 3

Miss Vivitha paid a sum of 5000 USD to Mr. Kulasekhara, a management consultant practicing in Colombo, specializing in project financing. The payment was made in Colombo. Mr. Kulasekhara is a non-resident. The consultancy is related to a project in India with possible Ceylonese collaboration. Is this payment chargeable to tax in India in the hands of Mr. Kulasekhara, since the services were used in India?

Concept Problem 4

Compute the total income in the hands of an individual aged 35 years, being a resident and ordinarily resident, resident but not ordinarily resident, and non- resident for the A.Y. 2024-25, assuming that he has exercised the

option of shifting out of the default tax regime provided under section 115BAC(1A):

Particulars	Amount
Interest on UK Development Bonds, 50% of interest received in India	10,000
Income from a business in Chennai (50% is received in India)	20,000
Profits on sale of shares of an Indian company received in London	20,000
Dividend from British Company received in London	5,000
Profits on sale of plant at Germany 50% of profits are received in India	40,000
Income earned from Business in Germany which is controlled from Delhi (INR 40,000 is received in India)	70,000
Profits from a business in Delhi but managed entirely from London	15,000
Income from House Property in London deposited in an Indian Bank at London, brought to India (computed)	50,000
Interest on debentures in an Indian company received in London.	12,000
Fees for technical services rendered in India but received in London	8,000
Profits from a business in Bombay managed from London	26,000
Income from property situated in Pakistan received there	16,000
Past foreign untaxed Income brought to India during the previous year	5,000
Income from agricultural land in Nepal received there and then brought to India	18,000
Income from profession in Kenya, which was set up in India, received there but spent in India	5,000
Gift received on the occasion of his wedding	20,000
Interest on Savings Bank Deposit in State Bank of India	12,000
Income from a business in Russia, controlled from Russia	20,000
Dividend from Reliance Petroleum Limited, an Indian company	5,000
Agricultural income from a land in Rajasthan	15,000

Solution

Computation of total income for the A.Y. 2024-25

Particulars	Resident and ordinarily resident	Resident but not ordinarily resident	Non-resident
Interest on UK Development Bonds, 50% of interest received in India			
Income from a business in Chennai (50% is received in India)			
Profits on sale of shares of an Indian company received in London (assuming that they are in the nature of short-term capital gains)			
Dividend from British company received in London			
Profits on sale of plant at Germany, 50% of profits are received in India			

Particulars	Resident and ordinarily resident	Resident but not ordinarily resident	Non-resident
Income earned from business in Germany which is controlled from Delhi, out of which INR 40,000 is received in India			
Profits from a business in Delhi but managed entirely from London			
Income from property in London deposited in a Bank at London, later on remitted to India			
Interest on debentures in an Indian company received in London			
Fees for technical services rendered in India but received in London			
Profits from a business in Bombay managed from London			
Income from property situated in Pakistan received there			
Past foreign untaxed income brought to India during the previous year			
Income from agricultural land in Nepal received there and then brought to India			
Income from profession in Kenya, which was set up in India, received there but spent in India			
Gift received on the occasion of his wedding [not taxable]			
Interest on savings bank deposit in State Bank of India			
Income from a business in Russia, controlled from Russia			
Dividend from Reliance Petroleum Limited, an Indian Company			
Agricultural income from a land in Rajasthan [Exempt under section 10(1)]			
Gross Total Income			
Less: Deduction under section 80TTA [Interest on savings bank account subject to a maximum of INR 10,000]			
Total Income			

Concept Problem 5

Mr. Ramesh & Mr. Suresh are brothers and they earned the following incomes during the FY 2023-24. Mr. Ramesh settled in Canada in the year 1996 and Mr. Suresh is settled in Delhi. Compute the total income for AY 2024-25 assuming that both have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

S No.	Particulars	Ramesh	Suresh
1	Interest on Canada Development Bonds (only 50% of interest received in India)	35,000	40,000
2	Dividend from British company received in London	28,000	20,000
3	Profit from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
5	Income from a business in Chennai	80,000	70,000
6	Fees for technical services rendered in India, but received in Canada	100,000	
7	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
8	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9	Rent received in respect of house property at Bhopal	1,00,000	60,000
10	Life insurance premium paid	—	30,000

Concept Problem 6

Examine the correctness or otherwise of the statement - “Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus”.

Solution

This statement is correct.

As per Explanation to section 9, income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of clauses (v), (vi) and (vii) of section 9(1), shall be included in the total income of the non-resident, whether or not:

- (i) non-resident has a residence or place of business or business connection in India; or
- (ii) the non-resident has rendered services in India.

In effect, the income by way of fees for technical services, interest or royalty from services utilized in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India and irrespective of whether the non-resident has a residence or place of business or business connection in India

Concept Problem 7

Examine with reasons whether the following transactions attract income-tax in India in the hands of recipients:

- i) Salary payable by Central Government to Mr. John, a citizen of India of 7,00,000 for the services rendered outside India considering that he pays tax as per the provisions of section 115BAC.
- ii) Interest on moneys borrowed from outside India 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.
- iii) Post office savings bank interest of 19,000 received by a resident assessee, Mr. Ram, aged 46 years if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).
- iv) Royalty paid by a resident to a non-resident in respect of a business carried on outside India.
- v) Legal charges of 5,00,000 paid in Delhi to a lawyer of United Kingdom who visited India to represent a case at the Delhi High Court.

Concept Problem 8

Mr. Rajesh Sharma (aged 62 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 29th May 2023 as stamped in the passport and returned on 27th April 2024. He has been in India for less than 365 days during the 4 years immediately preceding the previous year. Determine his residential status and his total income for the AY 2024-25 from the following information assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

- 1) Short term capital gain on the sale of shares of Tilt India Ltd., a listed Indian company, amounting to INR 58,000. The sale proceeds were credited to his bank account in Singapore.
- 2) Dividend amounting to INR 48,000 received from Treat Ltd., a Singapore based company, which was transferred to his bank account in Singapore. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2023. Interest on the borrowed money for the previous year 2023-24 amounted to INR 5,800.
- 3) Interest on fixed deposit with Punjab National Bank, Delhi amounting to INR 9,500 was credited to his saving bank account.

Concept Problem 9

From the following particulars of income earned by Miss Neha during the PY 2023-24, determine her taxable income assuming she is ROR, RNOR, NR assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

S No	Particulars	Amount (INR)
1	Profit from a business in Mumbai managed from London.	3,00,000
2	Pension for services rendered in India, but received in Burma.	65,000
3	Interest on US Government bonds half of which is received in India.	4,000
4	Income from property situated in Pakistan received there.	20,000
5	Income from agricultural land in Bhutan.	30,000
6	Income from profession in Kenya which was set up from India.	12,000

Concept Problem 10

Determine the taxability of income of US based company ABC Inc., in India on entering following transactions during the financial year 2023-24:

- i) INR 5 lakhs received from an Indian domestic company for providing technical know-how in India.
- ii) INR 6 lakhs from an Indian firm for conducting the feasibility study for the new project in Finland.
- iii) INR 4 lakhs from a non-resident for use of patent for a business in India.
- iv) INR 8 lakhs from a non-resident Indian for use of know-how for a business in Singapore.

Explain the rate of tax applicable on taxable income for US based company ABC Inc., in India

Concept Problem 11

Ram has following income during the PY 2023-24. Compute his taxable income if he is (a) ROR (b) RNOR (c) NR assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

S No	Particulars	Amount	R-OR	R-NOR	NR
1	Lottery won in China (20% amount received in India)	4,00,000			

S No	Particulars	Amount	R-OR	R-NOR	NR
2	Income from modeling profession 1. Modeling in India. 2. Modeling Outside India.	3,00,000 6,00,000			
3	Salary (3 months service rendered in India and 9 months service in Japan)	20,000 pm			
4	Income from letting out of urban land situated in Goa (let out to a Non-resident in Japan & rent received in Japan)	5,00,000			
5	Income from business carried out in Singapore (30% is attributable to activities performed in India)	10,00,000			
6	Interest on foreign currency bonds issued by an Indian Company in Japan.	3,50,000			
7	Interest received in Japan on money lent to Mr. Nagasaki for carrying on business in Mumbai.	2,00,000			
8	Royalty received in US from a publisher for a publication and sale of her novel in India.	8,00,000			
9	Income earned from business in Germany which is controlled from Delhi, INR 40,000 received in India	70,000			
10	Income earned from Profession in USA which is set up in India, INR 50,000 received in India	1,00,000			
11	Rent from property in London deposited in an Indian Bank at London, brought to India	50,000			
12	Past untaxed profit brought in India from Germany	10,000			
13	Gift received on the occasion of wedding	20,000			
14	Post office savings bank interest of INR 12,000 received by a resident Assessee, Mr. Ram.	12,000			

Concept Problem 12

A firm of solicitors in Delhi engaged a barrister of London for arguing a case before Supreme Court in India. A payment of \$50,000 was made to him in London, according to the terms of the professional engagement. It is claimed that since the payment is made outside India, no tax is payable on the fees paid.

How should the Assessing Officer proceed in this case?

Concept Problem 13

ABC Inc., a company incorporated in USA has entered into an agreement with KK Limited, an Indian company for rendering technical services to the latter for setting up a fertilizer plant in Delhi. As per the agreement, ABC Inc. rendered both off-shore services and on-shore services to KK Limited at fee of INR 1 crore and 1.5 crore, respectively. ABC Inc. is of the view that it is not liable to tax in India in respect of fee of 1 crore as it is for rendering services outside India.

Discuss the correctness of the view of ABC Inc.

Concept Problem 14

ABC Pvt. Ltd, a company having registered head office in Singapore, for the first time had carried out operations during FY 2023-24 of purchase of goods in India on four occasions. Immediately after the purchase, the company

exported the same to China. The total value of such exports was INR 100 Lakhs on which it earned a profit of INR 20 Lakhs before the expenses of INR 12 Lakhs, which were directly paid by Head Office.

Company seeks your advice in relation to its tax liability in India. How much income for AY 2024-25?

Concept Problem 15

Mr. Soham, an Indian Citizen, left India on 20-04-2021 the first time to setup a software firm in Singapore. On 10-04-2023, he entered into an agreement with LK Limited, an Indian Company, for the transfer of technical documents and designs to setup an automobile factory in Faridabad. He reached India along with his team to render the requisite services on 15-05-2023 and was able to complete his assignment on 20-08-2023. He left for Singapore on 21-08-2023. He charged INR 50 lakhs for his services from LK Limited.

Determine the residential status of Mr. Soham for the Assessment Year 2024-25 and examine whether the fees charged from LK Limited would be chargeable to tax as per the Income-tax Act, 1961 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 16

Mr. Dhruv, a person of Indian origin and citizen of Country X, got married to Ms. Deepa, an Indian citizen residing in Country X, on 4th February, 2023 and came to India for the first time on 20-02-2023. He left for Country X on 12th August, 2023. He returned to India again on 20-01-2024 with his wife to spend some time with his parents-in-law for 30 days and thereafter returned to Country X on 18.02.2024.

He received the following gifts from his relatives and friends of her wife during 01-04-2023 to 31-03-2024 in India:

Particulars	Amount
From parents to wife	1,01,000
From married sister of wife	11,000
From very close friends of his wife	2,82,000

- Determine his residential status and compute the total income chargeable to tax along with the amount of tax payable on such income for the Assessment Year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A)..
- Will your answer change if he has received 16,00,000 instead of 2,82,000 from very close friends of his wife during the previous year 2023-24 and he stayed in India for 400 days during the 4 years preceding the previous year 2023-24?

Concept Problem 17

Mr. Thomas, a non-resident and citizen of Japan entered into following transactions during the previous year ended 31.03.2024. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2024-25 as per Income-tax Act, 1961 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). (Give brief reasoning)

- Interest received from Mr. Marshal, a non-resident outside India (The borrowed fund is used by Mr. Marshal for investing in Indian company's debt fund for earning interest).
- Received 10 lakhs in Japan from a business enterprise in India for granting license for computer software (not hardware specific).
- He is also engaged in the business of running news agency and earned income of 10 lakhs from collection of news and views in India for transmission outside India.
- He entered into an agreement with SKK & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Denim Jeans manufacturing plant, in Surat (India). He charged 10 lakhs for these services from SKK & Co.

Concept Problem 18

Examine the tax implications of the following transactions for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A): (Give brief reasons)

- i) Government of India has appointed Mr. Rahul as an ambassador in Japan. He received salary of 7,50,000 and allowances of 2,40,000 during the previous year 2023-24 for rendering his services in Japan. He is an Indian citizen having status of non – resident in India for the previous year 2023-24.
- ii) Ms. Juhi, a non-resident in India is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned 2,50,000 during the previous year 2023-24.
- iii) Mr. Naveen, a non- resident in India, has earned 3,00,000 as royalty for a patent right made available to Mr. Rakesh who is also a non-resident. Mr. Rakesh has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.
- iv) Mr. James, a NRI, borrowed 10,00,000 on 01.04.2023 from Mr. Akash who is also non-resident and invested such money in the shares of an Indian company. Mr. Akash has received interest @ 12% per annum.

Concept Problem 19

Mr. Dhanush, an Indian citizen aged 35 years, worked in ABC Ltd. in Mumbai. He got a job offer from XYZ Inc., USA on 01.06.2022. He left India for the first time on 31.07.2022 and joined XYZ Inc. on 08.08.2022. During the P.Y. 2023-24, Mr. Dhanush visited India from 25.05.2023 to 22.09.2023. He has received the following income for the previous year 2023-24:

Particulars	Amount
Salary from XYZ Inc. USA received in USA	7,00,000
Dividend from Indian Companies	5,50,000
Agricultural income from land situated in India	55,000
Rent received/ receivable from house property in Lucknow	4,00,000
Profit from a profession in USA, which was setup in India, received there	6,00,000

Determine the residential status of Mr. Dhanush and compute his total income for the A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 20 [ICAI May 22]

Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the previous year 2023-24, she comes to India for 157 days. She is in India for 200 days, 100 days, 76 days and 45 days in the financial years 2019-20, 2020-21, 2021-22 and 2022-23, respectively. Her annual income for the previous year 2023-24 is as follows:

Particulars	Amount
Income from salary earned and received in UAE	2,00,000
Income earned and received from a house property situated in UAE	5,00,000
Income deemed to be accrued and arise in India	5,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	3,00,000
Life Insurance Premium paid by cheque in India	1,50,000

Determine the residential status of Mrs. Shruti for the assessment year 2024-25 assuming that he has exercised the

option of shifting out of the default tax regime provided u/s 115BAC(1A). (Support your Answer with computation).

Concept Problem 21 [RTP May 23]

Mrs. Roma, an Indian Citizen, is a government employee working for the Indian Government. She submits the following information for the previous year ending 31.03.2024:

S No.	Particulars	Amount
1	Salary income received in Malaysia for services rendered there	2,00,000
2	Profit from business carried on in Orissa	80,000
3	Loss from business carried on in Baroda	(20,000)
4	Profit from business carried on in Paris (income is earned and received in Sydney and business is controlled from Paris)	42,000
5	Loss from business carried on in Canada (though profits are not received in India, business is controlled from Dehradun)	(46,000)
6	Unabsorbed depreciation of business in Canada	16,000
7	Profit from Indonesia business (controlled form Delhi) and 60% of profit deposited in a bank in Indonesia and 40% received in India	70,000
8	Rent from house property situated in Canada and received in Canada	1,92,000

Determine the gross total income of Roma for the A.Y. 2024-25 assuming that she has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A) and on the assumption that she is:

- (1) Resident but not ordinarily resident in India
- (2) Non-resident in India.

Concept Problem 22 [MTP May 23]

Determine the residential status of Mrs. Rose and compute her gross total income chargeable to tax for the A.Y. 2024-25 from the following information gathered from her documents assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

Mrs. Rose is an Australian, got married to Mr. Ram of India in Australia on 2.01.2023 and came to India for the first time on 18.02.2023. She left for Australia on 15.9.2023. She returned to India again on 23.03.2024.

On 01.04.2023, she had purchased a Flat in Delhi, which was let out to Mr. Sahil on a rent of INR 25,000 p.m. from 1.5.2023. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of INR 1,85,500 upto 31.03.2024.

While in India, during the PY 2023-24, she had received a gold chain from her in-laws worth INR 1,50,000.

Concept Problem 23 [MTP May 23] [ICAI Nov 22]

Mr. Sarthak, an individual and Indian citizen living in Dubai, since year 2005 and never came to India for a single day since then, earned the following incomes during previous year 2023-24:

	Particulars	Amount
(i)	Income accrued and arisen in Dubai but he is not liable to tax in Dubai	20,00,000
(ii)	Income accrued and arisen in India	5,00,000
(iii)	Income deemed to accrue and arise in India	8,00,000
(iv)	Income arising in Dubai from a profession set up in India	10,00,000

- I. Determine the residential status of Mr. Sarthak and taxable income for the previous year 2023-24 assuming

that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A) and there is no other income.

- II. What would be your answer if income arising in Dubai from a profession set up in India is INR 2 lakhs instead of INR 10 lakhs?
- III. What would be your answer, if Mr. Sarthak is not an Indian citizen but his parents were born in India?

CHAPTER 3

AGRICULTURAL INCOME

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. B grows sugarcane and uses the same for the purpose of manufacturing sugar in his factory. 30% of sugarcane produce is sold for INR 10 lacs, and the cost of cultivation of such sugarcane is INR 5 lacs. The cost of cultivation of the balance sugarcane (70%) is INR 14 lacs and the market value of the same is INR 22 lacs. After incurring INR 1.5 lacs in the manufacturing process on the balance sugarcane, the sugar was sold for INR 25 lacs.

Compute Mr. B's business income and agricultural income.

Concept Problem 2

Mr. C manufactures latex from the rubber plants grown by him in India. These are then sold in the market for INR 30 lacs. The cost of growing rubber plants is INR 10 lacs and that of manufacturing rubber is INR 8 lacs. Compute his total income.

Concept Problem 3

Mr. X, a resident, has provided the following particulars of his income for the P.Y. 2023-24.

Particulars	Amount
Income from salary (computed)	2,80,000
Income from house property (computed)	2,50,000
Agricultural income from a land in Jaipur	4,80,000
Expenses incurred for earning agricultural income	1,70,000

Compute his tax liability assuming his age is –

- (a) 45 years
- (b) 70 years

Assuming Mr. X does not opt for the provisions of section 115BAC.

Concept Problem 4

Answer the following in light of Income-tax Act, 1961.

- a) Mr. Ram is employed in Delhi Agricultural University and getting salary of INR 40,000 p.m. He claims that it is his agricultural income. Discuss.
- b) Whether the income derived from saplings or seedlings grown in a nursery is taxable under the Income-tax Act, 1961? Examine.

Solution:

- a) Income from agricultural university cannot be considered to be agricultural income; rather it is his income under the head Salary.
- b) As per Explanation 3 to section 2(1A) of the Act, income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income and exempt from tax, whether or not the basic operations were carried out on land. Hence, such income is not taxable under Income-tax Act, 1961.

Concept Problem 5

Mr. Tenzingh is engaged in the business of growing and curing coffee in Coorg, Karnataka. Whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31.3.2024 are given below:

Particulars	Amount
Opening balance of car (only asset in the block) as on 1.4.2023 (i.e. WDV as on 31.3.2023 (-) depreciation for P.Y. 2022-23)	3,00,000
Opening balance of machinery as on 1.4.2023 (i.e., WDV as on 31.3.2023 (-) depreciation for P.Y. 2022-23)	15,00,000
Expenses incurred for growing coffee	3,10,000
Expenditure for curing coffee	3,00,000
Sale value of cured coffee	22,00,000

Besides being used for agricultural operations, the car is also used for personal use; disallowance for personal use may be taken at 20%. The expenses incurred for running and maintenance of car are INR 50,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the assessment year 2024-25.

Show the WDV of the assets as on 1.4.2024.

What would be your answer if car is used only for agricultural use and machine was used for curing business.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 6

Mr. Asim, a 60-year-old individual, engaged in the business of roasting and grounding of coffee, derives income of INR 10 lacs during the financial year 2023-24. Compute the tax payable by him assuming he has not earned any other income during the financial year 2023-24 and assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

What would be your answer if Mr. Asim is also engaged in the business of growing and curing coffee?

Concept Problem 7

Mr. Ram has estate in rubber, tea and coffee. He derives income from them. He has a nursery wherein he grows and sells the plants. For the previous year ending 31.03.2024, he furnishes the following particulars of his income from estate and sale of plants. You are requested to compute the taxable income for the AY 2024-25, assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

i) Growing and manufacturing of rubber	5,00,000
ii) Sale of coffee grown and cured	3,50,000
iii) Growing and manufacturing of tea	7,00,000
iv) Sale of plants and nursery	1,00,000

He has long term capital gain of INR 3,13,500 on the sale of agricultural land in Delhi.

Concept Problem 8

Mr. Rana, a resident and ordinarily resident aged 42 years, manufactures rubber from the latex processed from rubber plants grown in Kerala. Thereafter, he sold the rubber for 47 lakhs. The cost of growing rubber plants was INR 25 lakhs and the cost of manufacturing rubber was INR 7 lakhs. He has no other income during the previous year 2023-24. Compute his tax liability for the Assessment Year 2024-25, assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 9

Miss Vivitha, a resident and ordinarily resident in India, has derived the following income from various operations (relating to plantations and estates owned by her) during the year ended 31.3.2024:

S. No	Particulars	Amount
1	Income from sale of centrifuged latex processed from rubber plants grown in Darjeeling.	3,00,000
2	Income from sale of coffee grown and cured in Yercaud, Tamil Nadu.	1,00,000
3	Income from sale of coffee grown, cured, roasted and grounded in Colombo; sale consideration was received at Chennai.	2,50,000
4	Income from sale of tea grown and manufactured in Shimla.	4,00,000
5	Income from sapling and seeding grown in a nursery at Cochin. Basic operations were not carried out by her on land.	80,000

You are required to compute the business income and agricultural income of Miss Vivitha for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 10

Discuss taxability of following transactions giving reasons, in the light of relevant provisions, for your conclusion assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

- i. Mr. Rajpal took a land on rent from Ms. Shilpa on monthly rent of 10,000. He sub-lets the land to Mr. Manish for a monthly rent of 11,500. Manish uses the land for grazing of cattle required for agricultural activities. Mr. Rajpal wants to claim deduction of 10,000 (being rent paid by him to Ms. Shilpa) from the rental income received by it from Mr. Manish.
- ii. Mr. Netram grows paddy on land. He then employs mechanical operations on grain to make it fit for sale in the market, like removing hay and chaff from the grain, filtering the grain and finally packing the rice in gunny bags. He claims that entire income earned by him from sale of rice is agricultural income not liable to income tax since paddy as grown on land is not fit for sale in its original form.

Solution

- a) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income under section 2(1A)(a). Therefore, rent received from sub-letting of the land used for grazing of cattle required for agricultural activities is agricultural income. The rent can either be received by the owner of the land or by the original tenant from the sub-tenant.

Accordingly, rent received by Mr. Rajpal from Mr. Manish for using land for grazing of cattle required for agricultural activities is agricultural income exempt u/s 10(1).

As per section 14A, no deduction is allowable in respect of exempt income.

- b) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income under section 2(1A)(b)(ii). The process of making the rice read from paddy for the market may involve manual operations or mechanical operations, both of which constitute processes ordinarily employed to make the product fit for the market.

Accordingly, the entire income earned by Mr. Netram from sale of rice is agricultural income.

CHAPTER 4

SALARY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. Raj Kumar has the following receipts from his employer:

Particulars	Amount
Basic pay	40,000 p.m.
Dearness allowance (D.A.)	6,000 p.m.
Commission	50,000 p.m.
Motor car for personal use (expenditure met by the employer)	1,500 p.m.
House rent allowance	1,5000 p.m.

Find out the amount of HRA exempt in the hands of Mr. Raj Kumar assuming that he paid a rent of INR 16,000 p.m. for his accommodation at Kanpur. DA forms part of salary for retirement benefits. Mr. Raj Kumar exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 2

Mr. Srikanth has two sons. He is in receipt of children education allowance of INR 150 p.m. for his elder son and INR 70 p.m. for his younger son. Both his sons are going to school. He also receives the following allowances:

Transport allowance: INR 1,800 p.m.

Tribal area allowance: INR 500 p.m.

Compute his taxable allowances.

Concept problem 3

Mr. Sagar retired wef. 01.10.2023 receiving INR 5,000 p.m. as pension. On 01.02.2024, he commuted 60% of his pension and received INR 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

- He is a government employee.
- He is a private sector employee receiving gratuity of INR 5,00,000 at the time of retirement.
- He is a private sector employee and is in receipt of no gratuity at the time of retirement.

Concept Problem 4

Mr. Ravi retired on 15.6.2023 after completion of 26 years 8 months of service and received gratuity of INR 15,00,000. At the time of retirement, his salary was:

Basic Salary: INR 50,000 p.m.

Dearness Allowance: INR 10,000 p.m. (60% of which is for retirement benefits)

Commission: 1% of turnover (turnover in the last 12 months was INR 1,20,00,000)

Bonus: INR 25,000 p.a.

Compute his taxable gratuity assuming:

- i) He is private sector employee and covered by the Payment of Gratuity Act 1972.
- ii) He is private sector employee and not covered by Payment of Gratuity Act 1972.
- iii) He is a government employee.

Concept Problem 5

Mr. Gupta retired on 1.12.2023 after 20 years 10 months of service, receiving leave salary of INR 5,00,000. Other details of his salary income are:

Basic Salary: INR 5,000 p.m. (INR 1,000 was increased w.e.f. 1.4.2023)

Dearness Allowance: INR 3,000 p.m. (60% of which is for retirement benefits)

Commission: INR 500 p.m.

Bonus: INR 1,000 p.m.

Leave availed during service: 480 days

He was entitled to 30 days leave every year.

You are required to compute his taxable leave salary assuming:

- a) He is a government employee.
- b) He is a non-government employee

Concept Problem 6

Mr. A retires from service on December 31, 2023, after 25 years of service. Following are the particulars of his income/investments for the PY 2023-24:

Particulars	Amount
Basic pay @ ₹ 16,000 per month for 9 months	1,44,000
Dearness pay (50% forms part of the retirement benefits) ₹ 8,000 per month for 9 months	72,000
Lumpsum payment received from the Unrecognized Provident Fund	6,00,000
Deposits in the PPF account	40,000

Out of the amount received from the unrecognized provident fund, the employer's contribution was ₹ 2,20,000 and the interest thereon ₹ 50,000. The employee's contribution was ₹ 2,50,000 and the interest thereon ₹ 60,000. What is the taxable portion of the amount received from the unrecognized provident fund in the hands of Mr. A for the assessment year 2024-25?

Concept Problem 7

Will your answer be any different if the fund mentioned above was a recognised provident fund?

Concept Problem 8

Mr. B is working in XYZ Ltd. and has given the details of his income for the P.Y. 2023-24. You are required to compute his gross salary from the details given below:

Particulars	Amount
Basic salary	10,000 p.m.
D.A. (50% is for retirement benefits)	8,000 p.m.

Particulars	Amount
Commission as a percentage of turnover	0.1%
Turnover during the year	50,00,000
Bonus	40,000
Gratuity	25,000
His own contribution in the RPF	20,000
Employer's contribution to RPF	20% of his basic salary
Interest accrued in the RPF @ 13% p.a.	13,000

Concept Problem 9

Mr. Dutta received voluntary retirement compensation of INR 7,00,000 after 30 years and 4 months of services. He still has 6 years of services left. At the time of voluntary retirement, he was drawing basic salary INR 20,000 p.m.; dearness allowance (which form parts of pay) INR 5,000 p.m. Compute voluntary retirement compensation assuming that he does not claim any relief under section 89.

Concept Problem 10

Mr. X is appointed as a CFO of ABC Ltd. in Mumbai from 1.9.2021. His basic salary is 6,00,000 p.m. He is paid 8% as D.A. He contributes 10% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. The accumulated balance in recognized provident fund as on 1.4.2022, 31.3.2023 and 31.3.2024 is INR 9,81,137, INR 27,43,048 and INR 46,48,555, respectively.

Compute the perquisite value chargeable to tax in the hands of Mr. X u/s 17(2)(vii) and 17(2)(viii) for the A.Y. 2023-24 and A.Y. 2024-25. Prior to 1.9.2021, he was a consultant, whose professional fees was taxable under the head "Profits and gains of business or profession".

Concept Problem 11

Mr. D went on a holiday on 25.12.2023 to Delhi with his wife and three children (one son – age 5 years; twin daughters – age 3 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was 60,000 (45,000 for adults and 15,000 for the three minor children). Compute the amount of LTC exempt if Mr. D exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 12

Will the answer be different if among his three children the twins were 5 years old and son 3 years old? Discuss.

Concept Problem 13

Compute the taxable value of the perquisite in respect of medical facilities received by Mr. G from his employer during the P.Y. 2023-24:

Particulars	Amount
Medical premium paid for insuring health of Mr. G	7,000
Treatment of Mr. G by his family doctor	5,000
Treatment of Mrs. G in a Government hospital	25,000
Treatment of Mr. G's grandfather in a private clinic	12,000
Treatment of Mr. G's mother (68 years and dependant) by family doctor	8,000
Treatment of Mr. G's sister (dependant) in a nursing home	3,000
Treatment of Mr. G's brother (independent)	6,000

Particulars	Amount
Treatment of Mr. G's father (75 years and dependant) abroad	50,000
Expenses of staying abroad of the patient and one attendee	30,000
Limit specified by RBI	75,000

Concept Problem 14

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent-free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic salary	INR 6,000 p.m.
Dearness Allowance	INR 2,000 p.m. (30% is for retirement benefits)
Bonus	INR 1,500 p.m.

Even though the company allotted the house to him on 1.4.2023, he occupied the same only from 1.11.2023.

- Calculate the taxable value of the perquisite for A.Y.2024-25.
- Using the data given above (a), compute the value of perquisite if Mr. C is required to pay a rent of INR 1,000 p.m. to the Company, for the use of this accommodation.
- Using the data given in (a), compute the value of perquisite if ABC Ltd has taken this accommodation on a lease rent of INR 1,200 p.m. and Mr. C is required to pay a rent of INR 1,000 p.m. to the Company for use of this accommodation.
- Using the data given in (a), compute the value of the perquisite if ABC Ltd. has also provided a television (WDV INR 10,000; Cost INR 25,000) and two air conditioners. The rent paid by the company for the air conditioners is INR 400 p.m. each. The television was provided on 1.1.2024. However, Mr. C is required to pay a rent of INR 1,000 p.m. to the company, for the use of this furnished accommodation.
- Using the data given in (d), compute the value of the perquisite if Mr. C is a government employee. The license fee determined by the Government for this accommodation was INR 700 per month.

Concept Problem 15

Mr. X and Mr. Y are working for M/s. Gama Ltd. As per salary fixation norms, the following perquisites were offered:

- For Mr. X, who engaged a domestic servant for INR 500 per month, his employer reimbursed the entire salary paid to the domestic servant i.e. INR 500 per month.
- For Mr. Y, he was provided with a domestic servant @ INR 500 per month as part of remuneration package.

You are required to comment on the taxability of the above in the hands of Mr. X and Mr. Y, who are not specified employees.

Solution

In the case of Mr. X, it becomes an obligation which the employee would have discharged even if the employer did not reimburse the same. Hence, the perquisite will be covered under section 17(2)(iv) and will be taxable in the hands of Mr. X. This is taxable in the case of all employees.

In the case of Mr. Y, it cannot be considered as an obligation which the employee would meet. The employee might choose not to have a domestic servant. This is taxable only in the case of specified employees covered by section 17(2)(iii). Hence, there is no perquisite element in the hands of Mr. Y.

Concept Problem 16

Mr. X retired from the services of M/s Y Ltd. on 31.01.2024, after completing service of 30 years and one month. He had joined the company on 1.1.1993 at the age of 30 years and received the following on his retirement:

1. Gratuity INR 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
2. Leave encashment of INR 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
3. As per the scheme of the company, he was offered a car which was purchased on 30.01.2021 by the company for INR 5,00,000. Company has recovered INR 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
4. An amount of INR 3,00,000 as commutation of pension for 2/3 of his pension commutation.
5. Company presented him a gift voucher worth INR 6,000 on his retirement.
6. His colleagues also gifted him a Television (LCD) worth INR 50,000 from their own contribution.

Following are the other particulars:

- i) He has drawn a basic salary of INR 20,000 and 50% dearness allowance per month for the period from 01.04.2023 to 31.01.2024.
- ii) Received pension of INR 5,000 per month for the period 01.02.2024 to 31.03.2024 after commutation of pension.

Compute his gross total income from the above for Assessment Year 2024-25 assuming he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 17

Shri Bala employed in ABC Co. Ltd. as Finance Manager gives you the list of perquisites provided by the company to him for the entire financial year 2023-24:

- i) Domestic servant was provided at the residence of Bala. Salary of domestic servant is INR 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 Arthy and Ashok in a school maintained and owned by the company. The cost of such education for Arthy is computed at INR 900 per month and for Ashok at INR 1,200 per month. No amount was recovered by the company for such education facility from Bala.
- iii) The employer has provided movable assets such as television, refrigerator and air- conditioner at the residence of Bala. The actual cost of such assets provided to the employee is INR 1,10,000.
- iv) A gift voucher worth INR 10,000 was given on the occasion of his marriage anniversary. It is given by the company to all employees above certain grade.
- v) Telephone provided at the residence of Shri Bala and the bill aggregating to INR 25,000 paid by the employer.
- vi) Housing loan @ 6% per annum. Amount outstanding on 1.4.2023 is INR 6,00,000. Shri Bala pays INR 12,000 per month towards principal, on 5th of each month.

Compute the chargeable perquisite in the hands of Mr. Bala for the A.Y. 2024-25. The lending rate of State Bank of India as on 1.4.2023 for housing loan may be taken as 10%.

Concept Problem 18

AB Co. Ltd. Allotted 1000 sweat equity shares to Sri Chand in June 2023. The Shares were allotted at INR 200 per share as against the fair market value of INR 300 per share on the date of exercise of option by the allottee viz. Sri Chand. 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 Sri Chand?
- ii) In this case of subsequent sale of those shares by Sri Chand what would be the cost of acquisition of those sweat equity shares?

Concept Problem 19

X Ltd. Provided the following perquisite to its employee Mr. Y for the P.Y 2023-24:

- Accommodation taken on lease by X Ltd. for INR 15,000 p.m.; INR 5,000 p.m. is recovered from salary of Mr. Y.
- Furniture for which the hire charges paid by X Ltd. is INR 3,000 p.m. No amount is recovered from the employee in respect of the same.
- A Santro car which is owned by X Ltd. and given to Mr. Y to be used both for official and personal purposes. All running and maintenance expenses are fully met by the employer. He is also provided with a chauffeur.
- A gift voucher of INR 10,000 on his birthday.

Compute the value of perquisite chargeable to tax for the A.Y. 2024-25 assuming his salary for perquisite valuation to be INR 10 lakh.

Concept Problem 20

Mr. Goyal receives the following emoluments during the previous year ending 31.03.2024.

Particulars	Amount
Basic pay	4,00,000
Dearness allowance	1,50,000
Commission	1,00,000
Entertainment allowance	40,000
Medical expenses reimbursed	25,000
Professional tax paid	2,000 (INR 1,000 was paid by his employer)

Mr. Goyal contributes INR 5,000 towards recognized provident fund. He has no other income. Determine the income from salary for A.Y 2024-25, if Mr. Goyal is a state government employee.

Concept Problem 21

In the case of Mr. Hari, who turned 71 years on 28.3.2024, you are informed that the salary for the previous year 2023-24 is INR 10,20,000 and arrears of salary received is INR 3,45,000. Further, you are given the following details relating to the earlier years to which the arrears of salary received is attributable to:

Previous year	Taxable Salary (INR)	Arrears now received (INR)
2010 – 2011	7,10,000	1,03,000
2011 – 2012	8,25,000	1,17,000
2012 – 2013	9,50,000	1,25,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2024-25. Assume that Mr. Hari does not opt for section 115BAC(1A).

Note: Rates of Taxes:

Assessment Year	Slab rates of income-tax			
	For resident individuals of the age of 60 years or more at any time during PY		For other resident individuals	
	Slabs	Rate	Slabs	Rate
2011 – 12	up to INR 2,40,000	NIL	up to INR 1,60,000	Nil

Assessment	Slab rates of income-tax			
	INR 2,40,001 – INR 5,00,000	10%	INR 1,60,001 – INR 5,00,000	10%
	INR 5,00,001 – INR 8,00,000	20%	INR 5,00,001 – INR 8,00,000	20%
	Above INR 8,00,000	30%	Above INR 8,00,000	30%
2012-13	up to INR 2,50,000	NIL	up to INR 1,80,000	Nil
	INR 2,50,001 – INR 5,00,000	10%	INR 1,80,001 – INR 5,00,000	10%
	INR 5,00,001 – INR 8,00,000	20%	INR 5,00,001 – INR 8,00,000	20%
	Above INR 8,00,000	30%	Above INR 8,00,000	30%
2013-14	up to INR 2,50,000	Nil	up to INR 2,00,000	Nil
	INR 2,50,001 – INR 5,00,000	10%	INR 2,00,001 – INR 5,00,000	10%
	INR 5,00,001 – INR 10,00,000	20%	INR 5,00,001 – INR 10,00,000	20%
	Above INR 10,00,000	30%	Above INR 10,00,000	30%

Note – Education cess @ 2% and Secondary and higher Education cess @1% is attracted on the income-tax for all the above preceding years.

Concept problem 22

Mr. Mohit is employed with ABC Ltd. on a basic salary of INR 10,000 p.m. He is also entitled to dearness allowance @ 100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of INR 6,000 p.m. which was increased to INR 7,000 p.m. with effect from 01.01.2024. He also got an increment of INR 1,000 p.m. in his basic salary wef 01.02.2024. Rent paid by him during the PY 2023-24 is as under:

April and May, 2023	Nil, as he stayed with his parents.
June to October, 2023	INR 6,000 p.m. for an accommodation in Ghaziabad.
November, 2023 to March, 2024	INR 8,000 p.m. for an accommodation in Delhi.

Compute the gross salary for the AY 2024-25, assuming he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 23

Mrs. Rakhi is an employee in a private company. She receives the following medical benefits from the company during the previous year 2023-24.

Particulars	Amount
1. Reimbursement of the following Medical Expenses incurred by Mrs. Rakhi	
i) On treatment of her self-employed daughter in a private clinic.	4,000
ii) On treatment of herself by Family doctor	8,000
iii) On treatment of her Mother-in-law dependent on her, in a Nursing Home.	5,000
2. Payment of premium on Medi claim Policy taken on her health	7,500
3. Medical Allowance	2,000 p.m.
4. Medical expenses reimbursed on her son's treatment in a Government Hospital	5,000
5. Expenses paid by company on treatment of her minor son abroad	1,05,000
6. Expenses in relation to Foreign Travel of Mrs. Rakhi and her son	1,20,000
<i>Note - Limit prescribed by RBI for expenditure on medical treatment and stay abroad is USD 2,50,000 per financial year under liberalized remittance scheme.</i>	

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

Concept Problem 24

Mr. X is employed with AB Ltd. on a monthly salary of INR 25,000 per month and an entertainment allowance and commission of INR 1,000 p.m. each. The company provides him with the following benefits.

1. A company owned accommodation is provided to him in Delhi. Furniture costing INR 2,40,000 was provided on 1.8.2023.
2. A personal loan of INR 5,00,000 on 1.7.2023 on which it charges interest @ 6.75% p.a. The entire loan is still outstanding. (Assume SBI rate of interest to be 12.75% p.a.)
3. His son is allowed to use a motor cycle belonging to the company. The company had purchased this motor cycle for INR 60,000 on 1.5.2020. The motor cycle was finally sold to him on 1.8.2023 for INR 30,000.
4. Professional tax paid by Mr. X is INR 2,000

Compute the income from salary of Mr. X for the A.Y. 2024-25 assuming Mr. X exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 25

Mr. Balaji employed as production manager in Beta Ltd. furnishes you the following information for the year ended 31.03.2024-

- i) Basic salary upto 31.10.2023 INR 50,000 p.m.
Basic salary from 01.11.2023 INR 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 1-month salary. Paid in October 2023 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) Profession tax paid INR 2,500 of which INR 2,000 was paid by the employer.
- vi) Facility of laptop and computer was provided to Mr. Balaji for both official and personal use. Cost of laptop INR 45,000 and computer INR 35,000 were acquired by the company on 01.12.2023.
- vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2023 meant for both official and personal use. Repair and running expenses of INR 45,000 from 01.11.2023 to 31.03.2024, were fully met by the employer. The motor car was self-driven by the employee.
- viii) Leave travel concession given to employer, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer 30,000 for adults and 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.

Compute the salary income chargeable to tax in the hands of Mr. Balaji for the A.Y. 2024-25 assuming he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 26

Form the following details find out the salary chargeable to tax for the A.Y 2024-25 assuming he has not opted for the provisions of section 115BAC-

Mr. X is a regular employee of Rama & Co. in Gurgaon. He was appointed on 1.1.2023 in the scale of INR 20,000 – INR 1,000 – INR 30,000. He is paid 10% DA. & Bonus equivalent to one month pay based on salary of March every year. He contributes 15% of his pay and D.A towards his recognized provident and the company contributes the same amount. DA forms part of pay for retirement benefits.

He is provided free housing facility which has been taken on rent by the company at INR 10,000 per month. He is also provided with following facilities:

1. Facility of laptop costing INR 50,000.
2. Company reimbursed the medical treatment bill of his brother of INR 25,000 who is dependent on him.
3. The monthly salary of INR 1,000 of a house keeper is reimbursed by the company.
4. A gift voucher of INR 10,000 on the occasion of his marriage anniversary.
5. Conveyance allowance of INR 1,000 per month is given by the company towards actual reimbursement.
6. He is provided personal accident policy for which premium of INR 5,000 is paid by the company.
7. He is getting telephone allowance @ INR 500 per month.

Concept Problem 27

You are required to compute the income from salary of Mr. Raja under default tax regime from the following particulars for the year ended 31-03-2024:

- i) He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
- ii) He was paid a salary of 25,000 p.m. and house rent allowance of 6,000 p.m. He paid rent of 6,500 p.m., during his tenure of service.
- iii) On retirement, he was paid a gratuity of 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
- iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
- v) He is receiving 5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received 3,00,000 as commuted pension.
- vi) The company presented him with a gift voucher of 5,000 on his retirement. His colleagues also gifted him a mobile phone worth 50,000 from their own contribution.

Concept Problem 28

Ms. Akansha, a salaried employee, furnishes the following details for the financial year 2023-24:

Particulars	Amount
Basic salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer	18,000
Profession tax (of this, 50% paid by employer)	4,000
Health insurance premium paid by employer	8,000
Gift voucher given by employer on her birthday	10,000
Life insurance premium of Akansha paid by employer	26,000
Laptop provided for use at home. Actual cost of Laptop to employer Children of the assessee are also using the Laptop at home]	45,000

Employer company owns a Maruti Suzuki Swift car, which was provided to the assessee, both for official and personal use. Driver was also provided. (Engine cubic capacity more than 1.6 litres). All expenses are met by the employer	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes; details of usage are not available]	7,000

You are required to compute the income chargeable under the head Salaries for the assessment year 2024-25 if she pays tax under default tax regime.

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 29

From the following details, find out the salary chargeable to tax of Mr. Anand for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Mr. Anand is a regular employee of Malpani Ltd. In Mumbai, he was appointed on 01-03-2023 in the scale of INR 25,000 – INR 2,500 - INR 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 INR 15,000 per month. He is also provided with following facilities:

- i) The company reimbursed the medical treatment bill of INR 40,000 of his daughter who is dependent on him.
- ii) The monthly salary of INR 2,000 of a house keeper is reimbursed by the company.
- iii) He is getting telephone allowance @ INR 1,000 per month.
- iv) A gift voucher of INR 4,700 was given on the occasion of his marriage anniversary.
- v) The company pays medical insurance premium to effect an insurance on the health of Mr. Anand INR 12,000.
- vi) Motor car running and maintenance charges of INR 36,600 fully paid by employer.

(The motor car is owned and driven by Mr. Anand. The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee)

- vii) Value of free lunch provided during office hours is INR 2,200.

Concept Problem 30

Ms. Arohi is the HR Manager in Shipra Limited. She gives you the following particulars:

Basic Salary = INR 70,000 p.m.

Dearness Allowance = INR 24,000 p.m. (30% of which forms part of retirement benefits)

Bonus = INR 21,000 p.m.

Her employer has provided her with an accommodation on 1st April 2023 at a concessional rent. The house was taken on lease by Shipra Ltd. for INR 12,000 p.m. Ms. Arohi occupied the house from 1st November, 2023, INR 4,800 p.m. is recovered from the salary of Ms. Arohi.

The employer gave her a gift voucher of INR 10,000 on her birthday. She contributes 18% of her salary (Basic Pay plus DA) towards recognised provident fund and the company contributes the same amount.

The company pays medical insurance premium to effect insurance on the health of Ms. Arohi INR 20,000. Motor car owned by the employer (cubic capacity of engine exceeds 1.6 litres) provided to Ms. Arohi from 1st November, 2023 which is used for both official and personal purposes. Repair and running expenses of INR 70,000 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 Ms. Aaroahi for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 31

Ms. Suhaani, a resident individual, aged 33 years, is an assistant manager of Daily Needs Ltd. She is getting a salary of INR 48,000 per month. During the PY 2023-24, 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 PY 2023-24 amounting to INR 52,000 was received on 30th November, 2023.
- iii) Fixed Medical allowance of INR 48,000 for meeting medical expenditure.
- iv) She was also reimbursed the medical bill of her father dependent on her amounting to INR 4,900.
- v) Ms. Suhaani was provided;
 - a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2021 at INR 35,000.
 - a domestic servant at a monthly salary of INR 5,000 which was reimbursed by her employer.
- vi) Daily Needs Ltd. allotted 700 equity shares in the month of October 2023 @ INR 170 per share against the fair market value of INR 280 per share on the date of exercise of option by Ms. Suhaani. The fair market value was computed in accordance with the method prescribed under the Act.
- vii) Professional tax INR 2,200 (out of which INR 1,400 was paid by the employer).

Compute the Income under the head "Salaries" of Ms. Suhaani for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 32

Mr. Satya joins Tax Ltd. on 1st July, 2018 in the pay scale of 20,000 – 1,000 - 25,000 – 1500 - 32,500 - 2,000 - 42,500. The company has allowed him dearness allowance @ 5% of the basic pay from 01.04.2023 upto 30.06.2023 and thereafter 11% of the basic pay upto 31.12.2023 and after that dearness allowance was allowed @ 18% of the basic pay.

Compute employee's Tax Liability for the Assessment Year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A)..

Concept problem 33

Mr. Pankaj is employed in Tax Ltd. and getting basic pay of INR 60,000 p.m. and dearness allowance of INR 10,000 p.m. which forms part of employment contract. Employers has paid bonus INR 20,000 during the year. Commission was allowed @ 2% of sales turnover of INR 50,00,000. The employer and employee are both contributing INR 11,000 p.m. (each) to the recognized provident fund. During the year interest of INR 1,00,000 was credited to the RPF @ 10% p.a.

Compute tax liability of Mr. Pankaj for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept problem 34

Presume that the provident fund in concept problem above is an unrecognized one.

Concept Problem 35

Miss Neha is employed in Central Government since 01.01.2023 and is getting basic pay of INR 1,00,000 p.m. She has contributed INR 10,000 p.m. to the notified pension scheme of Central Government and employer has also contributed an equal amount. She has paid premium of Jeevan Suraksha policy of INR 3,000 and invested INR 1,00,000 in NSC. Compute her tax liability for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 36

Mr. Ashish retired from Tax Ltd. wef. 01.12.2023 after serving the employer for 20 years and 10 months. The employer has paid him leave salary of INR 3,75,000. The employee was entitled for 20 days leave per year of service. During entire service, he has availed 35 days of leave and has encased 10 days of leave. The employee was getting basic pay INR 27,000 p.m. at the time of retirement. The employer has allowed him pension of INR 6,000 p.m. and employee was allowed commutation of 1/3rd of his pension on 01.03.2024 amounting to INR 2,40,000.

Compute his taxable salary for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 37

Mr. Garg received retrenchment compensation of INR 10,00,000 after 30 years 4 months of service. At the time of retrenchment, he was receiving basic salary of INR 20,000 p.m. and dearness allowance of INR 5,000 p.m.

Compute his taxable retrenchment compensation assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept problem 38

Compute taxable amount of house rent allowance in the following cases:

Name of the employee	Mr. A	Mr. B
Basic Pay	20,000 p.m.	20,000 p.m.
House rent allowance	5,000 p.m.	5,000 p.m.
Rent paid	1,500 p.m.	12,000 p.m.
Place of residence	Delhi	Patna

Concept Problem 39

Mr. Sohan is employed in Central Government getting basic pay of INR 30,000 p.m., dearness allowance INR 7,000 p.m., servant allowance INR 2,000 p.m., entertainment allowance INR 1,000 p.m., city compensatory allowance INR 600 p.m.

Compute the income under the head Salary of Mr. Sohan assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 40

Mr. Prakash is employed in Tax Ltd. and getting basic pay INR 50,000 p.m. but it was increased to INR 70,000 p.m. wef 1st July, 2023. Compute salary income for FY 2023-24 in different scenarios when salary becomes due assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 41

Mr. Ashok, an employee of a PSU, furnishes the following particulars for the previous year ending 31.03.2024:

Particulars	Amount
Salary income for the year	7,25,000
Salary for financial year 2011-12 received during the year	80,000
Assessed income for the financial year 2011-12	2,40,000

You are requested by the Assessee to compute relief under section 89 and the tax payable for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

The rates of income tax for the assessment year 2012-13 are:

Slab	Rate
On first INR 1,60,000	Nil
On INR 1,60,000 to INR 3,00,000	10%
On INR 3,00,000 to INR 5,00,000	20%
Above 5,00,000	30%
Education cess	3%

Concept Problem 42

Mr. Ram, employed in Tax Ltd., is getting basic pay of INR 20,000 p.m., dearness allowance of INR 10,000 p.m. and 50% of dearness allowance forms part of the salary. Employer has paid bonus INR 1,000 p.m., commission INR 2,000 p.m., children education allowance INR 150 p.m. per child for 3 children and hostel allowance INR 500 p.m. for one child and entertainment allowance INR 500 p.m., transport allowance INR 1,800 p.m. Employer has paid profession tax INR 200 p.m. on behalf of the employee.

Employer has provided him club facility and has paid membership fee INR 1,000 p.m.

Employer has provided him rent free accommodation for which rent paid by employer is INR 11,000 p.m.

Compute his salary income for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 43

Compute perquisite value in the following situations:

- Mr. Puneet is employed in Tax Ltd. getting basic pay INR 50,000 p.m. and the employer has provided him a rent-free accommodation which is owned by the employer himself at a place with population of 2,00,000.
- Mr. Salil is employed in PwC Ltd. getting basic pay INR 50,000 p.m. and the employer has provided him a rent-free accommodation which is owned by the employer himself at a place with population of 10,00,000.
- Mr. Rishab is employed in PwC Ltd. getting basic pay INR 50,000 p.m. and the employer has provided him a rent-free accommodation which is owned by the employer himself at a place with population of 22,00,000.
- Mr. Sanket is employed in Tax Ltd. getting basic pay INR 50,000 p.m. and the employer has provided him a rent-free accommodation which is owned by the employer himself at a place with population of 32,00,000. Accommodation was provided only for three months.

Concept Problem 44

Compute tax liability in the following situations assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Name of the Employee	Mr. A	Mr. B	Mr. C
Basic Pay	25,000 p.m.	25,000 p.m.	25,000 p.m.
Accommodation provided by the employer	Owned by the employer	Owned by the employer	Hired by the employer
Rent paid by the employer	Nil	Nil	4,000 p.m.
Population of the employer	25 lakhs	35 lakhs	10 lakhs
Rent recovered from the employee	500 p.m.	500 p.m.	500 p.m.

Concept Problem 45

Mr. Sonu is employed in Tax Ltd. and is getting basic pay of INR 22,000 p.m. Employer has paid professional tax of INR 75 p.m. on behalf of the employee and employee himself has paid professional tax of INR 25 p.m. The employer has provided him rent free accommodation which is owned by the employer himself and it is provided at a place with population of 5,00,000.

Employer has provided him three motor cars for official as well as personal use with particulars as given below:

Particulars	I	II	III
Actual cost	4,00,000	3,00,000	2,50,000
Engine capacity	1.8 liters	1.6 liters	1.4 liters
Petrol expense	3,000	10,000	15,000
Repairs	5,000	4,000	3,000
Driver	4,000 p.m.	3,000 p.m.	No driver

All the expenses are met by the employer. Compute his salary income for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 46

Compute perquisite value in following situations

- a) Mr. Ravi is employed in Tax Ltd. and is getting salary of INR 4,000 p.m. The employer has incurred INR 1,500 p.m. on the education of his one son.

In this case, perquisite value shall be Nil.

- b) Mr. Bharat is employed in ABC Ltd. and is getting a salary of INR 8,500 p.m. and the employer has incurred INR 1,500 p.m. on the education of his one adopted son.

In this case, perquisite value shall be INR 18,000.

- c) Mr. Shyam is employed in ABC Ltd. and is getting a salary of INR 10,000 p.m. and employer has spent INR 500 p.m. on the education of his daughter in law.

In this case, perquisite value shall be INR 6,000.

- d) Mr. Anubhav is employed in Tax Ltd. and is getting a salary of INR 8,000 p.m. and he has incurred INR 700 p.m. on the education of his one son.

In this case, perquisite value shall be Nil.

Concept Problem 47

Compute the perquisite value in the following cases:

Particulars	Furniture	Microwave oven	Motor car	Computer
Original cost	75,000	25,000	2,40,000	55,000
Date of purchase by the employer	07.03.2019	01.06.2021	10.07.2020	01.01.2021
Date of putting to use	31.03.2019	01.06.2021	11.07.2020	10.01.2021
Date of sale of asset to the employee	01.07.2023	01.04.2023	01.07.2023	09.01.2024
Payment made by the employee	25,000	Gift to the employee	95,000	30,000

Concept Problem 48

An employee instructs his employer to pay a certain portion of his salary to a charity and claims it as exempt as it is diverted by overriding charge / title. Discuss.

Solution

In the instant case, it is an application of income and in the nature of foregoing of salary. Hence, the amount paid by the employer to a charity as per the employee's directions is taxable in the hands of the employee. As per Income-tax Act, income of a person is taxable and not the savings.

Concept problem 49

Mr. Vignesh, Finance Manager of KLM Ltd., Mumbai, furnishes the following particulars for the FY 2023-24:

- i) Salary INR 46,000 per month
- ii) Value of medical facility in a hospital maintained by the company INR 7,000
- iii) Rent free accommodation owned by the company.
- iv) Housing loan of INR 6,00,000 given on 01.04.2023 at the interest rate of 6% p.a. (No repayment made during the year). Rate of interest charged by SBI as on 01.04.2023 in respect of housing loan is 10%.
- v) Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Vignesh INR 4,750
- vi) A wooden table and 4 chairs were provided to Mr. Vignesh at his residence (dining table). This was purchased on 1.5.2020 for INR 60,000 and sold to Mr. Vignesh on 1.8.2023 for INR 30,000.
- vii) A personal purchase through credit card provided by the company amounting to INR 10,000 was paid by the company. No part of the amount was recovered from Mr. Vignesh.
- viii) An ambassador car which was purchased by the company on 16.7.2020 for INR 2,50,000 was sold to the Assessee on 14.7.2023 for INR 80,000.
- ix) Other income received by the Assessee during the previous year 2023-24:

S No.	Particulars	Amount
1	Interest on Fixed Deposits with a company	5,000
2	Income from specified mutual fund	3,000
3	Interest on bank fixed deposits of a minor married daughter	3,000

- x) Contribution to LIC towards premium under section 80CCC INR 1,00,000
- xi) Deposit in PPF Account made during the year 2023-24 INR 40,000

Compute the taxable income of Mr. Vignesh and the tax thereon for the Assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept problem 50

MR. Muhafiz, a resident individual, retires from PwC wef 1st February, 2024 after 25 years of service. He joined EY Ltd. on the same day.

The following information is provided by him about his incomes/outgoing during the Previous Year 2023-24:

(a) Salary/allowance/perquisites/other payment from 01.04.2023	Amount
(i) Basic salary	12,000 p.m.
(ii) Dearness allowance (One-half includible for superannuation benefits)	3,000 p.m.
(iii) Commission, 5% on turnover achieved by him	6,000
(iv) House accommodation, rent paid by company	5,000 p.m.
(v) Best suggestion award for total quality management scheme (in kind)	12,000
(vi) Lunch Facility	2,000 p.m.

(a) Salary/allowance/perquisites/other payment from 01.04.2023	Amount
(vii) Gratuity under Gratuity Act, 1972	3,35,000
(viii) Pension	3,000 p.m.
(ix) Commuted value of one-half pension wef. 01.02.2024	2,25,000
(x) Refund of employer contribution from unrecognized PF (Including interest of INR 1,00,000)	2,50,000
(xi) Refund of employee contribution from unrecognized PF (Including interest of INR 1,00,000)	2,50,000
(b) Salary/allowance/perquisites etc. from 01.02.2024 to 31.03.2024 from EY Ltd.	
(i) Salary	8,000 p.m.
(ii) House rent allowance	1,500 p.m.
(iii) Free use of motorcar (exceeding 1.6 liters engine capacity) (expenses met by employer)	
(iv) Rent paid by the Assessee	2,000 p.m.

You are required to compute his income under the head Salary and Tax Liability for the Assessment Year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 51

Mr. Kashyap, aged 38 years, is entitled to a salary of Rs. 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent-free accommodation which is owned by the company. The HRA amount payable was Rs. 8,000 per month. The rent for the hired accommodation was Rs. 6,500 per month at New Delhi. Advise Mr. Kashyap whether it would be beneficial for him to avail HRA or Rent-Free Accommodation.

Give your advice on the basis of “Net Take Home Cash benefits”. Assume Mr. Kashyap shifted out of default tax regime u/s 115BAC.

Concept Problem 52 [RTP May 23]

Mr. Kamal, a resident individual aged 48 years, is working at a senior management position in a private bank since past 20 years. During the previous year 2023-24, he received the following emoluments from the employer:

- Basic Salary 3,50,000 per month.
- Client entertainment reimbursement of 20,000 per month out of which he submitted bills for 2,00,000 for the relevant year.
- Leave travel allowance of 4,00,000 per annum. He took a trip to Goa with his spouse and two children in December 2023, for which plane boarding tickets of 1,00,000 and hotel bookings of 3,00,000 were submitted to the employer.
- Performance bonus amounting to 20% of annual basic salary.
- He is eligible to take a staff housing loan upto 20,00,000 at a concessional rate of 2.5% p.a. He availed a housing loan of 15,00,000 out of the same on 1st June 2023. No repayment of loan has been made during the F.Y. 2023-24. The lending rate of SBI as on 1.4.2023 for housing loan may be taken as 8% p.a.
- The Bank also allotted 1,500 sweat equity shares to Mr. Kamal in May 2023 at the rate of 1,300 per share. The Fair market value of the share was 1,500 per share on the date of exercise of option by Mr. Kamal. He sold all the shares for 2,100 per share on 31.03.2024 on recognised stock exchange. Assume Securities transaction tax has been paid.

The following transactions were made by Mr. Kamal during the previous year 2023-24:

- He earned rental income of 35,000 per month from a 3 BHK residential flat situated at Delhi. He purchased the said flat for 45 Lakhs in June, 2023 using the housing loan availed from the employer and his own savings. It was let out from July, 2023. Municipal taxes of 12,000 for F.Y. 2023-24 was paid by Mr. Kamal.

- (b) He invested 30,00,000 in RBI Floating Rate Savings Bonds on 1st September 2023 earning an interest of 7% p.a. Interest is credited half yearly on 1st January and 1st July every year. (Assume receipt basis for taxation)
- (c) He also paid LIC premium of INR 15,000 for self, INR 20,000 for wife and INR 30,000 for dependent father, aged 75 years. Medical insurance premium paid on the health of dependent brother and major dependent son amounted to INR 5,000 (paid by cheque) and INR 10,000 (paid in cash), respectively.
- (d) In December 2023, he earned dividend income of INR 5,00,000 (gross) on shares of the bank held by him.

You are required to compute his total income and tax liability for the assessment year 2024-25, clearly showing all workings assuming he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 53 [ICAI Nov 22]

Mr. B is a sales manager in PQR Ltd. During F.Y. 2023-24 he has received the following towards his salary and allowances/perquisites;

- (i) Basic pay 85,000 per month upto December 2023 and thereafter an increase of 2,000 per month.
- (ii) Dearness allowance 40% of basic pay forming part of retirement benefits.
- (iii) Bonus 1-month basic pay based on the salary drawn during January month every year.
- (iv) He contributes 14% of his basic pay & DA towards his recognized provident fund and his employer company contributes the same amount.
- (v) Travelling allowance of 5,000 per month towards on duty tours.
- (vi) Research and training allowance 3,000 per month.
- (vii) Children education allowance of 600 per month, per child for his 2 sons and 1 daughter.
- (viii) Accommodation owned by PQR Ltd. was provided to him in Hyderabad for the whole year and furniture of 2,00,000 was provided from 1st October, 2023.
- (ix) Reimbursement of medical expenses on his treatment in private hospital - 15,000, medical allowance 1,500 per month. Company has paid premium on medical policy purchased on his health 12,500.

You are required to:

- I.** Compute the income chargeable to tax under the head "Income from Salary", assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).
- II.** What will be the income under the head "Salaries", if he pays tax under default tax regime u/s 115BAC?

CHAPTER 5

HOUSE PROPERTY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Jayashree owns five houses in Chennai, all of which are let- out. Compute the expected rent and GAV of each house from the information given below:

Particulars	House I	House II	House III	House IV	House V
Municipal Value	80,000	55,000	65,000	24,000	75,000
Fair Rent	90,000	60,000	65,000	25,000	80,000
Standard Rent	NA	75,000	58,000	NA	78,000
Actual Rent	72,000	72,000	60,000	30,000	72,000
Expected Rent					
GAV					

Concept Problem 2

Rajesh, a British national, is a resident and ordinarily resident in India during the P.Y. 2023-24. He owns a house in London, which he has let out at £ 10,000 p.m. The municipal taxes paid to the Municipal Corporation of London is £ 8,000 during the P.Y. 2023-24. The value of one £ in Indian rupee to be taken at INR 95. Compute Rajesh's Net Annual Value of the property for the A.Y. 2024-25.

Concept Problem 3

Mr. Manas owns two house properties one at Bombay, wherein his family resides and the other at Delhi, which is unoccupied. He lives in Chandigarh for his employment purposes in a rented house. For acquisition of house property at Bombay, he has taken a loan of INR 30 lakh @ 10% p.a. on 1.4.2022. He has not repaid any amount so far. In respect of house property at Delhi, he has taken a loan of INR 5 lakh @ 11% p.a. on 1.10.2022 towards repairs.

Compute the deduction which would be available to him under section 24(b) for A.Y.2024-25 in respect of interest payable on such loan if he exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 4

Anirudh has a property whose municipal valuation is INR 1,30,000 p.a. The fair rent is INR 1,10,000 p.a. and the standard rent fixed by the Rent Control Act is INR 1,20,000 p.a. The property was let out for a rent of INR 11,000 p.m. throughout the previous year. Unrealised rent was INR 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 10% of municipal valuation. Interest on borrowed capital was INR 40,000 for the year. Compute the income from house property of Anirudh for A.Y. 2024-25.

Concept Problem 5

Ganesh has a property whose municipal valuation is ₹ 2,50,000 p.a. The fair rent is ₹ 2,00,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 2,10,000 p.a. The property was let out for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.2024. Unrealised rent was 20,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 8% of municipal valuation. Interest on borrowed capital was ₹ 65,000 for the year. Compute the income from house property of Ganesh for A.Y. 2024-25.

Concept Problem 6

Poorna has one house property at Indira Nagar in Bangalore. She stays with her family in the house. The rent of similar property in the neighbourhood is INR 25,000 p.m. The municipal valuation is INR 2,80,000 p.a. Municipal taxes paid is INR 8,000. The house construction began in April 2017 with a loan of INR 20,00,000 taken from SBI Housing Finance Ltd. @ 9% p.a. on 1.4.2017. The construction was completed on 30.11.2019. The accumulated interest up to 31.3.2019 is INR 3,60,000. On 31.3.2024, Poorna paid INR 2,40,000 which included INR 1,80,000 as interest. There was no principal repayment prior to this date.

Compute Poorna's income from house property for A.Y. 2024-25 assuming that she has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 7

Smt. Rajalakshmi owns a house property at Adyar in Chennai. The municipal value of the property is INR 5,00,000, fair rent is INR 4,20,000 and standard rent is INR 4,80,000. The property was let-out for INR 50,000 p.m. up to December 2023. Thereafter, the tenant vacated the property and Smt. Rajalakshmi used the house for self-occupation. Rent for the months of November and December 2023 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied. She paid municipal taxes @ 12% during the year. She had paid interest of INR 25,000 during the year for amount borrowed for repairs for the house property. Compute her income from house property for the A.Y. 2024-25.

Concept Problem 8

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 2023-24 are as under:

Particulars	House I	House II	House III
Municipal valuation p.a.	3,00,000	3,60,000	3,30,000
Fair rent p.a.	3,75,000	2,75,000	3,80,000
Standard rent p.a.	3,50,000	3,70,000	3,75,000
Date of completion/purchase	31.3.1999	31.3.2002	01.4.2016
Municipal taxes paid during the year	12%	8%	6%
Interest on money borrowed for repair of property during the current year	-	55,000	
Interest for current year on money borrowed in April 2016 for purchase of property			1,75,000

Compute Ganesh's income from house property for A.Y.2024-25 and suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum.

Concept Problem 9

Prem owns a house in Madras. During the previous year 2023-24, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of INR 8,000 p.m. Municipal value of the property is INR 3,00,000 p.a., fair rent is INR 2,70,000 p.a. and standard rent is INR 3,30,000 p.a. He paid municipal taxes @ 10% of municipal value during the year. A loan of INR 25,00,000 was taken by him during the year 2019 for acquiring the property. Interest on loan paid during the previous year 2023-24 was INR 1,20,000.

Compute Prem's income from house property for the A.Y.2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

What would be Prem's income from house property under the default tax regime?

Concept Problem 10

Mr. Anand sold his residential house property in March, 2023.

In June, 2023, he recovered rent of INR 10,000 from Mr. Gaurav, to whom he had let out his house for two years from April 2017 to March 2019. He could not realize two months' rent of 20,000 from him and to that extent his actual rent was reduced while computing income from house property for AY 2019-20.

Further, he had let out his property from April, 2019 to February, 2023 to Mr. Satish. In April 2021, he had increased the rent from INR 12,000 to INR 15,000 per month and the same was a subject matter of dispute. In September 2023, the matter was finally settled and Mr. Anand received INR 69,000 as arrears of rent for the period April 2021 to February 2023.

Would recovery of unrealized rent and arrears of rent be taxable in the hands of Mr. Anand? If so, in which year?

Concept Problem 11

Ms. Aparna co-owns a residential house property in Calcutta along with her sister Ms. Dimple, where her sister's family resides. Both of them have equal share in the property and the same is used by them for self-occupation. Interest is payable in respect of loan of ₹ 50,00,000 @ 10% taken on 1.4.2022 for acquisition of such property. In addition, Ms. Aparna owns a flat in Pune in which she and her parents reside. She has taken a loan of ₹ 3,00,000 @ 12% on 1.10.2022 for repairs of this flat.

Compute the deduction which would be available to Ms. Aparna and Ms. Dimple under section 24(b) for A.Y.2024-25, if both exercise the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 12

Mr. Raman is a co-owner of a house property along with his brother holding equal share in the property.

Particulars	Amount
Municipal value of the property	1,60,000
Fair rent	1,50,000
Standard rent under the Rent Control Act	1,70,000
Rent received	15,000 p.m.

The loan for the construction of this property is taken jointly and the interest charged by the bank is INR 25,000 out of which INR 21,000 have been paid. Interest on the unpaid interest is INR 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is INR 5,000.

The Municipal taxes of INR 5,100 have been paid by the tenant.

Compute the income from this property chargeable in the hands of Raman for A.Y. 2024-25.

Concept Problem 13

Mr. X owns a residential house in Mumbai. The house is having two identical units. First unit of the house is self-occupied by Mr. X and another unit is rented for INR 8,000 p.m. The rented unit was vacant for 2 months during the year. The particulars of the house for the previous year 2023-24 are as under:

Standard rent	INR 1,62,000 p.a.
Municipal valuation	INR 1,90,000 p.a.
Fair rent	INR 1,85,000 p.a.
Municipal tax paid by Mr. X	5% of the municipal valuation
Light and water charges	INR 500 p.m.
Interest on borrowed capital	INR 1,500 p.m.
Lease money	INR 1,200 p.a.

Insurance charges

INR 3,000 p.a.

Repairs

INR 12,000 p.a.

Compute income from house property of Mr. X for the A.Y. 2024-25 if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 14

Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are INR 96,000, INR 1,26,000 and INR 1,08,000 (per annum), respectively.

During the Financial Year 2023-24, one-third of the portion of the house was let out for residential purpose at a monthly rent of INR 5,000. The remaining two-third portion was self-occupied by him. Municipal tax @ 11% of municipal value was paid during the year.

The construction of the house began in June, 2016 and was completed on 31-5-2019. Vikas took a loan of INR 1,00,000 on 1-7-2016 for the construction of building. He paid interest on loan @ 12% per annum and every month such interest was paid.

Compute income from house property of Mr. Vikas for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 15

Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the FY 2023-24. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is \$20,000. The value of one USD (\$) may be taken as INR 75.

She took ownership and possession of a flat in Chennai on 1.7.2023, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.3.2024. The municipal valuation is INR 3,84,000 p.a. and the fair rent is INR 4,20,000 p.a. She paid the following to Corporation of Chennai:

Property Tax = INR 16,200

Sewerage Tax = INR 1,800

She had taken a loan from Standard Chartered Bank for purchasing this flat. Interest on loan was as under:

Period prior to 1.4.2023	49,200
1.4.2023 to 30.6.2023	50,800
1.7.2023 to 31.3.2024	1,31,300

She had a house property in Bangalore, which was sold in March, 2020. In respect of this house, she received arrears of rent of INR 60,000 in March, 2024. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Rohini Ravi for the A.Y. 2024-25 if she has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Would your answer change if she pays tax under the default tax regime under section 115BAC?

Concept Problem 16

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 1998-99. The property consists of eight identical units and is situated at Cochin.

During the financial year 2023-24, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of INR 12,000 per month per unit. The municipal value of the house property is INR 9,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

i) Repairs = 40,000

- ii) Insurance premium (paid) = 15,000
iii) Interest payable on loan taken for construction of house = 3,00,000

One of the let-out units remained vacant for four months during the year.

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

The other income of Mr. Arun and Mr. Bimal are INR 2,90,000 and INR 1,80,000, respectively, for FY 2023-24.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the A.Y. 2024-25 if they pay tax under the default tax regime under section 115BAC.

Also, show the computation of income under this head, if they both exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 17

Mr. Raphael constructed a shopping complex. He had taken a loan of INR 25 lakhs for construction of the said property on 01-08-2022 from SBI @ 10% for 5 years. The construction was completed on 30-06-2023. Rental income received from shopping complex INR 30,000 per month-let out for the whole year. Municipal taxes paid for shopping complex INR 8,000.

Arrears of rent received from shopping complex INR 1,20,000.

Interest paid on loan taken from SBI for purchase of house for use as own residence for PY 2023-24, INR 3 lakhs.

You are required to compute income from house property of Mr. Raphael for A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 18

Mr. Vihaan is a resident but not ordinarily resident in India during the A.Y. 2024-25. He furnishes the following information regarding his income/expenditure pertaining to his house properties for PY 2023-24:

- He owns two houses, one in Singapore and the other in Pune.
- The house in Singapore is let out there at a rent of SGD 4,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1250 and Sewerage Tax SGD 750 there. (1 SGD = INR 51)
- The house in Pune is self-occupied. He had taken a loan of INR 25,00,000 to construct the house on 1st June, 2019 @ 12%. The construction was completed on 31st May, 2021 and he occupied the house on 1st June, 2021.

The entire loan is outstanding as on 31st March, 2024. Property tax paid in respect of the second house is INR 2,800.

Compute income chargeable under the head "Income from House property" in hands of Vihaan for A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 19

Mitul owns a residential house. Ground floor of the house is self-occupied by her while first floor has been rented out since 01/10/2023. The reconstruction of the house was started on 01-04-2023 and was completed on 30-09-2023. The monthly rent is INR 10,000. The tenant also pays INR 3,000 p.m. as power back-up charges. She took a housing loan of 12 lakhs on 01-04-2023. Interest on housing loan for the period 01-04-2023 to 30-09-2023 was INR 60,000 and for the period 01-10-2023 to 31-03-2024 was INR 40,000. During the year, she also paid municipal taxes for the F.Y. 2022-23 INR 5,000 and for F.Y. 2023-24 INR 5,000.

Calculate gross total income of Mitul for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept problem 20

Mr. Ram took a loan of INR 5,00,000 on 01.10.2020 @ 10% p.a. for construction of house which was completed on 31.03.2024. Compute interest on capital borrowed for the previous year 2023-24.

Concept problem 21

Mr. Ram has taken a loan of INR 15,00,000 on 01.07.2019 from State Bank of India @ 12% p.a. for construction of one house which was completed on 01.05.2023 and was let out @ INR 90,000 p.m. wef. 01.07.2023 and fair rent is INR 1,00,000 p.m. The Assessee has paid municipal tax of INR 30,000 in PY 2023-24 and the Assessee has repaid the loan amount in annual installment of INR 1,00,000 starting from 01.01.2022.

Compute his Total Income for the assessment year 2024-25 assume that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 22

Compute GAV in the following cases for the assessment year 2024-25:

Particulars	Case I	Case II	Case III	Case IV
Fair Rent (p.m.)	9,000	13,000	12,000	16,000
Municipal Valuation (p.m.)	10,000	9,000	9,000	18,000
Standard Rent (p.m.)	12,000	11,000	7,000	16,000
Rent received/ receivable(p.m.)	7,000	11,500	20,000	16,500
Vacancy	1 Month	1 Month	2 Month	2 Month

Concept Problem 23

Compute the GAV in the following cases for the AY 2024-25:

Particulars	Case I	Case II	Case III
Fair Rent (p.m.)	11,000	14,000	16,000
Municipal Valuation (p.m.)	12,000	9,000	18,000
Standard Rent (p.m.)	13,000	8,000	17,000
Rent received/ receivable(p.m.)	8,000	21,000	17,000
Vacancy	-	1 Month	3 Month
Unrealized Rent	1 Month	3 Month	1 Month

Concept Problem 24

Neha has one big house - 25% of it is being used in her own business/ profession and 50% of the house is let out @ INR 10,000 p.m. However, it remained vacant for one month and there is unrealized rent for one and half month. Remaining 25% is self-occupied throughout the year. Fair rent of the entire house is INR 25,000 p.m., municipal valuation INR 22,000 p.m. and municipal tax paid is INR 3,000, insurance charge 6,000, repairs 8,000, land revenue 4,000, Ground Rent 3,000 and depreciation of the house is INR 12,000. Assessee's income under the head Business/ Profession before charging expenditure relating to house property is INR 2,00,000.

Compute his total income for assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 25

Mr. Ram has let out one house along with generator facility and has charged a sum of INR 50,000 p.m. as rent, out of which INR 5,000 p.m. is on account of the generator. He has paid INR 2,500 and the tenant has paid INR 1,000 towards municipal taxes. The interest on the capital borrowed for construction of the house is INR 10,000. Mr.

Ram has paid repair charge of the generator INR 3,500, fuel charges INR 6,000 and operator's salary INR 500 p.m.

Compute the total income of Mr. Ram for assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 26

Mrs. Ram, a resident and ordinarily resident individual, owns a house in USA. She receives rent @ \$2,000 per month. She paid municipal taxes of \$ 1,500 during the financial year 2023-24.

She also owns a two-storied house in Mumbai; ground floor is used for her residence and first floor is let out at a monthly rent of INR 10,000. Standard rent for each floor is INR 11,000 per month

Municipal taxes paid for the house amounts to INR 7,500. Mrs. Ram had constructed the house by taking a loan from a nationalized bank on 20.06.2020. She repaid the loan of INR 54,000 including interest of INR 24,000 in the current year.

The value of one dollar is to be taken as INR 65.

Compute total income from house property of Mrs. Ram for assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 27

Raj Prakash has let out a building to Rohit at a rent of INR 2,00,000 per month and has paid municipal taxes of INR 1,00,000. Rohit has sub-let 50% of the property to Mr. Shyam at a rent of INR 80,000 per month.

Compute the income of Raj Prakash and Rohit assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 28

Mr. Kalpesh borrowed a sum of INR 30 lakhs from the National Housing Bank towards purchase of a residential flat. The loan amount was disbursed directly to the flat promoter by the bank. Though the construction was completed in May, 2024, repayments towards principal and interest had been made during the year ended 31.3.2024. In the light of the above facts, assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A), state:

- Whether Mr. Kalpesh can claim deduction under section 24 in respect of interest for the AY 2024-25?
- Whether deduction under Section 80C can be claimed for the above assessment year, even though the construction was completed only after the closure of the year?

Solution

- As per section 24(b), Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction.

Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction.

It is stated that the construction is completed only in May, 2024. Hence, deduction in respect of interest on housing loan cannot be claimed in the assessment year 2024-25.

- Deduction under section 80C is allowed where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from House Property'.

Such payment covers repayment of any amount borrowed from the National Housing Bank. However, deduction is eligible only if the income from such property is chargeable to tax under the head "Income from

House Property”. During the assessment year 2024-25, there is no such income chargeable under this head. Hence, deduction under section 80C cannot be claimed for A.Y. 2024-25.

Concept Problem 29

Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the FY 2023-24. He owns two house properties in Country Y, one is used as his residence. Another house property is rented for a monthly rent of \$ 18,000. Fair rent of house property is \$ 20,000. The value of one CYD (\$) may be taken as 78.

He took ownership and possession of a flat in Delhi on 1.10.2023, which is used for self-occupation, while he is in India. The flat was used by him for 3 months at the time when he visited India during the previous year 2023-24. The municipal valuation is 4,58,000 p.a. and the fair rent is 3,60,000 p.a. He paid property tax of 13,800 and 2,800 as Sewerage tax to Municipal Corporation of Delhi.

He had taken a loan of 18,00,000 @ 9.5% from HDFC Bank on 1st August, 2021 for purchasing this flat. No amount is repaid by him till 31.03.2024.

He also had a house property in Bangalore which is let out on a monthly rent of 40,000. The fair rent of which is 4,58,000 p.a. and Municipal value of 3,58,000 p.a. and Standard Rent of 4,20,000 p.a. He had taken a loan of 25,00,000 @ 10% from one of his friends, residing in Country Y for this house. Municipal tax of 5,400 is paid by him in respect of this house during the previous year 2023-24.

Compute the income chargeable from house property of Mr. Roxx for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 30

Mrs. Jasmin, an Australian citizen, got married to Mr. Kapil of India in Australia on 2.01.2022 and came to India for the first time on 18.03.2023. She left for Australia on 10.8.2023. She returned to India again on 23.02.2024.

On 01.04.2023, she had purchased a Flat in Mumbai, which was let out to Mr. Sunil on a rent of 28,000 p.m. from 1.5.2023. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of 2,15,500 upto 31.03.2024.

While in India, during the previous year 2023-24, she had received a gold chain from her in-laws worth 1,50,000, a car worth 6,25,000 from married sister of her husband and 1,72,000 from very close friends of her husband.

Determine her residential status and compute her gross total income chargeable to tax for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 31

Mr. Ravi, a resident and ordinarily resident in India, owns a let-out house property having different flats in Kanpur which has municipal value of 27,00,000 and standard rent of 29,80,000. Market rent of similar property is 30,00,000. Annual rent was 40,00,000 which includes 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is 2,40,000) remains vacant for 4 months during the previous year.

He has incurred following expenses in respect of aforesaid property:

Municipal taxes of 4,00,000 for the financial year 2023-24 (10% rebate is obtained for payment before due date). Arrears of municipal tax of financial year 2022-23 during the year of 1,40,000 which includes interest on arrears of 25,000.

Lift maintenance expenses of 2,40,000 which includes a payment of 30,000 which made in cash.

Salary of 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr. Ravi for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 32

Mr. Sailesh constructed a house in P.Y. 2016-17 with 3 independent units. During the P.Y. 2023-24, Unit - 1 (50%

of floor area) is let out for residential purpose at monthly rent of 20,000. Rent of January, 2024 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Sailesh is occupied by the tenant. Unit - 1 remains vacant for February and March 2024 when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Sailesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal Valuation	2,88,000
Fair Rent	2,98,000
Standard Rent under the Control Rent Act	2,78,000
Municipal Taxes	30,000 paid by Mr. Sailesh
Repairs	7,000
Interest on capital borrowed for the construction of the property	90,000
Ground Rent	6,000
Fire Insurance Premium paid	60,000

Income of Sailesh from the business is 2,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Sailesh for the assessment year 2024-25 under default tax regime.

Concept Problem 33

Mr. Rajesh, owner of a residential house, let out for a monthly rent of INR 15,000. The fair rental value of the property for the let-out period is INR 1,50,000. The house was self-occupied by him from 1st January, 2024 to 31st March, 2024. He has taken a loan from bank of INR 20 lacs for the construction of the property and has repaid INR 1,05,000 (including interest INR 40,000) during the year. Compute Rajesh's income from house property for the AY 2024-25 assuming he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

(Answer - INR 1,00,000)

Concept Problem 34 [RTP May 23]

Mr. Akash owns a residential house property whose Municipal Value, Fair Rent and Standard Rent are 1,60,000, 1,70,000 and 1,90,000, respectively. The house has two independent units. Unit I (25% of floor area) is utilized for the purpose of his profession and Unit II (75% of floor area) is let out for residential purposes at a monthly rent of 8,500. Municipal taxes @ 8% of the Municipal Value were paid during the year by Mr. Akash. He made the following payments in respect of the house property during the previous year 2023-24:

Light and Water charges 2,000, Repairs 1,45,000, Interest on loan taken for the repair of property 36,000. Mr. Akash has taken a loan of 5,00,000 in July, 2017 for the construction of the above house property. Construction was completed on 30th June, 2020. He paid interest on loan @ 12% per annum and every month such interest was paid. No repayment of loan has been made so far.

Income of Mr. Akash from his profession amounted to 8,00,000 during the year (without debiting house rent and other incidental expenditure including admissible depreciation of 8,000 on the portion of house used for profession).

Determine the Gross total income of Mr. Akash for the A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 35 [MTP May 23]

Mr. Ramesh and Mr. Suresh constructed their houses on a piece of land purchased by them at Mumbai. The built-up area of each house was 1,500 sq.ft. ground floor and an equal area in the first floor. Ramesh started construction on 1-04-2022 and completed on 1-04-2023. Suresh started the construction on 1-04-2022 and completed the

construction on 30-06-2023. Ramesh occupied the entire house on 01-04-2023. Suresh occupied the ground floor on 01-07-2023 and let out the first floor for a rent of INR 15,000 per month. However, the tenant vacated the house on 31-12-2023 & Suresh occupied the entire house during the period 01-01-2024 to 31-03-2024.

Following are the other information:

(i)	Fair rental value of each unit (ground floor /first floor)	1,00,000 per annum
(ii)	Municipal value of each unit (ground floor / first floor)	72,000 per annum
(iii)	Municipal taxes paid by	Ramesh - 8,000
		Suresh - 8,000
(iv)	Repair and maintenance charges paid by	Ramesh - 28,000
		Suresh - 30,000

Ramesh has availed a housing loan of INR 20 lakhs @ 12% p.a. on 01-04-2022. Suresh has availed a housing loan of INR 12 lakhs @ 10% p.a. on 01-07-2022. No repayment was made by either of them till 31-03-2024. Compute income from house property for Ramesh and Suresh for the previous year 2023-24 (A.Y. 2024-25) assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

CHAPTER 6

PGBP

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. X, a proprietor engaged in manufacturing business, furnishes the following particulars:

Particular	Amount
Opening WDV of plant and machinery as on 1.4.2023 (i.e., WDV as on 31.3.2023 after reducing depreciation for P.Y. 2022-23)	30,00,000
New plant and machinery purchased and put to use on 08.06.2023	20,00,000
New plant and machinery acquired and put to use on 15.12.2023	8,00,000
Computer acquired and installed in the office premises on 2.1.2024	3,00,000

Compute the amount of depreciation and additional depreciation for the A.Y. 2024-25, if Mr. X has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Assume that all the assets were purchased by way of account payee cheque.

Concept Problem 2

A car purchased by Dr. Soman on 10.08.2020 for INR 5,25,000 for personal use is brought into professional use on 01.07.2023 by him, when its market value was INR 2,50,000.

Compute the actual cost of the car and the amount of depreciation for the AY 2024-25 assuming the rate of depreciation to be 15%.

Concept Problem 3

A newly qualified Chartered Accountant Mr. Dhaval commenced practice and has acquired the following assets in his office during FY 2023-24 at the cost shown against each item. Calculate the amount of depreciation that can be claimed from his professional income for A.Y.2024-25. Assume that all the assets were purchased by way of account payee cheque.

S. No	Description	Date of acquisition	Date when put to use	Amount
1.	Computer including computer software	27 Sept, 2023	1 Oct, 2023	35,000
	Computer UPS	2 Oct, 2023	8 Oct, 2023	8,500
2.	Computer printer	1 Oct, 2023	1 Oct, 2023	12,500
3.	Books (of which books being annual publication are of INR 12,000)	1 Apr, 2023	1 Apr, 2023	13,000
4.	Office furniture (Acquired from practicing C.A)	1 Apr, 2023	1 Apr, 2023	3,00,000
5.	Laptop	26 Sept, 2023	8 Oct, 2023	43,000
6.	Fire extinguisher	1 Apr, 2023	1 Apr, 2024 (No instance arose to use during FY)	2,500

S. No	Description	Date of acquisition	Date when put to use	Amount
			2023-24)	
7.	Purchased practicing CA's office in April' 2023 who had run it for 4 years, for INR 5 lacs which includes INR 2 lacs for goodwill and INR 3 lacs for cost of furniture (included in 4 above)			

Concept Problem 4

Mr. Gamma, a proprietor started a business of manufacture of tyres and tubes for motor vehicles on 1.1.2023. The manufacturing unit was set up on 1.5.2023. He commenced his manufacturing operations on 1.6.2023. The total cost of the plant and machinery installed in the unit is INR 120 crore. The said plant and machinery included second hand plant and machinery bought for INR 20 crore and new plant and machinery for scientific research relating to the business of the assessee acquired at a cost of INR 15 crore.

Compute the amount of depreciation allowable under section 32 of the Income-tax Act, 1961 in respect of the assessment year 2024-25. Assume that all the assets were purchased by way of account payee cheque and Mr. Gamma has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 5

Mr. A, furnishes the following particulars for the P.Y.2023-24. Compute the deduction allowable under section 35 for A.Y.2024-25, while computing his income under the head "Profits and gains of business or profession", if

- he is paying tax under default tax regime under section 115BAC
- he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)

	Particulars	Amount
1.	Amount paid to notified approved Indian Institute of Science, Bangalore, for scientific research	1,00,000
2.	Amount paid to IIT, Delhi for an approved scientific research programme	2,50,000
3.	Amount paid to X Ltd., a company registered in India which has as its main object scientific research and development, as is approved by the prescribed authority	4,00,000
4.	Expenditure incurred on in-house research and development facility as approved by the prescribed authority	
	a) Revenue expenditure on scientific research	3,00,000
	b) Capital expenditure (including cost of acquisition of land INR 5,00,000) on scientific research	7,50,000

Concept Problem 6

Mr. A commenced operations of the businesses of setting up a warehousing facility for storage of food grains, sugar and edible oil on 01.04.2023. He incurred capital expenditure of INR 80 lakh, INR 60 lakh and INR 50 lakh respectively on purchase of land and building during the period January, 2023 to March 2023 exclusively for the above businesses and capitalized the same in its books of account as on 1st April 2023.

The costs of land included in the above figures are INR 50 lakhs, INR 40 lakhs, and INR 30 lakhs respectively. Further, during the PY 2023-24, it incurred capital expenditure of INR 20 lakhs, INR 15 lakhs and INR 10 lakhs respectively for extension and reconstruction of the building purchased and used exclusively for the above businesses.

Compute the income under the head "Profits and gains of business or profession" for the A.Y.2024-25 and the loss to be carried forward, assuming that Mr. A is exercising the option of shifting out of the default tax regime provided under section 115BAC(1A) and has fulfilled all the conditions specified under section 35AD and wants to

claim deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C – Deductions in respect of certain incomes”.

The profit from the business of setting up a warehousing facility for storage of food grains, sugar and edible oil (before claiming deduction under section 35AD and section 32 for the AY 2024-25 is INR 16 lakhs, INR 14 lakhs and INR 31 lakhs respectively. Also, assume in respect of expenditure incurred, the payments are made by account payee cheque or use of ECS through bank account.

Concept Problem 7

Mr. Suraj, a proprietor, commenced operations of the business of a new three-star hotel in Madurai, Tamil Nadu on 1.4.2023. He incurred capital expenditure of INR 50 lakhs during the period January, 2023 to March, 2023 exclusively for the above business and capitalized the same in his books of account as on 1st April, 2023. Further, during the P.Y. 2023-24, he incurred capital expenditure of INR 2 crore (out of which INR 1.50 crore was for acquisition of land) exclusively for the above business.

Compute the income under the head “Profits and gains of business or profession” for the A.Y. 2024-25, assuming that he has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C. – Deductions in respect of certain incomes”. He has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y. 2024-25 is INR 25 lakhs. Assume that he also has another existing business of running a four-star hotel in Coimbatore, which commenced operations ten years back, the profits from which are INR 120 lakhs for the A.Y. 2024-25. Also, assume that payments for capital expenditure were made by net banking.

Concept Problem 8

Arnav is a company having two units – Unit A carries on specified business of setting up and operating a warehousing facility for storage of sugar, Unit B carries on non-specified business of operating a warehousing facility for storage of edible oil.

Unit A commenced operations on 1.4.2022 and it claimed deductions of INR 100 lacs incurred on purchase of two buildings for INR 50 lacs each (for operating a warehousing facility for storage of sugar) under section 35AD for A.Y. 2023-24. However, in February 2024, unit A transferred one of its buildings to Unit B.

Examine the tax implications of such transfer in the hands of Arnav.

Concept Problem 9

Delta Ltd. credited the following amounts to the account of resident payees in the month of March, 2024 without deduction of tax at source. What would be the consequence of non-deduction of tax at source by Delta Ltd. on these amounts during the financial year 2023-24, assuming that the resident payees in all the cases mentioned below, have not paid the tax, if any, which was required to be deducted by Delta Ltd.?

S. No	Particulars	Amount
1.	Salary to its employees (credited and paid in March, 2024)	12,00,000
2.	Directors’ remuneration (credited in March, 2024 and paid in April, 2024)	28,000

Would your answer change if Delta Ltd. has deducted tax on directors’ remuneration in April, 2024 at the time of payment and remitted the same in July, 2024?

Concept Problem 10

During the financial year 2023-24, the following payments/expenditures were made/incurred by Mr. Raja, a resident individual (whose turnover during the year ended 31.3.2023 was INR 99 lacs):

- Interest of INR 45,000 was paid to Rehman & Co., a resident partnership firm, without deduction of tax at source;
- INR 10,00,000 was paid as salary to a resident individual without deduction of tax at source;

- c. Commission of INR 16,000 was paid to Mr. Vidyasagar, a resident, on 2.7.2023 without deduction of tax at source.

Briefly discuss whether any disallowance arises under section 40(a)(i)/40(a)(ia) of the Income-tax Act, 1961 assuming that the payees in all the cases mentioned above, have not paid the tax, if any, which was required to be deducted by Mr. Raja?

Concept Problem 11

A firm has paid INR 7,50,000 as remuneration to its partners for the P.Y. 2023-24, in accordance with its partnership deed, and it has a book profit of INR 10 lakh. What is the remuneration allowable as deduction?

Concept Problem 12

Rao & Jain, a partnership firm consisting of two partners, reports a net profit of INR 7,00,000 before deduction of the following items:

- i) Salary of INR 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
- ii) Depreciation on plant and machinery under section 32 (computed) INR 1,50,000.
- iii) Interest on capital at 15% per annum (as per the deed of partnership). The amount of capital eligible for interest INR 5,00,000.

Compute:

- i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- ii) Allowable working partner salary for the assessment year 2024-25 as per section 40(b).

Concept Problem 13

X Ltd. contributes 20% of basic salary to the account of each employee under a pension scheme referred to in section 80CCD. Dearness Allowance is 40% of basic salary and it forms part of pay of the employees.

Compute the amount of deduction allowable under section 36(1)(iva), if the basic salary of the employees aggregates to INR 10 lakhs. Would disallowance under section 40A(9) be attracted, and if so, to what extent?

Concept Problem 14

Hari, an individual, carried on the business of purchase and sale of agricultural commodities like paddy, wheat, etc. He borrowed loans from Andhra Pradesh State Financial Corporation (APSFC) and Indian Bank and has not paid interest as detailed hereunder:

Particulars	Amount
Andhra Pradesh State Financial Corporation (P.Y. 2022-23 & 2023-24)	15,00,000
Indian Bank (P.Y. 2023-24)	30,00,000
	45,00,000

Both APSFC and Indian Bank, while restructuring the loan facilities of Hari during the year 2023-24, converted the above interest payable by Hari to them as a loan repayable in 60 equal instalments. During the year ended 31.3.2024, Hari paid 5 instalments to APSFC and 3 instalments to Indian Bank

Hari claimed the entire interest of INR 45,00,000 as an expenditure while computing the income from business of purchase and sale of agricultural commodities. Examine whether his claim is valid and if not, what is the amount of interest, if any, allowable.

Concept Problem 15

Vinod is a person carrying on profession as film artist. His gross receipts from profession are as under:

Financial year 2020-21	1,15,000
Financial year 2021-22	1,80,000
Financial year 2022-23	2,10,000

What is his obligation regarding maintenance of books of accounts for AY 2024-25 u/s 44AA of Income-tax Act?

Concept Problem 16

Mr. Praveen engaged in retail trade, reports a turnover of INR 2,98,50,000 for the financial year 2023-24. Amount received in cash during the P.Y. 2023-24 is INR 14,00,000 and balance through prescribed electronic modes on or before 31st October 2024. His income from the said business as per books of account is INR 15,00,000 computed as per the provisions of Chapter IV-D “Profits and gains from business or Profession” of the Income-tax Act, 1961. Retail trade is the only source of income for Mr. Praveen. A.Y. 2023-24 was the first year for which he declared his business income in accordance with the provisions of presumptive taxation u/s 44AD.

- Is Mr. Praveen also eligible for presumptive determination of his income chargeable to tax for the assessment year 2024-25?
- If so, determine his income from retail trade as per the applicable presumptive provision.
- In case Mr. Praveen wants to declare profits as per books of account from retail trade, what are his obligations under the Income-tax Act, 1961?
- (iii) What is the due date for filing his return of income under both the options?

Concept Problem 17

Mr. X commenced the business of operating goods vehicles on 1.4.2023. He purchased the following vehicles during the P.Y. 2023-24. Compute his income under section 44AE for A.Y. 2024-25.

S. No	Gross Vehicle Weight (in kilograms)	Number	Date of purchase
(1)	7,000	2	10.04.2023
(2)	6,500	1	15.03.2024
(3)	10,000	3	16.07.2023
(4)	11,000	1	02.01.2024
(5)	15,000	2	29.08.2023
(6)	15,000	1	23.02.2024

Would your answer change if the goods vehicles purchased in April, 2023 were put to use only in July, 2023?

Concept Problem 18

Mr. Venus., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai, for the year ending 31-3-2024:

Particular	Amount (in lakhs)
WDV of Plant and Machinery on 31.3.2023	30
Depreciation including additional depreciation for P.Y. 2022-23	4.75
New machinery purchased on 1-9-2023	10
New machinery purchased on 1-12-2023	8
Computer purchased on 3-1-2024	4

Additional information:

- All assets were purchased by A/c payee cheque.
- All assets were put to use immediately.
- New machinery purchased on 1-12-2023 and computer have been installed in the office.
- During the year ended 31-3-2023, a new machinery had been purchased on 31-10-2022, for INR 10 lacs. Additional depreciation, besides normal depreciation, had been claimed thereon.
- Depreciation rate for machinery may be taken as 15%.

Compute the depreciation available to the assessee as per the provisions of the Income-tax Act, 1961 and the WDV of different blocks of assets as on 31- 3-2024 if -

- he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)
- he pays tax under the default tax regime under section 115BAC.

Concept Problem 19

Mr. Abhimanyu is engaged in the business of generation and distribution of electric power. He always opts to claim depreciation on written down value for income-tax purposes.

From the following details, compute the depreciation allowable as per the provisions of the Income-tax Act, 1961 for the A.Y. 2024-25, assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A):

Particulars	Amount (In Lacs)
WDV of block as on 31.3.2023 (15% rate)	50
Depreciation for P.Y. 2022-23	7.50
New machinery purchased on 12.10.2023	10
Machinery imported from Colombo on 12.4.2023. This machine had been used only in Colombo earlier and the Assessee is the first user in India.	9
New computer installed in generation wing of the unit on 15-7-2023	2

All assets were purchased by A/c payee cheque.

Concept Problem 20

Mr. Sivam, a retail trader of Cochin gives the following Trading and Profit and Loss Account for the year ended 31st March, 2024:

Trading and Profit and Loss Account for the year ended 31.03.2024

Particulars	Amount	Particulars	Amount
To Opening stock	90,000	By sales	1,12,11,500
To Purchases	1,10,04,000	By Closing stock	1,86,100
To Gross Profit	3,03,600		
	1,13,97,600		1,13,97,600
To Salary	60,000	By Gross profit b/d	3,03,600
To Rent and rates	36,000	By Income from UTI	2,400
To Interest on loan	15,000		
To Depreciation	1,05,000		
To Printing & stationery	23,200		

Particulars	Amount	Particulars	Amount
To Postage & telegram	1,640		
To Loss on sale of shares (Short term)	8,100		
To Other general expenses	7,060		
To Net Profit	50,000		
	3,06,000		3,06,000

Additional Information:

- i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:

Opening stock	INR 9,000
Closing stock	INR 18,000

- ii) Salary includes INR 10,000 paid to his brother, which is unreasonable to the extent of INR 2,000.
 iii) The whole amount of printing and stationery was paid in cash by way of one-time payment to Mr. Ramesh.
 iv) The depreciation provided in the Profit and Loss Account INR 1,05,000 was based on the following information:

The opening balance of plant and machinery (i.e., the written down value as on 31.3.2023 minus depreciation for P.Y. 2022-23) is INR 4,20,000. A new plant falling under the same block of depreciation was bought on 01.7.2023 for INR 70,000. Two old plants were sold on 1.10.2023 for INR 50,000.

- v) Rent and rates includes GST liability of INR 3,400 paid on 7.4.2024.
 vi) Other general expenses include INR 2,000 paid as donation to a Public Charitable Trust.

You are required to compute the profits and gains of Mr. Sivam under presumptive taxation u/s 44AD and profits and gains as per the regular provisions of the Act assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

Concept Problem 21

Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2023, he owns 10 trucks (out of which 6 are heavy goods vehicles, the gross vehicle of such goods is 15,000 kg each). On 2nd May, 2023, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 6th May, 2023. This new vehicle could however be put to use only on 15th June, 2023.

Compute the total income of Mr. Sukhvinder for the assessment year 2024-25, taking note of the following data:

Particulars	Amount	Amount
Freight charges collected		12,70,000
Less: Operational expenses	6,25,000	
Less: Depreciation as per section 32	1,85,000	
Less: Other office expenses	15,000	8,25,000
Net Profit		4,45,000
Other business and non- business income		70,000

Concept Problem 22

Mr. Raju, a manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024:

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024

Particulars	Amount	Particulars	Amount
To Opening Stock	71,000	By Sales	2,32,00,000
To Purchase of Raw Materials	2,16,99,000	By Closing stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000		
To Gross Profit	10,60,000		
	2,34,00,000		2,34,00,000
To Administrative charges	3,26,000	By Gross Profit	10,60,000
To State GST penalty	5,000	By Dividend from domestic companies	15,000
To State GST paid	1,10,000	By Income from agriculture (net)	1,80,000
To General Expenses	54,000		
To Interest to Bank (On machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	12,55,000		12,55,000

Following are the further information relating to the financial year 2023-24:

- Administrative charges include INR 46,000 paid as commission to brother of the Assessee. The commission amount at the market rate is INR 36,000.
- The Assessee paid INR 33,000 in cash to a transport carrier on 29.12.2023. This amount is included in manufacturing expenses (Assume that the provisions relating to TDS are not applicable to this payment.)
- A sum of INR 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in the books of account.
- Bank term loan interest actually paid upto 31.03.2024 was INR 20,000 and the balance was paid in November 2024.
- Housing loan principal repaid during the year was INR 50,000 and it relates to residential property occupied by him in PY 2022-23 for self-occupation. Interest on housing loan was INR 23,000. Housing loan was taken from Canara Bank. These amounts were not dealt with in the profit and loss account given above.
- Depreciation allowable under the Act is to be computed on the basis of following information:

Plant & Machinery (Depreciation rate @ 15%)	Amount
WDV as on 31.03.2023 minus Depreciation for P.Y. 2022-23	11,90,000
Additions during the year (used for more than 180 days)	2,00,000
Total additions during the year	4,00,000

Compute the total income of Mr. Raju for the A.Y. 2024-25 assuming he pays tax under default tax regime.

Note: Ignore application of section 14A for disallowance of expenditures in respect of any exempt income.

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS
Concept Problem 23

Mr. Prakash is in the business of operating goods vehicles. As on 1st April, 2023, he had the following vehicles

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Put to use during F.Y. 2023-24
A	8,500	2-4-2022	Yes
B	13,000	15-5-2022	Yes
C	12,000	4-8-2022	No (as under repairs)

During P.Y. 2023-24, he purchased the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11,000	30-4-2023	10-5-2023
E	15,000	15-5-2023	18-5-2023

Compute his income under section 44AE of the Income-tax Act, 1961 for A.Y. 2024-25.

Concept Problem 24

Mr. Chirag, set up a manufacturing unit of Baking Soda in notified backward area of the State of Andhra Pradesh on 18th May, 2023. The following machineries (falling under 15% block) purchased by him during the PY 2023-24.

	Particulars	Amount (INR in lakhs)
(i)	Machinery X, Machinery Y and Machinery Z from Sahaj Limited on credit (installed and usage started on 18 th July 2023, 25 th July 2023 and 1 st August 2023, respectively). Payment is made on 15 th April 2024 to Sahaj Limited by net banking.	58
(ii)	Machinery L from Swayam Limited (installed on 8 th August 2023). The Invoice was paid through a cash payment on the same day.	35
(iii)	Machinery M (a second-hand machine) from Sunshine Limited on 18 th December 2023 (The payment for the purchase invoice was made through NEFT on 5 th January, 2024)	15

Compute the depreciation allowance under section 32 of the Income-tax Act, 1961 for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 25

Mr. Ram has furnished the following particulars relating to payments made towards scientific research for the year ended 31.03.2024.

Particulars	Amount
(i) Payments made to K Research Ltd.	20
(ii) Payment made to LMN College	15
(iii) Payment made to OPQ College	10
(iv) Payment made to National Laboratory	8
(v) Machinery purchased for in-house scientific research	25

Particulars	Amount
(vi) Salaries to research staff engaged in in-house scientific research	12

Compute the amount of deduction available u/s 35 for arriving at the business income of the Assessee assuming he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Note: K Research Ltd. and LMN College are approved research institutions.

Concept Problem 26

Honest Industry furnishes you the following details pertaining to the financial year 2023-24:

Description	Plant & Machinery	Building	Patents
Rate of depreciation	15%	10%	25%
Opening balance as on 01-04-2023	14,50,000	25,00,000	15,00,000
Acquired before 30-09-2023	12,00,000	Nil	5,00,000
Acquired after 01-12-2023	4,00,000	18,00,000	Nil
Transferred in march 2024, one of the patents held for the past 2 years	-	-	3,00,000

A machinery which was acquired in July 2023 at original cost of INR 1,50,000 was destroyed by fire and the Assessee received compensation of INR 50,000 from the insurance company. Newly acquired building given above includes value of land of INR 3,00,000. Calculate the eligible depreciation claim for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Note: Ignore additional/accelerated depreciation.

Concept Problem 27

Mr. Kunal, a proprietor, engaged in the business of generation of power, furnishes the following particulars pertaining to P.Y. 2023-24. Compute the depreciation allowable under section 32 for A.Y. 2024-25, while computing his income under the head “Profits and Gains of Business or Profession” assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). The proprietor has opted for the depreciation allowance on the basis of written down value.

S. No	Particulars	Amount
1.	Opening Written down value of Plant and Machinery (15% block) as on 01.04.2023 (Purchase value INR 8,00,000)	5,78,000
2.	Purchase of second-hand machinery (15% block) on 29.12.2023 for business purpose	2,00,000
3.	Purchase of machinery Y (15% block) on 12.07.2023 for business purpose	8,00,000
4.	Acquired and installed for use a new air pollution control equipment on 31.7.2023	2,50,000
5.	New air conditioner purchased and installed in office premises on 8.9.2023	3,00,000
6.	New machinery Z (15% block) acquired and installed on 23.11.2023 for the purpose of generation of power	3,25,000
7.	Sale value of an old machinery X, sold during the year (Purchase value INR 4,80,000, WDV as on 01.04.2023 INR 3,46,800)	3,10,000

Concept Problem 28

Tax Ltd. is a power generating unit and the company has purchased one plant and machinery on 01.07.2020 for INR 20 lakhs (not eligible for additional depreciation) and it was put to use on 01.11.2020 and rate of depreciation

is 7.8%.

In this case depreciation allowed shall be

PY 2020-21 $20,00,000 \times 7.8\% \times 1/2 = \text{INR } 78,000$

PY 2021-22 $20,00,000 \times 7.8\% = \text{INR } 1,56,000$

PY 2022-23 $20,00,000 \times 7.8\% = \text{INR } 1,56,000$

If this plant is sold on 01.10.2023

- For INR 7,00,000.
- For INR 19,00,000.
- For INR 23,00,000.

The tax treatment shall be as given below:

- Written down value of the asset as on 01.04.2023 is INR 16,10,000 but it was sold for INR 7,00,000. In this case, terminal depreciation is $7,00,000 - 16,10,000 = \text{INR } 9,10,000$ and it will be allowed to be debited to profit loss account.
- If the assets are sold for INR 19,00,000 there will be profit of $19,00,000 - 16,10,000 = \text{INR } 2,90,000$ and it will be called "balancing charge" under section 41 (2) and shall be considered to be deemed income under the head Business/ Profession.
- There will be gain of $23,00,000 - 16,10,000 = \text{INR } 6,90,000$. There will be balancing charge to the extent depreciation has been debited i.e. 3,90,000 and balance amount i.e. INR 3,00,000 shall be short term capital gain as per section 50A.

Concept Problem 29

Raju Ltd set up a manufacturing unit in notified backward area in the state in the state of Telangana on 01.06.2023. It invested INR 90 Crore in New Plant and Machinery on 01.06.2023. Further, it invested INR 75 crores in the plant and machinery on 01.11.2023, out of which INR 15 crores was second hand plant & Machinery.

Compute the depreciation allowable u/s 32 for PY 2023-24 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 30

N Textiles Ltd, purchased machinery from Germany for Euro 1,00,000 on 3.09.2022 through a term loan from Fortune Bank Ltd. The exchange rate on the date of acquisition was INR 65 per Euro. The Assessee took a forward exchange rate on 05.10.2023 when the rate specified in the contract was INR 67 per Euro.

Compute depreciation for the assessment years 2023-24 and 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). Ignore additional depreciation and assume normal depreciation @ 15%.

Concept Problem 31

Mr. Ram purchased a residential building on 01.12.2021 for INR 12,00,000 and it was put to use on the same date. Till 01.12.2023, the same was self-occupied as residence. On this date, the building was brought into use for the purpose of his medical profession (it was used as residential building).

What would be the depreciation allowable for the Assessment year 2024-25?

Concept Problem 32

Tax Ltd, an Indian Company, has incurred expenditure before commencement of business as under:

- Expenditure on advertisement INR 3 Lakhs.
- Expenditure in preparation of project report and the report was prepared by a concern which is approved by

the Board INR 85,000.

- Expenditure in connection with travelling and stay in hotels INR 45,000.
- Expenditure on drafting and printing of memorandum and articles INR 4 Lakhs.

All the above expenses have been debited to the profit and loss account and the Company has computed income to be INR 7 Lakhs. The Company has commenced its business on 01.06.2023.

Company's project cost is INR 50 Lakhs and capital employed is INR 57 Lakhs.

Compute the total income for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 33

X Ltd. made the following payments to one of its employees on account of voluntary retirement

Previous year	Amount
2022-23	3,00,000
2023-24	5,00,000

Show how deduction u/s 35 DDA shall be claimed in different assessment years.

Concept Problem 34

Tax Ltd. has computed its income to be INR 20,00,000 and some of the entries noted from profit and loss account are as given below:

- Company has debited the amount of opening stock INR 33,00,000 which is overvalued by 10%
- Company has received duty drawbacks of INR 7,00,000 but the amount has not been credited to the profit and loss account.
- The company has received import entitlement license from the Government and it was sold it at a profit of INR 3,00,000. The amount has not been credited to the profit and loss amount.
- Interest expenses of INR 50,000 was debited in the books out of which INR 12,000 was payable outside India on which tax was not deducted at source; INR 15,000 was payable to a resident on which no tax was deducted.
- Drawings INR 50,000.
- Stipend paid to articled assistants INR 40,000 and incentive to articled assistant for clearing CA Final exams in first attempt INR 10,000.
- Rental expense of the building in which office is located in INR 25,000 per annum. 20% of the building is used for residence of the Assessee.
- INR 1,40,000 was incurred in relation to repairs and maintenance of building which includes INR 1,00,000 being cost of raising a compound wall for the own business premises.

Compute the taxable income of Tax Ltd. assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 35

X, Y and Z are the partners in a firm with profit sharing ratio 5:3:2 and profit and loss account of the partnership firm for PY 2023-24 is as given below:

Particulars	Amount	Particulars	Amount
Purchases	90,00,000	Sales	102,00,000

Particulars	Amount	Particulars	Amount
Salary and bonus to partners		Discount	10,000
X	3,00,000		
Y	2,50,000		
Z	1,50,000		
Municipal tax payable	30,000	Interest from Indian company	60,000
General expenses	1,00,000	Interest on drawings	10,000
Expenditure on technical know-how (purchased and put to use on 01.01.2024)	40,000	Income tax refund	5,000
Advance Income Tax	70,000		
Expenses on GST proceedings	10,000		
Expenses on income tax proceedings	8,000		
Advertisements	50,000		
Interest on capital to partners @ 13% p.a.			
X	65,000		
Y	39,000		
Z	26,000		
Rent of building owned by partnership firm	1,20,000		
Net Profit	27,000		
Total	102,85,000		102,85,000

Additional information:

- The partnership firm has complied with all the conditions of section 184.
- Salary to the partners is allowed as per partnership deed and interest is allowed @ 10% p.a.
- Capital contributed by Mr. X is INR 5,00,000; by Mr. Y is INR 3,00,000 and by Mr. Z is INR 2,00,000.
- The partnership firm has brought forward business loss for AY 2020-21 amounting to INR 1,00,000.
- Municipal tax was paid on 01.11.2024.

Personal incomes of partners:

- Mr. X has income from house property INR 5,00,000 and amount invested in NSC INR 80,000.
- Mr. Y has income from house property INR 2,00,000 and amount invested in NSC INR 1,00,000.
- Mr. Z has loss from house property INR 2,00,000.

Compute tax liability of the partnership firm and also that of its partners for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 36

Determine the Previous Year in which following expenses shall be allowed. Assume due date of filing of Return of Income for PY 2023-24 is 31.07.2024.

Financial Year	Expenditure	Payment	Allowability [FY]
2023-24	Municipal Tax	24.06.2024	
2023-24	GST	01.10.2024	

Financial Year	Expenditure	Payment	Allowability [FY]
2023-24	Entertainment Tax	01.04.2025	
2023-24	Interest to Bank	28.04.2025	
2023-24	Rent	20.04.2025	
2023-24	Advertisement expense	20.04.2026	

Concept Problem 37

Mr. Ram is an Advocate in the Delhi High Court and he keeps his books of account on cash basis and his receipt and payment a/c for the year 2023-24 is as given below:

Receipts	Amount	Payments	Amount
Balance b/f	4,50,000	Rent of building in the use of profession	2,20,000
Legal consultancy fee	9,20,000	Office expenses	30,000
Interest on units of UTI	12,000	New computer purchased on 01.11.2023 and put to use on the same date	35,000
Remuneration from Delhi University for setting one paper for LLB exams	4,000	Computer purchased on 10.11.2023 and put to use the same date	25,000
Honorarium for delivering lectures as guest speaker	3,000	Motor car purchased on 01.12.2023 and put to use on the same date	4,00,000
Sales proceeds of an old computer with w.d.v as on 01.04.2023 INR 2,300	7,000	Legal books purchased on 01.01.2024 and put to use on the same date.	9,000
Sale proceeds of one house which was purchased on 01.04.2023 for INR 6,70,000	9,80,000	Income tax paid being advance tax under section 207 to 219	12,000
		Subscription to Bar Association	3,000
		Deposit in public provident fund in the name of major son	12,000
		Balance carried forward	16,30,000
	23,76,000		23,76,000

Compute his income tax liability for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 38

Mr. Ram submits his profit & loss account for year ending 31st March, 2024.

Particulars	Amount
Computed net profit after debiting the following amounts to	87,000
i) Provision for doubtful debts	16,000
ii) Depreciation reserve	21,000
iii) Household expenses	20,000
iv) Donation to poor persons	10,000

Particulars	Amount
v) Other charitable donations	20,000
vi) Cash payment for purchases	80,000

Additional Information

- Advertisement expenses INR 5,000 spent on a neon sign board purchased and put to use on 01.07.2023 and advertisement gifts to 100 customers at a cost of INR 100 each.
- Audit fee charged INR 5,000 including expenses on income tax assessment INR 3,000.
- Patents purchased for INR 70,000 on 01.10.2023 and put to use on 07.10.2023.
- Preliminary expenses covered under section 35D - market survey expenses of INR 5,000 and feasibility report expenses of INR 10,000. Project cost INR is 10,00,000.
- Income credited to profit and loss account were:
 - Interest on company deposit INR 50,000.
 - Opening stock is valued at cost plus 15% whereas closing stock was valued at cost minus 15% basis.
 - Opening stock was valued at INR 1,15,000. Closing stock was valued at INR 1,70,000.

Compute his tax liability for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 39

Mr. Ramesh, a property dealer, has developed an independent floor of 4 residential units. He sold one of its residential units to Mr. Vikas, who is a dealer in spare parts, for 55 lakhs on 01.06.2023. The agreement was, however, entered into on 01.04.2023. Mr. Ramesh had received a down payment of 5 lakhs by an account payee cheque from Mr. Vikas on the date of agreement.

Mr. Ramesh sold remaining 3 residential units to Mr. Raj, Mr. Ashok and Mr. Ashish for 60 lakhs each on 01.12.2023. All the units were transferred by way of first-time allotment.

The stamp duty value of each residential unit on various dates are as follows - 01.04.2023 – 60 lakhs

01.06.2023 - 68 lakhs

01.12.2023 – 70 lakhs

Discuss the tax consequences of above transactions, in the hands of each one of them, viz, Mr. Ramesh, Mr. Vikas, Mr. Raj, Mr. Ashok and Mr. Ashish.

Concept Problem 40

Tax Ltd. presents the following information to you pertaining to the year ending March 31st, 2024.

- Having regard to the vast purchase of a particular chemical by the company, the supplier of the chemical presents a car worth INR 2,50,000 which is used for business purposes by the company.
- Expenditure towards acquisition of technical know-how paid to a foreign company in lump sum INR 6 lakhs.
- The company has paid tax of INR 60,000 being the tax in respect of non-monetary perquisites of its employee.
- The company wanted to start a new plant for manufacturing of a new product. Y Ltd. paid to the company INR 10 lakh in order not to start the same and not to compete with it.
- The company has borrowed INR 15 lakh for acquiring machinery. Interest paid is INR 90,000. The machinery is not put to use during the year.
- Payment of INR 40,000 is made to a Don for ensuring that the employees will not indulge in strike.

- vii) The company has incurred expenditure of INR 34,000 in respect of exempt income. This forms part of administrative expenses.
- viii) Amount recovered from employees towards provident fund contribution INR 12,00,000 of which amount remitted upto the end of the year was INR 7,00,000 and the balance was remitted before the 'due date' for filing the return prescribed in section 139(1).
- ix) Contribution to the account of employees as per pension scheme referred to in section 80CCD amounted to INR 30,00,000. Amount above 10% of the salary of employees is INR 7,00,000.
- x) Gain due to change in the rate of exchange of foreign currency INR 1,00,000 related to import of machinery. The machinery was acquired two years ago and put to regular use since then.
- xi) Purchase of building for setting up a warehousing facility for storage of food grains amounting to INR 4,50,000.

You are requested to briefly state with reasons as to how the above are to be dealt with in computing the total income of the company for the assessment year 2024-25 assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). The total income need not be computed.

Solution:

- i) As per the provision of section 28, the value of any benefit or perquisite, whether convertible into money or not, arising from business (or the exercise of a profession) is chargeable to tax under the head “Profit and Gains from Business or Profession”.

INR 2,50,000 is chargeable to tax as business income in the present situation and “Actual cost” of car for depreciation purpose will be cost of car to the previous owner, i.e. INR 2,50,000 [Sec. 43(1)].
- ii) INR 6 lakhs qualifies for depreciation under section 32 @ 25%.
- iii) As per section 40(a), while calculating income of the employer, the tax paid by the employer on non-monetary perquisite to employees is not deductible.
- iv) As per section 28, any payment received for not pursuing any business i.e. non-compete fee shall also be treated as Income from Business/Profession.
- v) INR 90,000 should be capitalized. Depreciation can be claimed by Tax Ltd. in the year the asset is put to use and actual cost for this purpose will include INR 90,000.
- vi) As per section 37(1), in order to claim deduction, the expenditure should not have been incurred for any purpose, which is an offence or is prohibited by any law. Since the payment of INR 40,000 to Don is unlawful, it is not allowable as deduction.
- vii) As per section 14A, no deduction shall be made in respect of expenditure incurred by the Assessee in relation to income which does not form part of the total income i.e. exempted income. INR 34,000 is, therefore, not allowable as deduction.
- viii) As per section 2(24)(x), the amount of provident fund contribution recovered from employees i.e. INR 12 lakhs would be taxable as income of Tax Limited. However, the company can claim deduction under section 36(1)(va) of amount credited to the account of the employee in the provident fund before the due date under the relevant Act.

If INR 7 lakhs has been remitted before the said due date, the same is allowable as deduction. If it has not been so remitted, then the same is not allowable as deduction. The deduction would be restricted to the amount remitted before the due date. The balance INR 5 lakhs remitted after the due date under the said Act but before the due date of filing the return is not allowable as deduction.
- ix) The employer’s contribution to the account of an employee under a pension scheme referred to in section 80CCD, upto 10% of salary of the employee in the previous year, is allowable as deduction under section 36(1)(iva) while computing business income. Disallowance under section 40A(9) would be attracted only in respect of the amount in excess of 10% of salary.

Accordingly, INR 23 lakhs would be allowed as deduction and INR 7 lakhs would be disallowed.

- x) As per section 43A, the gain of INR 1,00,000, arising at the time of making payment in respect of an imported machinery, due to change in rate of exchange of foreign currency, has to be reduced from the actual cost of machinery, and depreciation would be computed on such reduced cost.
- xi) Assessee would be eligible for investment-linked tax deduction under section 35AD @ 100% in respect of amount of INR 4,50,000 invested in purchase of building for setting up a warehousing facility for storage of food grains. Therefore, the deduction under section 35AD while computing business income would be INR 4,50,000.

Concept Problem 41

State with reasons the deductibility or otherwise of the following expenses/payment under Income-tax Act, 1961, while computing income under the head “Profits and Gains from Business or Profession” for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

- i) Construction of school building in compliance with CSR activities amounting to INR 5,60,000.
- ii) Interest on loan paid to Mr. X (a resident) 50,000 by Manav on which tax has not been deducted. The sales of Manav for previous year 2022-23 was 202 lakhs. Mr. X has not paid the tax, if any, on such interest.
- iii) Mr. Shyam paid INR 75,000 as commodity transaction tax on sale of commodity during the PY 2023-24.
- iv) Mr. Achal, a hotelier, claimed expenditure on replacement of linen and carpets in his hotel as revenue expenditure.
- v) Mr. Ram has claimed deduction for bad debt. However, the debtor is still not written off in the books.
- vi) Provision made on the basis of actuarial valuation for payment of gratuity INR 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
- vii) Payment of INR 50,000 by using credit card for fire insurance.
- viii) Purchase of oil seeds of INR 50,000 in cash from a farmer on a banking day.
- ix) Payment made in cash INR 30,000 to a transporter in a day for carriage of goods.
- x) Salary payment of INR 4,00,000 to Mr. X outside India by a company without deduction of tax assuming Mr. X has not paid tax on such salary income.

Solution

i) Not allowable as deduction

Under section 37(1), only expenditure not being in the nature of capital expenditure or personal expense and not covered under sections 30 to 36, and incurred wholly and exclusively for the purposes of the business is allowed as a deduction while computing business income.

However, any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence, shall not be allowed as deduction under section 37.

Accordingly, the amount of INR 5,60,000 incurred towards construction of school building in compliance with CSR activities shall not be allowed as deduction under section 37.

ii) 35,000 allowable as deduction

As per section 194A, Mr. Manav, being an individual is required to deduct tax at source on the amount of interest on loan paid to Mr. X, since his turnover during the previous year 2022-23 exceeds INR 100 lacs.

Therefore, INR 15,000, being 30% of 50,000, would be disallowed under section 40(a)(ia) while computing the business income of Mr. Manav for non-deduction of tax at source under section 194A on interest of 50,000 paid by it to Mr. X.

The balance INR 35,000 would be allowed as deduction under section 36(1)(iii), assuming that the amount was borrowed for the purposes of business.

iii) Allowable as deduction

An amount equal to commodity transaction tax paid by the Assessee shall be allowable as deduction, under section 36(1)(xvi), if the income arising from taxable commodities transactions is included in the income computed under the head “Profit and Gains of Business or Profession”.

In the given case, Mr. Shyam is entitled to claim deduction in respect of commodity transaction tax of INR 75,000 paid by him.

iv) Allowable as deduction

The expenditure on replacement of linen and carpets in a hotel are in the nature of expenses incurred for the business and are allowable as revenue expenses under section 37(1).

v) Not allowable as deduction

It is mandatory to write off the amount due from a debtor as not receivable in the books of account by crediting the debtor, in order to claim the same as bad debt under section 36(1)(vii).

vi) Not allowable as deduction

As per section 40A(7), no deduction is allowed in computing business income in respect of any provision made by the Assessee in his books of account for the payment of gratuity to his employees except in the following two cases:

1. Where any provision is made for the purpose of payment of sum by way of contribution towards an approved gratuity fund or;
2. Where any provision is made for the purpose of making any payment on account of gratuity that has become payable during the previous year.

Therefore, in the present case, the provision made on the basis of actuarial valuation for payment of gratuity has to be disallowed under section 40A(7), since, no payment has been actually made on account of gratuity.

Note: It is assumed that such provision is not for the purpose of contribution towards an approved gratuity fund.

vii) Allowable as deduction

Payment for fire insurance is allowable as deduction under section 36(1). Since payment by credit card is covered under Rule 6DD, which contains the exceptions to section 40A(3), disallowance under section 40A(3) is not attracted in this case.

viii) Allowable as deduction:

As per Rule 6DD, in case the payment is made for purchase of agricultural produce directly to the cultivator, grower or producer of such agricultural produce, no disallowance under section 40A(3) is attracted even though the cash payment for the expense exceeds INR 10,000.

Therefore, in the given case, disallowance under section 40A(3) is not attracted since, cash payment for purchase of oil seeds is made directly to the farmer.

ix) Allowable as deduction:

The limit for attracting disallowance under section 40A(3) for payment otherwise than by way of account payee cheque or account payee bank draft or use of ECS through a bank account or through such other prescribed electronic mode is INR 35,000 in case of payment made for plying, hiring or leasing goods carriage.

Therefore, in the present case, disallowance under section 40A(3) is not attracted for payment of INR 30,000 made in cash to a transporter for carriage of goods.

x) Not allowable as deduction:

Disallowance under section 40(a)(iii) is attracted in respect of salary payment of INR 4,00,000 outside India by a company without deduction of tax at source.

Concept Problem 42

Examine with reasons whether the following statements are true or false having regard to provisions of Income Tax Act, 1961 assuming that Assessee has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

- i) For a dealer in shares and securities, securities transaction tax paid in a recognized stock exchange is permissible business expenditure.
- ii) Where a person follows mercantile system of accounting, an expenditure of INR 25,000 has been allowed on accrual basis and in a later year, in respect of the said expenditure, Assessee makes the payment of INR 25,000 through a cheque crossed as "& Co.", disallowance of INR 25,000 under section 40A(3) can be made in the year of payment.
- iii) It is mandatory to provide for depreciation under section 32 of the Income-tax Act, 1961, while computing income under the head "Profits and Gains from Business and Profession".
- iv) The medi-claim premium paid to GIC by Mr. Lokesh for his employees, by a draft, on 27.12.2023 is a deductible expenditure under section 36.
- v) Under section 35DDA, amortization of expenditure incurred under eligible Voluntary Retirement Scheme at the time of retirement alone, can be done.
- vi) An existing Assessee engaged in trading activities, can claim additional depreciation under section 32(1)(iia) in respect of new plant acquired and installed in the trading concern, where the increase in value of such plant as compared to the approved base year is more than 10%.
- vii) Failure to deduct tax at source in accordance with the provisions of Chapter XVII-B, inter alia, from the amounts payable to a non-resident as rent or royalty, will result in disallowance while computing the business income where the non-resident payee has not paid the tax due on such income.
- viii) An individual engaged in trading activities and exercising the option of shifting out of the default tax regime provided under section 115BAC(1A) can claim additional depreciation under section 32(1)(iia) in respect of new plant acquired and installed in the trading concern, where the increase in value of such plant as compared to the approved base year is more than 10%.
- ix) It is a condition precedent to write off in the books of account, the amount due from debtor to claim deduction for bad debt.
- x) Failure to deduct tax at source in accordance with the provisions of Chapter XVII-B, inter alia, from the amounts payable to a non-resident as rent or royalty, will result in disallowance while computing the business income where the non-resident payee has not paid the tax due on such income.

Solution**i) True:**

Section 36(1)(xv) allows a deduction of the amount of securities transaction tax paid by the assessee in respect of taxable securities transactions entered into in the course of business during the previous year as deduction from the business income of a dealer in shares and securities.

ii) True

As per section 40A(3), in the case of an Assessee following mercantile system of accounting, if an expenditure has been allowed as deduction in any previous year on due basis, and payment exceeding INR 10,000 has been made in the subsequent year otherwise than by an account payee cheque or an account payee bank draft, then the payment so made shall be deemed to be the income of the subsequent year in which such payment has been made.

iii) True:

According to the Explanation 5 to section 32(1), allowance of depreciation is mandatory. Therefore, depreciation has to be provided mandatorily while calculating income from business/ profession whether or not the assessee has claimed the same while computing his total income.

iv) True

Section 36(1)(ib) provides deduction in respect of premium paid by an employer to keep in force an insurance on the health of his employees under a scheme framed in this behalf by GIC or any other insurer. The medical insurance premium can be paid by any mode other than cash, to be eligible for deduction u/s 36(1)(ib).

v) False:

Expenditure incurred in making payment to the employee in connection with his voluntary retirement either in the year of retirement or in any subsequent year, will be entitled to deduction in 5 equal annual installments beginning from the year in which each payment is made to the employee.

vi) False

Additional depreciation can be claimed only in respect of eligible plant and machinery acquired and installed by an Assessee engaged in the business of manufacture or production of any article or thing or in the business of generation or transmission or distribution of power.

In this case, the Assessee is engaged in trading activities and the new plant has been acquired and installed in a trading concern. Hence, the Assessee will not be entitled to claim additional depreciation u/s 32(1)(ia).

vii) True:

Section 40(a)(i) provides that failure to deduct tax at source from, *inter alia*, rent or royalty payable to a non-resident, in accordance with the provisions of Chapter XVII-B, will result in disallowance of such expenditure, where the non-resident payee has not paid the tax due on such income.

viii) False:

Additional depreciation can be claimed only in respect of eligible plant and machinery acquired and installed by an assessee engaged in the business of manufacture or production of any article or thing or in the business of generation or transmission or distribution of power.

In this case, the individual is engaged in trading activities and the new plant has been acquired and installed in a trading concern. Hence, he will not be entitled to claim additional depreciation under section 32(1)(ia), even though he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

ix) True:

It is mandatory to write off the amount due from a debtor as not receivable in the books of account, in order to claim the same as bad debt under section 36(1)(vii). However, where the debt has been taken into account in computing the income of the assessee on the basis of ICDSs notified under section 145(2), without recording the same in the accounts, then, such debt shall be allowed in the previous year in which such debt becomes irrecoverable and it shall be deemed that such debt or part thereof has been written off as irrecoverable in the accounts for the said purpose.

x) True:

Section 40(a)(i) provides that failure to deduct tax at source from, *inter alia*, rent or royalty payable to a non-resident, in accordance with the provisions of Chapter XVII-B, will result in disallowance of such expenditure, where the non-resident payee has not paid the tax due on such income.

CHAPTER 7

CAPITAL GAINS

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

How will you calculate the period of holding in case of the following assets?

- i) Shares held in a company in liquidation
- ii) Bonus shares
- iii) Flat in a co-operative society.

Concept problem 2

A is the owner of a car. On 01.04.2023, he starts a business of purchase and sale of motor cars. He treats the above car as part of the stock-in-trade of his new business. He sells the same on 31.03.2024 and gets a profit of INR 1 lakh. Discuss the tax implication in his hands under the head “Capital gains”.

Concept problem 3

X converts his capital asset (acquired on June 10, 2005 for INR 60,000) into stock-in-trade on March 10, 2023. The fair market value on the date of the above conversion was INR 5,50,000. He subsequently sells the stock-in-trade so converted for INR 6,00,000 on June 10, 2023. Discuss the year of chargeability of capital gain and business income.

Concept Problem 4

M held 2000 shares in a company ABC Ltd, an Indian company. This company amalgamated with another company XYZ Ltd. during the previous year ending 31-3-2024. Under the scheme of amalgamation, M was allotted 1000 shares in the new company. The market value of shares allotted is higher by INR 50,000 than the value of holding in ABC Ltd. The Assessing Officer proposes to treat the transaction as an exchange and to tax INR 50,000 as capital gain. Is he justified?

Concept Problem 5

In which of the following situations capital gains tax liability does not arise?

- a) Mr. A purchased gold in 1970 for INR 25,000. In the P.Y. 2023-24, he gifted it to his son at the time of marriage. Fair market value (FMV) of the gold on the day the gift was made was INR 1,00,000.
- b) A house property is purchased by a HUF in 1945 for INR 20,000. It is given to one of the family members in the P.Y. 2023-24 at the time of partition of the family. FMV on the day of partition was INR 12,00,000.
- c) Mr. B purchased 50 convertible debentures for INR 40,000 in 1995 which are converted in to 500 shares worth INR 85,000 in November 2023 by the company.

Concept Problem 6

Mr. Abhishek a senior citizen, mortgaged his residential house with a bank, under a notified reverse mortgage scheme. He was getting loan from bank in monthly installments. Mr. Abhishek did not repay the loan on maturity and hence gave possession of the house to the bank, to discharge his loan. How will the treatment of long-term capital gain be on such reverse mortgage transaction?

Concept Problem 7

Examine, with reasons, whether the following statements are True or False.

- i) Alienation of a residential house in a transaction of reverse mortgage under a scheme made and notified by the Central Government is treated as “transfer” for the purpose of capital gains.
- ii) Zero coupon bonds of eligible corporation, held for 14 months, will be long-term capital assets.
- iii) Zero Coupon Bond means a bond on which no payment and benefits are received or receivable before maturity or redemption.
- iv) Where an urban agricultural land owned by an individual, continuously used by him for agricultural purposes for a period of two years prior to the date of transfer, is compulsorily acquired under law and the compensation is fixed by the State Government, resultant capital gain is exempt.
- v) In the case of a dealer in shares, income by way of dividend is taxable under the head "Profits and gains of business or profession".
- vi) Sale of a work of art held by an Assessee is not chargeable to capital gains tax.
- vii) As per section 49(2A), read with section 47(xa) of the Income-tax Act, 1961, no capital gains would arise on conversion of foreign currency exchangeable bonds into shares or debentures, for facilitating the issue of FCEBs by companies.
- viii) Capital gain of INR 75 lakh arising from transfer of long-term capital assets on 1.5.2023 will be exempt from tax if such capital gain is invested in the bonds redeemable after five years, issued by NHA under section 54EC.

Concept Problem 8

Mr. A converts his capital asset acquired for an amount of INR 50,000 in June, 2003 into stock-in-trade in the month of November, 2019. The fair market value of the asset on the date of conversion is INR 4,50,000. The stock-in-trade was sold for an amount of INR 6,50,000 in the month of September, 2023. What will be the tax treatment?

Financial year	Cost Inflation Index
2003-04	109
2022-23	331
2023-24	348

Concept Problem 9

Singhania & Co., a sole proprietorship, owns six machines, put in use for business in March, 2022. The depreciation on these machines is charged @ 15%. The opening balance of these machines after providing depreciation for P.Y. 2022-23 was ₹ 8,50,000. Three of the old machines were sold on 10th June, 2023 for ₹ 11,00,000. A second-hand plant was bought for ₹ 8,50,000 on 30th November, 2023.

You are required to:

- a) Determine the claim of depreciation for Assessment Year 2024-25.
- b) Compute the capital gains liable to tax for Assessment Year 2024-25.
- c) If Singhania & Co. had sold the three machines in June, 2023 for INR 21,00,000, will there be any difference in your above workings? Explain.

Concept Problem 10

Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 1.4.2023 his Unit 1 by way of slump sale for a total consideration of ₹ 25 lacs. The fair market value of the unit on 1.4.2023 is ₹ 30 lacs. Unit 1 was started in the FY 2005-06. The expenses incurred for this transfer were INR 28,000. His Balance Sheet as on 31.3.2023 is as under:

Liabilities	Total	Assets	Unit1	Unit 2	Total
Own Capital	15,00,000	Building	12,00,000	2,00,000	14,00,000

Liabilities	Total	Assets	Unit1	Unit 2	Total
Revaluation Reserve (for building of unit 1)	3,00,000	Machinery	3,00,000	1,00,000	4,00,000
Bank loan (70% for unit 1)	2,00,000	Debtors	1,00,000	40,000	1,40,000
Trade creditors (25%for unit 1)	1,50,000	Other assets	1,50,000	60,000	2,10,000
Total	21,50,000	Total	17,50,000	4,00,000	21,50,000

Other information:

- i) Revaluation reserve is created by revising upward the value of the building of Unit 1.
- ii) No individual value of any asset is considered in the transfer deed.
- iii) Other assets of Unit 1 include patents acquired on 1.7.2021 for INR 50,000 on which no depreciation has been charged.

Compute the capital gain for the assessment year 2024-25.

Concept Problem 11

Mr. Cee purchased a residential house on July 20, 2021 for INR 10,00,000 and made some additions to the house incurring INR 2,00,000 in August 2021. He sold the house property in April, 2023 for INR 20,00,000. Out of the sale proceeds, he spent INR 5,00,000 to purchase another house property in September, 2023.

What is the amount of capital gains taxable in the hands of Mr. Cee for the AY 2024-25?

Concept Problem 12

Calculate the income-tax liability for the assessment year 2024-25 in the following cases:

	Mr. A (age 45)	Mrs. B (age 62)	Mr. C (age 81)	Mr. D (age 82)
Status	Resident	Non- resident	Resident	Non- resident
Total income other than LTCG	2,40,000	2,80,000	5,90,000	4,80,000
Long-term capital gain	15,000 from sale of vacant site	10,000 from sale of listed equity shares (STT paid on sale and purchase of shares)	60,000 from sale of agricultural land in rural area	Nil

- (i) If Mr. A, Mrs. B, Mr. C and Mr. D pay tax under default tax regime u/s 115BAC.
- (ii) If Mr. A, Mrs. B, Mr. C and Mr. D exercise the option to shift out of the default tax regime and pay tax under the optional tax regime as per the normal provisions of the Act.

Concept Problem 13

Mr. Mithun purchased 100 shares of M/s Goodmoney Co. Ltd. on 01-04-2007 at rate of INR 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.2022. He has also received dividend of INR 10 per share on 01.05.2023.

He has sold all the shares on 01.10.2023 at the rate of INR 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02%.

Compute his total income and tax liability for A.Y. 2024-25 if Mr. Mithun pays tax under default tax regime, assuming that he is having no income other than given above. Fair market value of shares of M/s Goodmoney Co. Ltd. on 31.1.2018 is 2,000.

Concept Problem 14

Aarav converts his plot of land purchased in July, 2004 for INR 80,000 into stock-in-trade on 31st March, 2023. The fair market value as on 31.3.2023 was INR 3,00,000. The stock-in-trade was sold for INR 3,25,000 in the month of January, 2024.

Find out the taxable income, if any, and if so, under which ‘head of income’ and for which Assessment Year?

Cost Inflation Index: F.Y. 2004-05:113; F.Y. 2022-23: 331; F.Y. 2023-24: 348.

Concept Problem 15

Mrs. Harshita purchased a land at a cost of INR 35 lakhs in the financial year 2004-05 and held the same as her capital asset till 20th March, 2023. She started her real estate business on 21st March, 2023 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was INR 210 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is INR 10 lakhs. Construction was completed in February, 2024. She sold 10 flats at INR 30 lakhs per flat in March, 2024. The remaining 5 flats were held in stock as on 31st March, 2024.

She invested INR 50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2024 and another INR 50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2024.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harshita arising from the above transactions for A.Y. 2024-25 indicating clearly the reasons for treatment for each item.

[Cost Inflation Index: F.Y. 2004-05: 113; F.Y. 2022-23: 331; F.Y. 2023-24: 348].

Concept Problem 16

Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire accident. The value of stock lost (total damaged) was INR 6,50,000. Certain portion of the machinery could be salvaged. The opening WDV of the block as on 1-4-2023 (i.e., WDV as on 31.3.2023 after providing depreciation for P.Y. 2022-23) was INR 10,80,000.

During the process of safeguarding machinery and in the fire-fighting operations, Mr. A lost his gold chain and a diamond ring, which he had purchased in April, 2005 for INR 1,20,000. The market value of these two items as on the date of fire accident was INR 1,80,000.

Mr. A received the following amounts from the insurance company:

Particulars	Amount
Towards loss of stock	4,80,000
Towards damage of machinery	6,00,000
Towards gold chain and diamond ring	1,80,000

You are requested to briefly comment on the tax treatment of the above three items under the provisions of the Income-tax Act, 1961.

Solution

a) Compensation towards loss of stock:

Any compensation received from the insurance company towards loss/damage to stock in trade is to be treated as a trading receipt. Hence, INR 4,80,000 received as insurance claim for loss of stock has to be assessed under the head “Profit and Gains of Business or Profession”.

Note: The Assessee can claim the value of stock destroyed by fire as revenue loss, eligible for deduction while computing income under the head “Profits and gains of business or profession.”

b) Compensation towards damage to machinery:

The question does not mention whether the salvaged machinery is taken over by the Insurance company or whether there was any replacement of machinery during the year. Assuming that the salvaged machinery is taken over by the Insurance company, and there was no fresh addition of machinery during the year, the block of machinery will cease to exist. Therefore, INR 4,80,000 being the excess of written down value (i.e., INR 10,80,000) over the insurance compensation (i.e., INR 6,00,000) will be assessable as a short-term capital loss.

Note: If new machinery is purchased in the next year, it will constitute the new block of machinery, on which depreciation can be claimed for that year

c) Compensation towards loss of gold chain and diamond ring:

Gold chain and diamond ring are capital assets as envisaged by section 2(14). As per section 45(1A), if any profit or gain arises in a previous year owing to receipt of insurance claim, the same shall be chargeable to tax as capital gains.

The capital gain has to be computed by reducing the indexed cost of acquisition of jewellery from the insurance compensation of INR 1,80,000.

Concept Problem 17

Mr. Sarthak entered into an agreement with Mr. Jaikumar to sell his residential house located at Kanpur on 16.08.2023 for INR 1,50,00,000.

The sale proceeds were to be paid in the following manner:

- i) 20% through account payee bank draft on the date of agreement.
- ii) 60% on the date of the possession of the property.
- iii) Balance after the completion of the registration of the title of the property.

Mr. Jaikumar was handed over the possession of the property on 15.12.2023 and the registration process was completed on 14.01.2024. He paid the sale proceeds as per the sale agreement.

The value determined by the Stamp Duty Authority-

- a) on 16.08.2023 was INR 1,70,00,000;
- b) on 15.12.2023 was INR 1,71,00,000; and
- c) on 14.01.2024 was INR 1,71,50,000.

Mr. Sarthak had acquired the residential house at Kanpur on 01.04.2001 for 30,00,000. After recovering the sale proceeds from Jaikumar, he purchased two residential house properties, one in Kanpur for INR 20,00,000 on 24.3.2024 and another in Delhi for INR 35,00,000 on 28.5.2024.

Compute the income chargeable under the head "Capital Gains" of Mr. Sarthak for the Assessment Year 2024-25.

Cost Inflation Index for Financial Year(s): 2001-02 - 100; 2023-24 - 348

Concept Problem 18

Mrs. Yuvika bought a vacant land for INR 80 lakhs in May 2005. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for INR 100 lakhs during the FY 2007-08.

She entered into an agreement for sale of the above said residential house with Mr. Johar (not a relative) in April 2015. The sale consideration was fixed at ` 700 lakhs and on 23-4-2015, Mrs. Yuvika received ` 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Mrs. Yuvika.

Mrs. Yuvika, again entered into an agreement on 01.08.2023 for sale of this house at ` 810 lakhs. She received ` 80 lakhs as advance by RTGS. The stamp duty value on the date of agreement was ` 890 lakhs. The sale deed was executed and registered on 14-1-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ` 900 lakhs. Mrs. Yuvika paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mrs. Yuvika made following investments:

- i) Acquired two residential houses at Delhi and Chandigarh for INR 130 lakhs & INR 50 lakhs, respectively, on 31.1.2024 and 15.5.2024
- ii) Acquired a residential house at UK for INR 180 lakhs on 23.3.2024.
- iii) Subscribed to NHA capital gains bond (approved under section 54EC) for INR 50 lakhs on 29-3-2024 and for INR 40 lakhs on 12-5-2024.

Compute the income chargeable under the head 'Capital Gains' of Mrs. Yuvika for A.Y.2024-25. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index: F.Y. 2005-06 – 117; F.Y. 2007-08 – 129; F.Y. 2023-24 - 348.

Concept Problem 19

Mr. Shiva purchased a house property on February 15, 1979 for INR 3,24,000. In addition, he has also paid stamp duty value @ 10% on the stamp duty value of 3,50,000.

In April, 2008, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for INR 14,35,000 and received an amount of INR 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2015, he again entered into an agreement for sale of said house for INR 20,25,000 to Ms. Deepshikha and received INR 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of INR 3,90,000.

On November 15, 2023, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for INR 30,50,000 and received an amount of INR 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2024. Mr. Shiva has paid the brokerage @ 1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was INR 11,85,000 and Stamp duty value was 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15th November, 2023 was 39,00,000 and on 20th February, 2024 was INR 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2024-25.

CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y. 2015-16: 254; F.Y. 2023-24: 348

2. ICAI RTPs, MTPs, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 20

Compute capital gains in the following situations for the assessment year 2024-25:

Asset	Gold	Land	Residential house	Personal Music System
Date of purchase	01.07.1998	01.04.1990	01.07.2004	01.05.2003
Cost price	4,00,000	6,00,000	8,00,000	25,000
Cost of improvement	30,000	2,00,000	4,00,000	Nil
Year of improvement	2000-01	1995-96	2005-06	2006-07
Fair market value on 01.04.2001	3,90,000	6,50,000	N.A.	N.A.

Asset	Gold	Land	Residential house	Personal Music System
Date of Sale	01.01.2024	01.01.2024	01.01.2024	01.01.2024
Full value of consideration	40,00,000	40,00,000	20,00,000	20,000

Concept Problem 21

Raj purchased one residential house on 01.04.2002 for INR 5,00,000. This house was acquired compulsorily by the Government on 01.10.2017 and compensation of INR 50,00,000 was fixed by the government but the amount was paid by the Government on 01.03.2024. The Assessee has purchased one residential house on 01.01.2024 for INR 2,00,000 and the house was sold by him on 01.01.2025 for INR 4,00,000.

Compute his tax liability for the assessment year 2024-25 and also capital gains for the various years assuming he exercised the option of shifting out of default tax regime.

Concept problem 22

Mr. Ram purchased Gold on 01.10.1992 for INR 2,00,000 and its fair market value on 01.04.2001 is INR 3,00,000. He converted it into stock-in-trade on 01.10.2010 when the market value of the gold was INR 11,00,000.

Subsequently, half of the stock was sold on 01.10.2023 for 6,50,000 and balance half was sold on 01.10.2024 for INR 7,50,000.

Compute his total income for various years.

Concept Problem 23

Mrs. Ram purchased one house on 01.07.1998 for INR 2,00,000 and incurred INR 1,00,000 on its improvement in PY 1999-00 and its market value as on 01.04.2001 is INR 2,50,000. She incurred INR 2,00,000 on its improvement in 2013-14 and the house was acquired by the Government on 01.07.2017. The compensation fixed is INR 60,00,000 and half of the amount was paid by the Government on 01.01.2024 and balance half on 01.01.2025. She has also received interest of INR 2,00,000 in PY 2023-24 from the Government for delay in payment of compensation.

Income from Business/Profession is INR 20,03,990. Compute tax liability of Mrs. Ram for the AY 2024-25 assuming he exercised the option of shifting out of default tax regime u/s 115BAC.

She also received enhanced compensation of INR 5 Lakhs on 01/06/2024.

Concept Problem 24

Mr. Kumar has an agricultural land (costing INR 6 lakh) in Lucknow and has been using it for agricultural purposes since 1.4.2002 till 1.8.2012 when the Government took over compulsory acquisition of this land. A compensation of INR 12 lakh was settled. The compensation was received by Mr. Kumar on 1.7.2023.

- Compute the amount of capital gains taxable in the hands of Mr. Kumar.
- Will your answer be any different if Mr. Kumar had by his own will sold this land to his friend Mr. Sharma? Explain.
- Will your answer be different if Mr. Kumar had not used this land for agricultural activities? Explain.
- Will your answer be different if the land belonged to ABC Ltd. and not Mr. Kumar and compensation on compulsory acquisition was received by the company? Explain.

Concept Problem 25

Mr. Malik owns a factory building on which he had been claiming depreciation for the past few years. It is the only asset in the block. The factory building and attached land were sold during year. The following details are available:

Particulars	Amount
Building completed in September, 2009 for	10,00,000

Particulars	Amount
Land appurtenant thereto purchased in April, 2002 for	12,00,000
Advance received from a prospective buyer for land in May, 2003, forfeited in favour of Assessee, as negotiations failed	50,000
WDV of the building block as on 1.4.2023	8,74,800
Sale value of factory building in November, 2023	8,00,000
Sale value of appurtenant land in November, 2023	40,00,000

The Assessee is ready to invest in long-term specified assets under section 54EC, within specified time.

Compute the amount of taxable capital gain for the assessment year 2024-25 and the amount to be invested under section 54EC for availing the maximum exemption.

Concept Problem 26

Shubham purchased agricultural land in the urban area on 01.04.2001 for INR 2,00,000. It was sold by the Assessee on 01.07.2023 for INR 1,23,00,000.

He made following investments:

- Bonds of National Bank for Agriculture and Rural Development on 01.06.2023 for 1,50,000 which are redeemable after 3 years.
- He purchased agricultural land on 01.09.2023 for INR 2,00,000.
- He has invested INR 75,000 on 01.10.2023 in the bonds of National Highway Authority of India redeemable after five years.

He sold the bonds of National Highway Authority of India on 15.04.2024 for INR 3,00,000.

Compute his capital gains for various years and also tax liability for assessment year 2024-25 assuming he exercised the option of shifting out of default tax regime u/s 115BAC.

Concept Problem 27

Mr. Rajan provides you the following details with regard to sale of certain securities by him during F.Y. 2023-24:

(i) Sold 10,000 shares of A Ltd. on 05-04-2023 @ INR 650 per share

A Ltd. is a listed company. These shares were acquired by Mr. Rajan on 05-04-2016 @ INR 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange.

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:

Highest price - INR 300 per share; Average price - INR 290 per share; Lowest price - INR 280 per share.

(ii) Sold 1000 units of B Mutual Fund on 20-04-2023 @ INR 50 per unit

B Mutual Fund is an equity-oriented fund. These units were acquired by Mr. Rajan on 15-04-2017 @ INR 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of B Mutual Fund was INR 55 per unit.

(iii) Sold 100 shares of C Ltd. on 25-04-2023 @ INR 200 per share

C Ltd. is an un-listed company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Market Value of these shares as on 01-04-2001 was INR 50 per share.

Cost Inflation Index for various financial years are as under:

2001-02 - 100

2016- 17 - 264

2017- 18 - 272

2023-24 - 348

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2024-25 assuming that the other incomes of Mr. Rajan exceed the maximum amount not chargeable to tax. (Ignore surcharge and cess).

Concept Problem 28

Miss Neha has transferred 1,000 shares of Tax Ltd, (which she acquired at cost of INR 10,000 in 01.04.2018 to Roshan, her brother at a consideration of INR 3,41,476 on 15.05.2023 privately.

During the previous year 2023-24, she has paid through e-banking INR 15,000 towards Medical Premium, INR 50,000 towards LIC and INR 25,000 towards PPF.

Assuming she has no other source of Income, compute her Total Income and tax payable for AY 2024-25 assuming he exercised the option of shifting out of default tax regime u/s 115BAC.

Concept Problem 29

Mr. R holds 1000 shares in Star Minus Ltd., an unlisted company, acquired in the year 2001-02 at a cost of INR 75,000. He has been offered right shares by the company in the month of August, 2023 at INR 160 per share, in the ratio of 2 for every 5 held. He retains 50% of the rights and renounces the balance right shares in favour of Mr. Q for INR 30 per share in September 2023. All the shares are sold by Mr. R for INR 300 per share in January 2024 and Mr. Q sells his shares in December 2023 at INR 280 per share. What are the capital gains taxable in the hands of Mr. R and Mr. Q?

Concept Problem 30

Mr. Dinesh received a vacant site as gift from his friend in November 2005. The site was acquired by his friend for INR 3,00,000 in April 2002. Dinesh constructed a residential building during the year 2011-12 in the said site for INR 15,00,000. He carried out some further extension of the construction in the year 2013-14 for INR 5,00,000.

Dinesh sold the residential building for INR 55,00,000 in January 2024 but the State stamp valuation authority adopted INR 65,00,000 as value for the purpose of stamp duty.

Compute his long-term capital gain for the assessment year 2024-25.

Concept Problem 31

Priyanshu purchased one building on 01.10.2003 for INR 5,00,000. He entered into an agreement on 01.10.2023 to sell this building and advance money of INR 25,000 was received but subsequently the buyer backed out and the advance money was forfeited. This building was sold on 01.01.2024 to some other person for INR 55,00,000.

Compute total income in the hand of Priyanshu for the AY 2024-25.

Concept Problem 32

Mr. Rakesh purchased a house property on 14th April, 1999 for INR 1,05,000. He entered into an agreement with Mr. Bobby for the sale of house on 15th September, 2002 and received an advance of INR 25,000. However, since Mr. Bobby did not remit the balance amount, Mr. Rakesh forfeited the advance. Later on, he gifted the house property to his friend Mr. Aakash on 15th June, 2006. Following renovations were carried out by Mr. Rakesh and Mr. Aakash to the house property:

	Amount
By Mr. Rakesh during FY 1999-00	10,000
By Mr. Rakesh during FY 2003-04	50,000
By Mr. Akash during FY 2009-10	1,90,000

The fair market value of the property as on 1.4.2001 is INR 1,50,000. Mr. Aakash entered into an agreement with Mr. Chintu for sale of the house on 1st June, 2011 and received an advance of INR 80,000. The said amount was forfeited by Mr. Aakash, since Mr. Chintu could not fulfill the terms of the agreement. Finally, the house was sold by Mr. Aakash to Mr. Sanjay on 2nd January, 2024 for a consideration of INR 12,00,000.

Compute the capital gains chargeable to tax in the hands of Mr. Aakash for the AY 2024-25.

Concept Problem 33

Bharat purchased agricultural land on 01.10.2002 for INR 3,00,000 and it was being used for agricultural purpose by him. It was sold on 01.01.2024 for INR 50,00,000. The Assessee has purchased one agricultural land in the rural area on 10.01.2024 for INR 10,00,000 and this land was sold by him on 11.02.2024 for INR 11,00,000. Bharat has invested INR 30,000 in National Saving Certificate.

- Compute his tax liability for assessment year 2024-25 assuming he exercised the option of shifting out of default tax regime u/s 115BAC. He is aged about 86 years.
- Assume land purchased is Urban Agricultural land.

Concept Problem 34

Rohit purchased gold on 01.04.1991 for INR 3,00,000 and its market value on 01.04.2001 is INR 2,00,000. This gold was sold by him on 01.01.2024 for INR 35,00,000 and selling expenses are INR 37,000. He has purchased one house on 01.05.2024 for INR 4,00,000 because he did not have any house in his name and he deposited INR 3,00,000 in capital gain account scheme on 31.07.2024.

Rohit is also engaged in a business and he has turnover of his business INR 105,00,000 and cost of goods sold INR 100,00,000 and other expenses INR 5,10,000.

He has withdrawn INR 2,00,000 from capital gain account scheme on 01.01.2025 and constructed 1st floor of the house which was purchased by him on 01.05.2024.

Remaining amount in the capital gain account scheme was unutilized.

Compute Assessee's tax liability for assessment year 2024-25 and capital gains for various years assuming he exercised the option of shifting out of default tax regime u/s 115BAC.

Concept Problem 35

Mr. Patel is a proprietor of Star Stores since 20-05-2021. He has transferred his shop by way of slump sale for a total consideration of 30 lakh. The professional fees & brokerage paid for this sale are 80,000. His balance sheet as on 31-03-2024 is as under:

Liabilities	Amount	Assets	Amount
Own Capital	10,50,000	Building	5,00,000
Bank Loan	5,00,000	Furniture	5,00,000
Trade Creditors	2,50,000	Debtors	2,00,000
Unsecured Loan	2,00,000	Other Assets	8,00,000
	20,00,000		20,00,000

Other Information:

- No individual value of any asset is considered in the transfer deed.
- Other assets include trademarks valuing 2,00,000 as on 01-04-2023 on which no depreciation has been provided.
- Furniture of 1,50,000 purchased on 05-11-2023 on which no depreciation has been provided.
- Unsecured loan includes 50,000 as advance received from his wife, which she has agreed to waive off.

Compute the capital gain for A.Y. 2024-25.

Concept Problem 36

Mrs. Neha transferred 100 shares of ABC (P) Ltd. to M/s. XYZ Co. (P) Ltd. on 10.9.2023 for Rs. 3,00,000 when the market price was Rs. 5,00,000. The indexed cost of acquisition of shares for Mrs. Neha was computed at Rs. 4,30,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Mrs. Neha and M/s. XYZ Co. (P) Ltd. because of the above said transaction.

Concept Problem 37

Aggarwal & Sons, HUF purchased a house property in the year 1950 for 50,000. On 31.10.2023, the HUF was totally partitioned and the aforesaid house property was given to Mr. Subhash Aggarwal, a member of the family. Fair Market value of the house as on 31.10.2023 was 21,00,000. FMV of the house as on 1.4.2001 was 3,50,000. What will be the tax implications in the hands of Mr. Subhash Aggarwal and the HUF?

Concept Problem 38

Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2023, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of 18 lakhs. The professional fees & brokerage paid for this transfer are 78,000. His Balance Sheet as on 31-03-2023 is as under:

Liabilities		Assets	Unit 1	Unit 2	Total
Own Capital	2,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation Reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	4,00,000		16,75,000	23,25,000	40,00,000

Other Information:

- Land of Unit 2 was purchased at 5,00,000 in the year 2004 and revalued at 7,50,000 as on 31.3.2023.
- No individual value of any asset is considered in the transfer deed.
- Patents were acquired on 01-12-2021 on which no depreciation has been provided.
- Furniture of Unit 2 of 5,00,000 were purchased on 01-12-2022 on which no depreciation has been provided.
- Fair market value of capital asset transferred by way of slump sale of Unit 2 is 18,10,000.

Compute the capital gain for A.Y. 2024-25.

Concept Problem 39

Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 in 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2023. On such date, Stamp duty value of shopping mall was 4,14,00,000. Subsequently on 18.03.2024, she sold her 15% share in shopping mall to Mr. Ketav in consideration of 65,00,000.

She has also purchased a house on 09.05.2023 in consideration of 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of 35,50,000 (80% of stamp value) at the interest rate of 12% per annum

on 01.05.2023 and disbursement was made on 01.06.2023. She does not own any other residential house on the date of sanctioning of loan. Principal amount of 1,30,000 was paid during the financial year 2023-24.

Cost Inflation Indices: 2023-24: 348, 2009-10: 148

Compute the total income of Ms. Mishika for the assessment year 2024-25 assuming she exercised the option of shifting out of default tax regime u/s 115BAC.

Concept Problem 40 [MTP May 23]

Mr. Ramesh entered into an agreement with Mr. Vikas to sell a plot on 5.4.2023 for INR 45 lakhs. He received an advance of INR 15 lakhs from him on the date of agreement by account payee cheque. Transfer took place on 10-9-2023. The valuation determined by the stamp valuation authority on the date of agreement and transfer was INR 49 lakhs and INR 53 lakhs, respectively.

Mr. Vikas has sold this plot to Ms. Babli on 21-3-2024 for INR 55 lakhs. The valuation as per stamp valuation authority was INR 54 lakhs on 21-3-2024.

Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vikas. Also, compute the capital gain in the hands of Mr. Vikas.

Note: None of the parties viz Mr. Ramesh, Mr. Vikas & Ms. Babli are related to each other; the transactions are between outsiders.

CHAPTER 8

OTHER SOURCES (IFOS)

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Rahul, a resident Indian, holding 28% of equity shares in a company, took a loan of INR 5,00,000 from the same Company. On the date of granting the loan, the company had accumulated profit of INR 4,00,000. The company is engaged in some manufacturing activity.

- a) Is the amount of loan taxable as deemed dividend, if the Company is a company in which the public are substantially interested?
- b) What would be your answer, if the lending Company is a private limited company i.e., a company in which the public are not substantially interested?

Concept Problem 2

Interest on enhanced compensation received by Mr. G during the previous year 2023-24 is INR 5,00,000. Out of this interest, INR 1,50,000 relates to the previous year 2019-20, INR 1,65,000 relates to previous year 2020-21 and INR 1,85,000 relates to previous year 2021-22. Mr. G incurred legal expense of 10,000 for this compensation.

Discuss the tax implication, if any, of such interest income for A.Y. 2024-25.

Concept Problem 3

Examine under which heads the following incomes are taxable:

- i) Rental income in case property held as stock-in-trade for 3 years
- ii) Dividend on shares in case of a dealer in shares
- iii) Salary received by a partner from his partnership firm
- iv) Rental income of machinery
- v) Winnings from lotteries by a person having the same as business activity
- vi) Salaries payable to a Member of Parliament
- vii) Receipts without consideration
- viii) In case of retirement, interest on employee's contribution if provident fund is unrecognized
- ix) Rental income in case of a person engaged in the business of letting out of properties.

Concept Problem 4

Examine whether the following are chargeable to tax and the amount liable to tax:

Nature of receipt
a) A sum of ₹ 1,20,000 was received as gift from non-relatives by Raj on the occasion of the marriage of his son Pravin.
b) Interest on enhanced compensation of ₹ 96,000 received on 12-3-2024 for acquisition of urban land, of which 40% relates to P.Y. 2022-23.
c) Rent of 72,000 received for letting out agricultural land for a movie shooting.

Concept Problem 5

On 10.10.2023, Mr. Govind (a bank employee) received INR 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2015-16.

Out of this interest, INR 1,50,000 relates to the financial year 2016-17; INR 1,65,000 to the financial year 2017-18; and INR 1,85,000 to the financial year 2018-19. He incurred INR 50,000 by way of legal expenses to receive the interest on such enhanced compensation.

How much of interest on enhanced compensation would be chargeable to tax in the A.Y.2024-25?

2. ICAI RTPs, MTPs, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS
Concept Problem 6

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 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

- i) Allowance of INR 18,000 p.m. received by an employee, Mr. Uttam Prakash, working in a transport system granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer.
- ii) During the previous year 2023-24, Mrs. Aadhya, a resident in India, received a sum of INR 9,63,000 as dividend from Indian companies and INR 4,34,000 as dividend from units of equity oriented mutual fund.

Concept Problem 7

Mrs. Ashish is getting family pension of INR 7,000 p.m. She has also received dividend income from domestic company of INR 7,00,000. Compute her Total Income assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 8

The following are the details of the share issued by the following closely held companies. Discuss the applicability of provisions of section 56(2)(viib) in the hands of these companies.

Co.	No. of shares	Face value of shares	FMV of shares	Issue price of shares	Applicability of Section 56(2)(viib)
A (P) Ltd.	10,000	100	120	130	The provisions of sections 56(2)(viib) are attracted in this case since the shares are issued at a premium (i.e., issue price exceeds the face value of shares). The excess of the issue price of the shares over the FMV i.e., INR 10 (130 - 120) would be taxable under section 56(2)(viib) in the hands of A(P) Ltd. Taxable amount = INR 1,00,000 [10,000 x 10]
B (P) Ltd.	20,000	100	120	110	The provisions of section 56(2)(viib) are attracted since the shares are issued at a premium. However, no sum shall be chargeable to tax in the hands of B (P) Ltd. under the said section as the shares are issued at a price less than the FMV of shares.
C (P) Ltd.	30,000	100	90	98	Section 56(2) (viib) is not attracted since the

Co.	No. of shares	Face value of shares	FMV of shares	Issue price of shares	Applicability of Section 56(2)(viib)
					shares are issued at a discount though the issue price is greater than the FMV.
D (P) Ltd.	40,000	100	90	110	<p>The provisions of section 56(2)(viib) are attracted in this case since the shares are issued at a premium.</p> <p>The excess of the issue price of the shares over the FMV i.e., INR 20 (110 - 90)] would be taxable under section 56(2)(viib) in the hands of D (P) Ltd.</p> <p>Taxable amount = INR 8,00,000 [40,000 x 20]</p>

Concept Problem 9

MLX Investments (P) Ltd. was incorporated during P.Y. 2021-22 having a paid-up capital of INR 10 lacs. In order to increase its capital, the company further issues, 1,00,000 shares (having face value of INR 100 each) during the year at par as on 01-08-2023. The FMV of such share as on 01-08-2023 was INR 85.

- Determine the tax implications of the above transaction in the hands of company, assuming it is the only transaction made during the year.
- Will your answer change, if shares were issued at INR 105 each?
- What will be your answer, if shares were issued at INR 105 and FMV of the share was INR 120 as on 01-08-2023?

Concept Problem 10

From the following particulars of Pankaj for the previous year ended 31st March, 2024, compute the income chargeable under the head “Income from Other Sources” assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

S. No	Particulars	Amount
i)	Director’s fee from a company	10,000
ii)	Interest on bank deposits	3,000
iii)	Income from undisclosed source	12,000
iv)	Royalty on a book written by him	9,000
v)	Lectures in seminars	5,000
vi)	Interest on loan given to a relative	7,000
vii)	Interest on debentures of a company (listed in a recognized stock exchange) net of taxes	36,000
viii)	Interest on Post Office Savings Bank Account	500
ix)	Interest on Government Securities	2,200
x)	Interest on Monthly Income Scheme of Post Office	33,000

Concept Problem 11

Mrs. Ram has received incomes as given below during the previous year 2023-24:

- Interest on saving bank account with State Bank of India INR 50,000 (gross).
- Interest from Govt. securities INR 1,00,000 on 01.06.2023 (collection charge paid to the bank @ 1.5%).

- c) Interest from Tax Ltd. on non-listed debentures INR 3,60,000 (after TDS) on 01.09.2023 (collection charge paid to bank INR 30).
- d) Interest credited to post office saving bank account during the year INR 10,000.
- e) Interest credited to public provident fund during the year INR 10,000
- f) Interest received from ABC Ltd. on listed debentures INR 1,35,000 (Net). Collection charges INR 30. The amount was invested by taking a loan of INR 15,00,000 @ 12% p.a.
- g) Mrs. Ram has income from house property INR 4,00,000.
- h) Winnings from a lottery INR 70,000 (after TDS)
- i) Loan of INR 3,00,000 taken from XYZ Pvt. Ltd., a closely held company and Mrs. Ram is holding 10% equity shares of this company.
- j) Honorarium of INR 10,000 received for delivering lecture in a seminar.
- k) Interest of INR 5,000 received from a loan given to a relative.
- l) Royalty of INR 20,000 received on a book written by him. He paid INR 1,000 for typing the manuscript.

Compute her Total Income for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 12 [ICAI May 22]

The assessee is found to be the owner of the gold (market value of which is 50,00,000) during the financial year ending 31-03-2024 but he recorded to have spent 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue.

Concept Problem 13 [ICAI May 22]

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

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

Mr. Lalit purchased from his friend Mr. Abhishek, who is also a dealer in shares, 1000 shares of ABC Ltd. @ 400 each on 19th June, 2023 the fair market value of which was 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23rd June, 2023.

Further, on 1st November, 2023, Mr. Lalit took possession of his residential house booked by him two years back at 20 lakhs. The stamp duty value of the property as on 1st November, 2023 was 32 lakh and on the date of booking was 24 lakhs. He had paid 1 lakh by account payee cheque as down payment on the date of booking.

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

On 1st March, 2024, he sold the plot of land at Jaipur for 8 lakhs.

The value of the cost inflation index is 100 and 331 for the previous year 2001-02 and 2023-24 respectively.

Compute the income of Mr. Lalit chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

CHAPTER 9

TAXABILITY OF GIFT

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. A, a dealer in shares, received the following without consideration during the P.Y. 2023-24 from his friend Mr. B,

1. Cash gift of INR 75,000 on his anniversary, 15th April, 2023.
2. Bullion, the fair market value of which was INR 60,000, on his birthday, 19th June, 2023.
3. A plot of land at Faridabad on 1st July, 2023, the stamp value of which is INR 5 lakh on that date. Mr. B had purchased the land in April, 2009.

Mr. A purchased from his friend Mr. C, who is also a dealer in shares, 1000 shares of X Ltd. @ INR 400 each on 19th June, 2023, the fair market value of which was INR 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2023.

Further, on 1st November, 2023, Mr. A took possession of property (building) booked by him two years back at INR 20 lakh. Stamp duty value of the property as on 1st November, 2023 was INR 32 lakh and on the date of booking was INR 23 lakh. He had paid INR 1 lakh by account payee cheque as down payment on the date of booking.

On 1st March, 2024, he sold the plot of land at Faridabad for INR 7 lakh.

Compute the income of Mr. A chargeable under the head Other Sources and “Capital Gains” for A.Y. 2024-25.

Concept Problem 2

Discuss the taxability or otherwise of the following in the hands of recipient u/s 56(2)(x) Income-tax Act, 1961:

- i) Akhil HUF received INR 75,000 in cash from niece of Mr. Akhil (i.e., daughter of Mr. Akhil's sister). Mr. Akhil is the Karta of the HUF.
- ii) Nishita, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is INR 9,00,000.
- iii) Mr. Akshat received 100 shares of A Ltd. From his friend as a gift on occasion of his 25th marriage anniversary. The FMV on that date was INR 100 per share. He also received jewellery worth INR 45,000 (FMV) from his nephew on the same day.
- iv) Kishan HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is INR 5,25,000.

Concept Problem 3

Mr. Hari, a property dealer, sold a building in the course of his business to his friend Rajesh, who is a dealer in automobile spare parts, for INR 90 lakh on 1.1.2024, when the stamp duty value was INR 150 lakh. The agreement was, however, entered into on 1.9.2023 when the stamp duty value was INR 140 lakh. Mr. Hari had received a down payment of INR 15 lakh by a crossed cheque from Rajesh on the date of agreement.

Discuss the tax implications in the hands of Hari and Rajesh, assuming that Mr. Hari has purchased the building for INR 75 lakh on 12th July, 2022.

Would your answer be different if Hari was a share broker instead of a property dealer?

Concept Problem 4

The following details have been furnished by Mrs. Hemali pertaining to the year ended 31.3.2024:

- i) Cash gift of INR 51,000 received from her friend on the occasion of her “Shastiaptha Poorthi”, a wedding function celebrated on her husband completing 60 years of age. This was also her 25th wedding anniversary.
- ii) On the above occasion, a diamond necklace worth INR 2 lakh was presented by her sister living in Dubai.
- iii) When she celebrated her daughter’s wedding on 21.2.2024, her friend assigned in Mrs. Hemali’s favour, a fixed deposit held by the said friend in a scheduled bank; the value of the fixed deposit and the accrued interest on the said date was INR 52,000

Compute the income, if any, assessable as income from other sources.

Concept Problem 5

Decide the following transactions in the context of Income-tax Act, 1961:

- i) Mr. B transferred 500 shares of R (P) Ltd. to M/s. B Co. (P) Ltd. on 10.10.2023 for INR 3,00,000 when the market price was INR 5,00,000. The indexed cost of acquisition of shares for Mr. B was computed at INR 4,45,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Mr. B and M/s. B Co. (P) Ltd. because of the above said transaction.

- ii) Mr. Chezian is employed in a company with taxable salary income of INR 5,00,000. He received a cash gift of INR 1,00,000 from Atma Charitable Trust (registered under section 12AA) in December 2023 for meeting his medical expenses. Is the cash gift so received from the trust chargeable to tax in the hands of Mr. Chezian.

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 6

Mrs. Rupali has furnished the following information pertaining to the year ended 31.3.2024:

- a) She bought 100 equity shares of a listed company from a friend for INR 80,000. The value of shares in the stock exchange on the date of purchase was INR 1,55,000.
- b) On her 25th wedding anniversary, she received cash gift of INR 1,01,000 from her friend Ms. Anjali.
- c) On the above occasion, she also received a platinum ring worth INR 2,50,000 from her brother.
- d) She got cash gifts in aggregate of INR 25,000 from her four friends on the occasion of her daughter's wedding on 11.11.2023.
- e) She also received INR 49,000 as gift by way of cheque from her maternal uncle, on her daughter's wedding.

Determine the Income from Other Sources chargeable to tax in the hands of Mr. Rupali for the A.Y. 2024-25.

Concept Problem 7

Smt. Laxmi reports the following transactions to you:

- i) Received cash gifts on the occasion of her marriage on 18-7-2023 of INR 1,20,000. It includes gift of INR 20,000 received from non-relatives.
- ii) On 1-8-2023, being her birthday, she received a gift by means of cheque from her mother’s maternal uncle, the amount being INR 40,000.
- iii) On 1-12-2023, she acquired a vacant site from her friend for INR 1,05,000. The State stamp valuation authority fixed the value of site at INR 1,80,000 for stamp duty purpose.
- iv) She bought 100 equity shares of a listed company from another friend for INR 60,000. The value of share in the stock exchange on the date of purchase was INR 1,15,000.
- v) She also received a cell phone from her friend worth INR 70,000 on her birthday.

Determine the amounts chargeable to tax in the hands of Smt. Laxmi for the A.Y. 2024-25.

Concept Problem 8

Mr. Manek, a person of Indian origin and citizen of USA, got married to Ms. Anjali, an Indian citizen residing in USA, on 24th January, 2023 and came to India on 25-03-2023. He left for Country X on 10th July, 2023. He returned to India again on 24-02-2024 with his wife to spend some time with his parents-in law for 30 days and thereafter returned to USA. He stayed in India for 400 days during the 4 years preceding the PY 2023-24.

He received the following gifts from his relatives and friends of her wife during 01.04.2023 to 31.03.2024 in India:

Particulars	Amount
From wife's parents	1,51,000
From wife's sister	21,000
From very close friends of his wife	16,00,000

Determine his residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the Assessment Year 2024-25.

Concept Problems 9

Determine the taxability in each of the following case:

- i) Mr. X has received three gifts from his three friends
 - a) INR 55,000 in cash
 - b) Land with market value INR 5,00,000 but the value for the purpose of charging stamp duty INR 4 lakhs.
 - c) Jewellery with market value Rs.3,00,000.
- ii) Mr. X has received gift of INR 50,000 in cash from his friend.
- iii) Mr. X has received gift of INR 1,50,000 in cash from his brother.
- iv) Mr. X has received gift of INR 1,50,000 in cash from his mother's sister.
- v) Mr. X has received gift of INR 1,50,000 in cash from his father's brother.
- vi) Mr. X has received gift of INR 1,50,000 in cash from his cousin.
- vii) Mr. X has received gift of INR 1,50,000 in cash from brother of his spouse.
- viii) Mr. X has received gift of INR 1,50,000 in cash from his grandfather.
- ix) Mr. X has received gift of INR 1,50,000 in cash from spouse of his brother.
- x) Mr. X has received gift of INR 1,50,000 in cash from husband of his sister.
- xi) Mr. X has received gift of INR 1,50,000 in cash from sister of his brother's wife.
- xii) Mr. X has received gift of INR 1,50,000 in cash from the sister of his spouse.
- xiii) Mr. X has received gift of INR 5,000 in cash on his birthday from each of his eleven friends.
- xiv) Mr. X has received gift of property valued INR 1,50,000 from his friend.
- xv) Mr. X has received gift of INR 1,50,000 in cash from his friend on the occasion of marriage.
- xvi) Mr. X has received gift of INR 30,000 in cash and property of 45,000 from his fiancée.

CHAPTER 10

CLUBBING OF INCOME

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. Vatsan has transferred, through a duly registered document, the income arising from a godown to his son, without transferring the godown. In whose hands will the rental income from godown be charged?

Concept Problem 2

Mr. A holds shares carrying 25% voting power in X (P) Ltd. Mrs. A is working as a computer software programmer in X (P) Ltd. at a salary of ₹ 30,000 p.m. She is, however, not qualified for the job. The other income of Mr. A & Mrs. A are ₹ 7,00,000 & ₹ 4,00,000, respectively. Compute the gross total income of Mr. A and Mrs. A for the A.Y.2024-25.

Concept Problem 3

Will your answer be different if Mrs. A was qualified for the job?

Concept Problem 4

Mr. B holds shares carrying 30% voting power in Y Ltd. Mrs. B is working as accountant in Y Ltd. getting income from salary (computed) of INR 3,44,000 without any qualification in accountancy. Mr. B also receives INR 30,000 as interest on securities. Mrs. B owns a house property which she has let out. Rent received from tenants is INR 6,000 p.m. Compute the gross total income of Mr. B and Mrs. B for the A.Y. 2024-25.

Concept Problem 5

Mr. Vaibhav started a proprietary business on 01.04.2022 with a capital of INR 5,00,000. He incurred a loss of INR 2,00,000 during the PY 2022-23. To overcome the financial position, his wife Mrs. Vaishaly, a software Engineer, gave a gift of INR 5,00,000 on 01.04.2023, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of INR 4,00,000 during the PY 2023-24. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the AY 2024-25.

If Mrs. Vaishaly gave the said amount as loan, what would be the amount to be clubbed?

Concept Problem 6

Mrs. Kasturi transferred her immovable property to ABC Co. Ltd. subject to a condition that out of the rental income, a sum of INR 36,000 per annum shall be utilized for the benefit of her son's wife. Mrs. Kasturi claims that the amount of INR 36,000 (utilized by her son's wife) should not be included in her total income as she no longer owned the property. State with reasons whether the contention of Mrs. Kasturi is valid in law.

Concept Problem 7

Mr. A has three minor children – two twin daughters, aged 12 years, and one son, aged 16 years. Income of the twin daughters is INR 2,000 p.a. each and that of the son is INR 1,200 p.a. Mrs. A has transferred her flat to her minor son on 1.4.2023 out of natural love and affection. The flat was let out on the same date and the rental income from the flat is INR 10,000 p.m.

Compute the income, in respect of minor children, to be included in the hands of Mr. A and Mrs. A u/s 64(1A) (assuming that Mr. A's total income is higher than Mrs. A's total income, before including the income of minor children and both Mr. A and Mrs. A exercise the option of shifting out of the default tax regime provided under section 115BAC(1A)).

Concept Problem 8

Compute the gross total income of Mr. A & Mrs. A from the following information assuming both exercise the option of shifting out of the default tax regime provided under section 115BAC(1A):

	Particulars	Amount
(a)	Salary income (computed) of Mrs. A	2,30,000
(b)	Income from profession of Mr. A	3,90,000
(c)	Income of minor son B from company deposit	15,000
(d)	Income of minor daughter C from special talent	32,000
(e)	Interest from bank received by C on deposit made out of her special talent	3,000
(f)	Gift received by C on 30.09.2023 from friend of Mrs. A	2,500

Brief working is sufficient. Detailed computation under various heads of income is not required.

Concept Problem 9

Mr. Vasudevan gifted a sum of INR 6 lakhs to his brother's wife on 14-6-2023. On 12-7-2023, his brother gifted a sum of INR 5 lakhs to Mr. Vasudevan's wife. The gifted amounts were invested as fixed deposits in banks by Mrs. Vasudevan and wife of Mr. Vasudevan's brother on 01-8-2023 at 9% interest. Examine the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr. Vasudevan and his brother

Concept Problem 10

Mr. Sharma has four children consisting of two daughters and two sons. The annual income of 2 daughters was INR 9,000 and INR 4,500 and of sons were INR 6,200 and INR 4,300, respectively. The daughter who has income of INR 4,500 was suffering from a disability specified under section 80U.

Compute the amount of income earned by minor children to be clubbed in hands of Mr. Sharma assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 11

During the previous year 2023-24, the following transactions occurred in respect of Mr. A.

- Mr. A had a fixed deposit of 5,00,000 in Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 1-4-2023 to 31-3-2024 to the savings bank account of Mr. B, son of his brother, to help him in his education.
- Mr. A holds 75% share in a partnership firm. Mrs. A received a commission of 25,000 from the firm for promoting the sales of the firm. Mrs. A possesses no technical or professional qualification.
- Mr. A gifted a flat to Mrs. A on April 1, 2023. During the previous year 2023-24, Mrs. A's "Income from house property" (computed) was 52,000 from such flat.
- Mr. A gifted 2,00,000 to his minor son who invested the same in a business and he derived income of 20,000 from the investment.
- Mr. A's minor son derived an income of 20,000 through a business activity involving application of his skill and talent.

During the year, Mr. A got a monthly pension of INR 10,000. He had no other income. Mrs. A received salary of INR 20,000 per month from a part time job.

Examine the tax implications of each transaction and compute the total income of Mr. A, Mrs. A and their minor child assuming that they exercise the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 12

Mr. A has gifted a house property valued at INR 50 lakhs to his wife, Mrs. B, who in turn has gifted the same to Mrs. C, their daughter-in-law. The house was let out at INR 25,000 per month throughout the year. Compute the total income of Mr. A and Mrs. C.

Will your answer be different if the said property was gifted to his son, husband of Mrs. C?

Concept Problem 13

A proprietary business was started by Smt. Rani in the year 2021. As on 1.4.2022 her capital in business was 3,00,000.

Her husband gifted INR 2,00,000 on 10.4.2022, which amount Smt. Rani invested in her business on the same date. Smt. Rani earned profits from her proprietary business for the FY 2022-23, INR 1,50,000 and FY 2023-24 INR 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for AY 2024-25 with reasons.

Concept Problem 14

Mr. B is the Karta of a HUF, whose members derive income as given below:

S No.	Particulars	Amount
1	Income from B's profession	45,000
2	Mrs. B's salary as fashion designer	76,000
3	Minor son D (interest on fixed deposits with a bank which were gifted to him by his uncle)	10,000
4	Minor daughter P's earnings from sports	95,000
5	D's winnings from lottery (gross)	1,95,000

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

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 15

Nishant gifted INR 10 lakhs to his wife, Nisha on her birthday on, 1st January, 2023. Nisha lent INR 5,00,000 out of the gifted amount to Krish on 1st April, 2023 for six months on which she received interest of INR 50,000. The said sum of 50,000 was invested in shares of a listed company on 15th October, 2023, which were sold for INR 75,000 on 30th December, 2023. Securities transaction tax was paid on such sale. The balance amount of gift was invested as capital by Nisha in a newly business started on 1.4.2023. She suffered loss of INR 15,000 in the business in Financial Year 2023-24. In whose hands the above income and loss shall be included in Assessment Year 2024-25? Support your answer with brief reasons.

Concept Problem 16

Ram holds 15% shares in Tax Ltd and Ram's father holds 7% shares. His wife also works in the same Company at a salary of INR 30,000 per month although she is not qualified.

The other income of Mr. Ram & Mrs. Ram are INR 7,00,000 & INR 4,00,000, respectively. Compute the gross total income of Mr. Ram and Mrs. Ram for the A.Y.2024-25.

Will your answer be different if Mrs. Ram was qualified for the job?

Concept Problem 17

Mr. Ram transferred 2,000 debentures of INR 100 each of Tax Ltd. to Mrs. Ram on 03.04.2023 without consideration. The Company paid an interest of INR 30,000 in September 2023 which was deposited by Mrs. Ram with a bank. The Bank paid an interest of INR 3,000 upto March 2024.

How would both the interest income shall be charged to tax in assessment year 2024-25?

Concept Problem 18

Shri Madan (age 61 years) gifted a building owned by him to his son's wife Smt. Hema on 01.10.2023. The building fetched a rental income of INR 10,000 per month throughout the year. Municipal tax for the first half-year of INR 5,000 was paid in June 2023 and the municipal tax for second half-year was not paid till 30.09.2024.

Incomes of Shri Madan and Smt. Hema other than income from house property are given below:

Name	Business income	Capital gain	Other sources
Shri Madan	1,00,000	50,000 (long term)	1,50,000
Smt. Hema	(75,000)	2,00,000 (short term)	50,000

Note: Capital gain does not relate to gain from shares and securities.

Compute the total income of Shri. Madan and Smt. Hema taking into account income from property given above and also compute their income-tax liability for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 19

Mr. Tanuj gifts INR 8,00,000 to his girlfriend Sneha on 01/05/2023. They get married on 1st Jan 2024. On 7th Jan 2024, she receives another gift of INR 5,00,000 from Tanuj. Both these amounts were immediately invested in bank Fixed deposit at 9% pa. Other income of Tanuj is INR 20,00,000 and of Sneha INR 35,00,000.

Compute the total income in hands of Sneha and Tanuj.

Concept Problem 20

Mr. Ram gifts INR one lakh to his wife Mrs. Ram on April 1, 2023 which she invests in a firm at interest rate of 14% per annum. On January 1, 2024, Mrs. Ram withdraws the money and gifts it to her son's wife. She claims that interest which has accrued to the daughter-in-law from January 1, 2024 to March 31, 2024 on investment made by her is not assessable in her hands but in the hands of Mr. Ram.

Is this correct? What would be the position if Mrs. Ram has gifted the money to minor grandson instead of the daughter- in- law?

Concept Problem 21

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

S.No.	Particulars	Amount
i.	Salary income (computed) of Mrs. Anandi	9,60,000
ii.	Income of minor son "A" who suffers from disability specified in section 80U	3,08,000
iii.	Income of minor daughter "C" from script writing for Television serials	1,86,000
iv.	Income from garment trading business of Mr. Dharmesh	17,50,000
v.	Cash gift received by minor daughter "C" on 02-10-2023 from friend of Mrs. Anandi, on wining of a story writing competition	45,000
vi.	Income of minor son "B" from scholarship received from his school	1,00,000
vii.	Income of minor son "B" from fixed deposit with Punjab National Bank, made out of income earned from scholarship	5,000

Compute the total income of Mr. Dharmesh and his wife Mrs. Anandi for Assessment Year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 22

Suresh gifted 10 lakhs to his wife, Shagun on her birthday on, 29th February, 2023. Shagun lent such amount to Kinjal on 1st April, 2023 for six months on which she received interest of 75,000. The said sum of 75,000 was

invested in shares of a listed company on 5th October, 2023, which were sold for 90,000 on 30th March, 2024. Securities transactions tax was paid on purchase and sale of such shares.

In whose hands the above income shall be included in A.Y.2024-25. Support your answer with brief reasons.

Concept Problem 23

Details of Income of Mr. R and his wife Mrs. R for the previous year 2023-24 are as under:

- i) Mr R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2023-24, the HUF earned an income of 50,000 from such property.
- ii) Mr. R transferred 4,00,000 to his wife Mrs R on 01.04.2006 without any consideration which was given as a loan by her to Mr. Girish. She earned 3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2021-22, she earned interest 11% per annum.
- iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in AMG Limited. During the financial year 2023-24 they have withdrawn a salary of 3,20,000 and 2,70,000 respectively.
- iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2014 to Mr. R without any consideration. The company issued 3,000 bonus shares to Mr. R in 2017. On 04.03.2024, Mr. R sold entire share holdings and earned 5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission 4,00,000 and Mrs. R has interest income of 3,30,000.

Compute Gross Total Income of Mr. R and Mrs. R for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 24 [ICAI May 22]

Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration.

On 01-10-2023, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2023-24 is 1,00,000. Determine the tax implications under optional tax regime.

Concept Problem 25 [RTP May 23]

Examine the tax implication of the following transaction of Mr. Tushar and Mrs. Tushar for the A.Y. 2024-25.

Mr. Tushar started a proprietary business on 1st May, 2023 with capital of 6,00,000. His wife, Mrs. Tushar, a software Engineer, gave cash of 5,00,000 on 1st May, 2023, which was immediately invested in the business by Mr. Tushar. He earned a profit of 4,00,000 during the previous year 2023-24.

Concept Problem 26 [ICAI Nov 22]

From the following transactions compute the total income of Mr. Raman and his wife Savita for the Assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

- i) Mr. Raman had a fixed deposit of 5,00,000 in the bank. He instructed the bank to credit the interest on deposit @ 6% from 01-04-2023 to 31-03-2024 to the savings account of his brother's son for his education.
- ii) Savita is a B.com graduate and working in the ABC Private Limited as an accountant with a monthly salary of 25,000. Raman holds 30% equity shares of the ABC Private Limited.
- iii) Raman started proprietary business on 01-04-2000 with a capital of 10,00,000. He incurred a loss of 2,00,000 during the previous year 2022-23. To overcome the financial position, Savita gifted a sum of 4,00,000 to him on 01-04-2023 which was immediately invested in the business by Mr. Raman. He earned a profit of 3,00,000 during the previous year 2023-24.

- iv) Sajan, younger son of Raman, aged 17 years won in a debate competition during the annual competitions held at his school and received a cash award of 10,000 and he also earned interest of 7,000 on balance maintained in his savings bank account.

CHAPTER 11

SET OFF AND CARRY FORWARD OF

LOSSES

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. A, aged 35 years, submits the following particulars pertaining to the A.Y.2024-25:

Particulars	Amount
Income from salary (computed)	4,00,000
Loss from self-occupied property	(-) 70,000
Loss from let-out property	(-) 1,50,000
Business loss	(-)1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. A for the A.Y.2024-25, assuming that

- i) He has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).
- ii) He pays tax under the default tax regime.

Concept Problem 2

Mr. B, a resident individual, furnishes the following particulars for the PY 2023-24:

Particulars	Amount
Income under the head Salary (computed)	45,000
Loss from house property	(24,000)
Loss from non-speculative business	(22,000)
Loss from speculative business	(4,000)
Short-term capital loss	(25,000)
Long-term capital gains u/s 112	19,000

What is the total income chargeable to tax for the A.Y.2024-25, assuming that he pays tax under section 115BAC?

Concept Problem 3

During the P.Y. 2023-24, Mr. C has the following income and the brought forward losses:

Particulars	Amount
Short term capital gains on sale of shares	1,50,000
Long term capital loss of AY 2022-23	(96,000)
Short term capital loss of AY 2023-24	(37,000)

Long term capital gain u/s 112	75,000
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What is the capital gain taxable in the hands of Mr. C for the A.Y.2024-25?

Concept Problem 4

Mr. D has the following income for the P.Y. 2023-24:

Particulars	Amount
Income from the activity of owning and maintaining the race horses	75,000
Income from textile business	85,000
Brought forward textile business loss (relating to A.Y. 2023-24)	50,000
Brought forward loss from the activity of owning and maintaining the race horses (relating to A.Y. 2021-22)	96,000

What is the total income in the hands of Mr. D for the A.Y. 2024-25?

Concept Problem 5

Mr. E has furnished his details for the A.Y. 2024-25 as under:

Particulars	Amount
Income from salaries	1,50,000
Income from speculation business	60,000
Loss from non-speculation business	(40,000)
Short term capital gain	80,000
Long term capital loss of A.Y. 2022-23	(30,000)
Winning from lotteries (gross)	20,000

Compute the total income of Mr. E for the A.Y.2024-25.

Concept Problem 6

Compute the gross total income of Mr. F for the A.Y. 2024-25 from the information given below

Particulars	Amount
Net income from house property (computed)	1,25,000
Income from business (before providing for depreciation)	1,35,000
Short term capital gains on sale of shares	56,000
Long term capital loss from sale of property (brought forward from A.Y. 2023-24)	(90,000)
Income from tea business	1,20,000
Dividends from Indian companies carrying on agricultural operations(Gross)	80,000
Current year depreciation	26,000
Brought forward business loss (loss incurred six years ago)	(45,000)

Concept Problem 7

Mr. Soohan submits the following details of his income for the assessment year 2024-25:

Particulars	Amount
Income from salary (computed)	3,00,000
Loss from let out house property	(40,000)
Income from sugar business	50,000
Loss from iron ore business for P.Y. 2018-19 (discontinued in P.Y. 2019-20)	(1,20,000)
Short term capital loss	(60,000)
Long term capital gain	40,000
Dividend	5,000
Income received from lottery winning (Gross)	50,000
Winnings from card games (Gross)	6,000
Agricultural income	20,000
Short term capital loss under section 111A	(10,000)
Bank interest	5,000

Calculate gross total income and losses to be carried forward, assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 8

Mr. Batra furnishes the following details for year ended 31.03.2024:

Particulars	Amount
Short term capital gain	1,40,000
Loss from speculative business	60,000
Long term capital gain on sale of land	30,000
Long term capital loss on sale of unlisted shares	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000
Income from salary	1,00,000
Loss from house property	40,000

Following are the brought forward losses:

- i. Losses from activity of owning and maintaining race horses - pertaining to AY 2021-22 INR 25,000.
- ii. Brought forward loss from business of textile INR 60,000 - Loss pertains to AY 2016-17.

Compute gross total income of Mr. Batra for the Assessment Year 2024-25, assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Also determine the losses eligible for carry forward to the A.Y. 2025-26.

Concept Problem 9

Mr. A furnishes you the following information for the year ended 31.03.2024:

Particulars	Amount
Income from plying of vehicles (computed as per books) (He owned 5 light goods vehicles throughout the year)	3,20,000

Income from retail trade of garments (Computed as per books) (Sales turnover 1,35,70,000) Mr. A had declared income on presumptive basis u/s 44AD for the first time in AY 2023-24. Assume 10% of the turnover during the previous year 2023-24 was received in cash and balance through A/c payee cheque and all the payments in respect of expenditure were also made through A/c payee cheque or debit card.	7,50,000
He has brought forward depreciation relating to A.Y. 2022-23	1,00,000

Compute taxable income of Mr. A and his tax liability for the A.Y. 2024-25 with reasons for your computation, assuming that he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 10

Mr. Aditya furnishes the following details for the year ended 31-03-2024:

Particulars	Amount
Loss from speculative business A	25,000
Income from speculative business B	5,000
Loss from specified business covered under section 35AD	20,000
Income from salary (computed)	3,00,000
Loss from house property	2,50,000
Income from trading business	45,000
Long-term capital gain from sale of urban land	2,00,000
Long-term capital loss on sale of shares (STT not paid)	75,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,02,000

Following are the brought forward losses:

- (1) Losses from owning and maintaining of race horses pertaining to A.Y. 2022-23: INR 2,000.
- (2) Brought forward loss from trading business INR 5,000 relating to A.Y. 2019-20.

Compute the total income of Mr. Aditya and show the items eligible for carry forward, assuming that he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 11

Mr. Garg, a resident individual, furnishes the following particulars of his income and other details for PY 2023-24.

S. No	Particulars	Amount
(1)	Income from Salary (computed)	15,000
(2)	Income from business	66,000
(3)	Long term capital gain on sale of land	10,800
(4)	Loss on maintenance of race horses	15,000
(5)	Loss from gambling	9,100

The other details of unabsorbed depreciation and brought forward losses pertaining to AY 2023-24 are as follows:

S. No	Particulars	Amount
(1)	Unabsorbed depreciation	11,000

(2)	Loss from Speculative business	22,000
(3)	Short term capital loss	9,800

Compute the Gross total income of Mr. Garg for the A.Y. 2024-25 and the amount of loss, if any that can be carried forward or not.

Concept Problem 12

The following are the details relating to Mr. Srivatsan, a resident Indian, aged 57, relating to the year ended 31.3.2024:

Particulars	Amount
Income from salaries (computed)	2,20,000
Loss from house property	1,90,000
Loss from cloth business	2,40,000
Income from speculation business	30,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	45,000

Compute the total income and show the items eligible for carry forward, assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 13

Mr. Rajat submits the following information for the financial year ending 31st March, 2024. He decides to pay tax under the default tax regime u/s 115BAC. He desires that you should:

- Compute the total income and
- Ascertain the amount of losses that can be carried forward.

S No.	Particulars	Amount
1	<p><i>He has two let out house property:</i></p> <p>a) House No. I – Income after all statutory deductions</p> <p>b) House No. II – Current year loss</p>	<p>72,000</p> <p>(30,000)</p>
2	<p><i>He has three proprietary businesses:</i></p> <p>a) Textile Business:</p> <p>i) Discontinued from 31st October, 2023 – Current year loss</p> <p>ii) Brought forward business loss of A.Y. 2019-20</p> <p>b) Chemical Business:</p> <p>i) Discontinued from 1st March, 2021 – hence no profit/loss</p> <p>ii) Bad debts allowed in earlier years recovered during this year</p> <p>iii) Brought forward business loss of A.Y. 2020-21</p> <p>c) Leather Business : Profit for the current year</p> <p>d) Share of profit in a firm in which he is partner since 2009</p>	<p>40,000</p> <p>95,000</p> <p>Nil</p> <p>35,000</p> <p>50,000</p> <p>100,000</p> <p>16,550</p>

S No.	Particulars	Amount
3	a) Short-term capital gain	60,000
	b) Long-term capital loss	35,000
4	Contribution to LIC towards premium	10,000

Concept Problem 14

Ms. Geeta, a resident individual, provides the following details of her income/losses for the year ended 31.3.2024:

- i) Salary received as a partner from a partnership firm INR 7,50,000. The same was allowed to the firm.
- ii) Loss on sale of shares listed in BSE INR 3,00,000. Shares were held for 15 months and STT paid on sale and acquisition.
- iii) Long-term capital gain on sale of land INR 5,00,000.
- iv) INR 51,000 received in cash from friends in party.
- v) INR 55,000, received towards dividend on listed equity shares of domestic companies.
- vi) Brought forward business loss of assessment year 2022-23 INR 12,50,000.

Compute gross total income of Ms. Geeta for the A.Y. 2024-25 and ascertain the amount of loss that can be carried forward.

Concept Problem 15

Mr. P, a resident, furnishes the following particulars of his income and other details for the PY 2023-24:

Particulars	Amount
Income from salary (computed)	18,000
Net annual value taxable under income from house property	70,000
Income from business	80,000
Income from speculative business	12,000
Long term capital gain on sale of land	15,800
Loss on maintenance of race horses	9,000
Loss on gambling	8,000

Depreciation allowable under the Income-tax Act comes to INR 8,000 for which no treatment is given above.

The other details of unabsorbed depreciation and brought forward losses are:

Particulars	Amount
Unabsorbed depreciation	9,000
Loss from speculative business	16,000
Short term capital loss	7,800

Compute the gross total income of Mr. P, for the Assessment year 2024-25 and amount of loss that can or cannot be carried forward.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 16

Mr. Rajesh, a resident individual, furnished the following information in respect of income and loss earned by him for the F.Y. 2023-24:

Particulars	Amount
Income from Salary	3,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has paid has been paid both at the time of acquisition and sale	(1,15,000)
Loss from let out property in Delhi	(75,000)
Interest on self-acquired property in Mumbai	(50,000)
Winnings from lottery wickets	40,000
Cost of acquisition of lottery tickets	10,000
Profit and gains from manufacturing business (after deducting normal depreciation of 10,000 and additional depreciation of 4,000)	96,000
Long term capital gains on sale of house property	1,40,000

The other details of brought forward losses and unabsorbed depreciation pertaining to A.Y. 2023-24 are as follow:

Brought forward business loss from manufacturing business	(35,000)
Unabsorbed normal depreciation	(10,000)
Brought forward loss from the activity of owning and maintaining the race horses	(50,000)

Compute the Gross total income of Mr. Rajesh for the Assessment Year 2024-25 and the amount of loss, if any, that can be carried forward under default tax regime u/s 115BAC for the first time.

Concept Problem 17

Mr. Suresh is Lawyer by profession and his income from profession for the year 2023-24 is 10,00,000. From the information given by him, you are required to compute his total income for A.Y. 2024-25 and the losses to be carried forward assuming that he files his income tax returns every year before due date.

Particulars	Amount
Income of minor son Raj from company deposit	1,60,000
Income from minor daughter Rashmi (Professional dancer) from her dance performances	15,00,000
Interest from Canara Bank received by Rashmi on deposited made out of income earned from her dance performance	15,000
Loss from House property (Computed)	2,50,000
Short term capital loss	6,00,000
Long term capital gain from equity shares under section 112A	1,20,000
Long term capital Gain under section 112	3,00,000
Short term capital loss under section 111A	5,00,000

Assume he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A) and his income before considering clubbing provisions is higher than that of his wife.

Concept Problem 18

Mr. Kabir, a resident individual aged 45 years, furnishes the following particulars of his income and other details for the previous year 2023-24:

Particulars	Amount
Income from tea business	5,00,000
Losses from sugar business	4,00,000
Dividend from Indian company carrying on agricultural operations (gross)	1,00,000
Agricultural Income	55,000
Salary received as a partner from a partnership firm. The same was allowed to the firm.	4,50,000
Net annual value of house property	4,20,000
Loss from gambling	1,00,000
Short term capital gains on sale of land	75,000
Loss on sale of shares listed in BSE. Shares were held for 15 months and STT paid on sale and acquisition	3,00,000
Life Insurance premium paid (10% of the capital sum assured)	80,000
Bank interest on fixed deposit (gross)	55,000
Interest on saving bank account	13,000

The other details of brought forward losses pertaining to A.Y. 2023-24 are as follow:

Particulars	Amount
Brought forward business loss form sugar business	1,00,000
Brought forward short-term capital loss	45,000
Brought forward loss from house property	3,00,000
Brought forward loss from maintenance of race horses	60,000

Compute the total income of Mr. Kabir for the AY 2024-25 and the amount of loss, if any, that can be carried forward, assuming he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

CHAPTER 12

DEDUCTIONS FROM GTI

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

- a) For grant of deduction under section 80 JJAA, filing of audit report in prescribed form is must for a corporate Assessee; filing of return within the due date laid down in section 139(1) is not required.
- b) Filing of belated return under section 139(4) of the Income-tax Act, 1961 will debar an assessee from claiming deduction under section 80QQB if the assessee exercises the option of shifting out of the default tax regime provided under section 115BAC(1A) (i.e., he pays tax under the optional tax regime).

Concept Problem 2

Compute the eligible deduction under section 80C for A.Y.2024-25 in respect of life insurance premium paid by Mr. Ganesh during the P.Y.2023-24, the details of which are given hereunder, if Mr. Ganesh has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A):

S.No	Date of issue of policy	Person insured	Actual capital sum assured	Insurance premium paid during PY 2023-24
(i)	30/3/2012	Self	6,00,000	48,000
(ii)	1/5/2018	Spouse	1,50,000	20,000
(iii)	1/6/2021	Handicapped Son (section 80U disability)	4,00,000	80,000

Concept Problem 3

What would your answer if Mr. Ganesh pays tax under default tax regime under section 115BAC?

Concept Problem 4

An individual assessee, resident in India, has made the following deposit/payment during the PY 2023-24:

Particulars	Amount
Contribution to the public provident fund	1,50,000
Insurance premium paid on the life of the spouse (policy taken on 1.4.2018) (Assured value INR 2,00,000)	25,000

What is the deduction allowable under section 80C for A.Y.2024-25 if the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)?

Concept Problem 5

The basic salary of Mr. A is INR 1,00,000 p.m. He is entitled to dearness allowance, which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr. A and his employer, ABC Ltd., contribute 15% of basic salary to the pension scheme referred to in section 80CCD.

Explain the tax treatment in respect of such contribution in the hands of Mr. A if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

What would be your answer if Mr. A pays tax under the default tax regime under section 115BAC?

Concept Problem 6

The gross total income of Mr. X for the A.Y. 2024-25 is INR 8,00,000. He has made the following investments/ payments during the F.Y. 2023-24:

Particulars		Amount
(1)	Contribution to PPF	1,10,000
(2)	Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
(3)	Repayment of housing loan taken from Standard Chartered Bank	25,000
(4)	Contribution to approved pension fund of LIC	1,05,000

Compute the eligible deduction under Chapter VI-A for the A.Y.2024-25 if Mr. X exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 7

Mr. A, aged 40 years, paid medical insurance premium of INR 20,000 during the P.Y. 2023-24 to insure his health as well as the health of his spouse. He also paid medical insurance premium of INR 47,000 during the year to insure the health of his father aged 63 years who is not dependant on him. He contributed INR 3,600 to Central Government health scheme during the year. He has incurred INR 3,000 in cash on preventive health check-up of himself and his spouse and INR 4,000 by cheque on preventive health check-up of his father.

Compute the deduction allowable under section 80D for the A.Y. 2024-25 if Mr. A has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 8

Mr. Y, aged 40 years, paid medical insurance premium of INR 22,000 during the P.Y. 2023-24 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of INR 33,000 during the year to insure the health of his mother, aged 67 years, who is not dependent on him. He incurred medical expenditure of INR 20,000 on his father, aged 71 years who is not covered under Mediclaim policy. His father is also not dependent upon him. He contributed INR 6,000 to Central Government Health Scheme during the year.

Compute the deduction allowable under section 80D for the A.Y. 2024-25 if Mr. Y has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 9

Mr. X is a resident individual. He deposits a sum of INR 50,000 with Life Insurance Corporation every year for the maintenance of his disabled grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted. Compute the amount of deduction available under section 80DD for the A.Y. 2024-25, if Mr. X has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 10

What will be the deduction if Mr. X had made this deposit for his dependant father?

Concept Problem 11

Mr. Bharat has taken three education loans on April 1, 2023, the details of which are given below:

Particulars	Loan 1	Loan 2	Loan 3
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Particulars	Loan 1	Loan 2	Loan 3
For whose education loan was taken	B	Son of B	Daughter of B
Purpose of loan	MBA	B.Sc.	B.A.
Amount of loan (INR)	5,00,000	2,00,000	4,00,000
Annual repayment of loan (INR)	1,00,000	40,000	80,000
Annual repayment of interest (INR)	20,000	10,000	18,000

Compute the amount deductible under section 80E for the A.Y.2024-25 if Mr. B has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 12

Mr. A purchased a residential house property for self-occupation at a cost of INR 45 lakh on 1.4.2017, in respect of which he took a housing loan of INR 35 lakh from Bank of India @ 11% p.a. on the same date. The loan was sanctioned on 28th March, 2017.

Compute the eligible deduction in respect of interest on housing loan for A.Y.2024-25 if Mr. A has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A), assuming that the entire loan was outstanding as on 31.3.2024 and he does not own any other house property.

Concept Problem 13

The following are the particulars relating to Mr. A, Mr. B, Mr. C and Mr. D, salaried individuals, for A.Y.2024-25:

Particulars	Mr. A	Mr. B	Mr. C	Mr. D
Amount of loan taken	INR 43 lakhs	INR 45 lakhs	INR 20 lakhs	INR 15 lakhs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public sector bank
Date of sanction of loan	1.4.2021	1.4.2020	1.4.2020	30.3.2019
Date of disbursement of loan	1.5.2021	1.5.2020	1.5.2020	1.5.2019
Purpose of loan	Acquisition of residential house property for self-occupation	Acquisition of residential house property for self-occupation	Purchase of electric vehicle for personal use	Purchase of electric vehicle for personal use
Stamp duty value of house property	INR 45 lakhs	INR 48 lakhs	-	-
Cost of electric vehicle	-	-	INR 22 lakhs	INR 18 lakhs
Rate of interest	9% p.a.	9% p.a.	10% p.a.	10% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y.2024-25 in the hands of Mr. A, Mr. B, Mr. C and Mr. D if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Assume that there has been no principal repayment in respect of any of the above loans upto 31.3.2024.

Concept Problem 14

Mr. Shiva aged 58 years, has gross total income of INR 7,75,000 comprising of income from salary and house property. He has made the following payments and investments:

1. Premium paid to insure the life of her major daughter (policy taken on 1.4.2019) (Assured value INR 1,80,000) – INR 20,000.
2. Medical Insurance premium for self – INR 12,000; Spouse – INR 14,000
3. Donation to a public charitable institution registered under 80G INR 50,000 by way of cheque.
4. LIC Pension Fund – INR 60,000.
5. Donation to National Children’s Fund – INR 25,000 by way of cheque
6. Donation to Jawaharlal Nehru Memorial Fund – INR 25,000 by way of cheque
7. Donation to approved institution for promotion of family planning – INR 40,000 by way of cheque
8. Deposit in PPF – 1,00,000

Compute the total income of Mr. Shiva for A.Y. 2024-25 if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 15

Mr. Ganesh, a businessman, whose total income (before allowing deduction under section 80GG) for A.Y.2024-25 is INR 4,60,000, paid house rent at INR 12,000 p.m. in respect of residential accommodation occupied by him at Mumbai.

Compute the deduction allowable to him under section 80GG for A.Y.2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 16

During the PY 2023-24, ABC Ltd., an Indian company

1. Contributed a sum of INR 2 lakh to an electoral trust; and
2. Incurred expenditure of INR 25,000 on advertisement in a brochure of a political party.

Is the company eligible for deduction in respect of such contribution/expenditure, assuming that the contribution was made by cheque? If so, what is the quantum of deduction? ABC Ltd. does not opt for section 115BAA/115BAB.

Concept Problem 17

Mr. A has commenced the business of manufacture of computers on 1.4.2023. He employed 350 new employees during the P.Y. 2023-24, the details of whom are as follows:

S. No	No. of employees	Date of employment	Regular/casual	Total monthly emoluments per employee
i.	75	1.4.2023	Regular	24,000
ii.	125	1.5.2023	Regular	26,000
iii.	50	1.8.2023	Casual	24,500
iv.	100	1.9.2023	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Compute the deduction, if any, available to Mr. A for A.Y. 2024-25, if the profits and gains derived from manufacture of computers that year is INR 75 lakhs and his total turnover is INR 10.16 crores.

What would be your answer if Mr. A has commenced the business of manufacture of footwear on 1.4.2023?

Concept Problem 18

Mr. Aakash received royalty of ₹ 2,88,000 from a foreign country for a book authored by him, being a work of literary nature. The rate of royalty is 18% of value of books. The expenditure incurred by him for earning this

royalty was ₹ 40,000. The amount remitted to India till 30th September, 2024 is ₹ 2,30,000. The remaining amount was not remitted till 31st March, 2025.

Compute the amount includible in the gross total income of Mr. Aakash and the amount of deduction which he will be eligible for under section 80QQB if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 19

Mr. A, a resident individual aged about 61 years, has earned business income (computed) of INR 1,35,000, a lottery income of INR 1,20,000 (gross) during the P.Y. 2023-24. He also has interest on Fixed Deposit of INR 30,000 with banks. He invested an amount of INR 1,50,000 in Public Provident Fund account.

What is the total income of Mr. A for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)?

Concept Problem 20

Mr. Gurnam, aged 42 years, has salary income (computed) of INR 5,50,000 for the previous year ended 31.03.2024. He has earned interest of INR 14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr. Gurnam for the assessment year 2024-25 from the following particulars, assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A):

1. Life insurance premium paid to Birla Sunlife Insurance in cash amounting to INR 25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2020 and the sum assured on life of his dependent parents is INR 1,25,000.
2. Life insurance premium of INR 19,500 paid for the insurance of life of his major son who is not dependent on him. The sum assured on life of his son is INR 3,50,000 and the life insurance policy was taken on 30.3.2012.
3. Life insurance premium paid by cheque of INR 22,500 for insurance of his life. The insurance policy was taken on 08.09.2019 and the sum assured is INR 2,00,000.
4. Premium of INR 26,000 paid by cheque for health insurance of self and his wife.
5. INR 1,500 paid in cash for his health check-up and INR 4,500 paid in cheque for health check-up for his parents, who are senior citizens.
6. Paid interest of INR 6,500 on loan taken from bank for MBA course pursued by his daughter
7. A sum of INR 5,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

Concept Problem 21

Y Ltd. furnishes you the following information for the year ended 31.3.2024:

Particulars	₹ (in lacs)
Total turnover of Unit A located in Special Economic Zone	100
Profit of the business of Unit A	30
Export turnover of Unit A	50
Total turnover of Unit B located in Domestic Tariff Area (DTA)	200
Profit of the business of Unit B	20

Compute deduction under section 10AA for the A.Y. 2024-25, assuming that Mr. Y commenced operations in SEZ and DTA in the year 2019-20 and Mr. Y has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 22

Examine the following statements with regard to the provisions of the Income- tax Act, 1961:

- During the financial year 2023-24, Mr. Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr. Amit will get the deduction under section 80E.
- Subscription to notified bonds of NABARD would qualify for deduction under section 80C.
- In order to be eligible to claim deduction under section 80C, investment/contribution/subscription etc. in eligible or approved modes, should be made from out of income chargeable to tax.
- Where an individual repays a sum of INR 30,000 towards principal and INR 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is INR 44,000 irrespective of the tax regime.
- Mrs. Sheela, widow of Mr. Satish (who was an employee of M/s. XYZ Ltd.), received INR 7 lakhs on 1.5.2023, being amount standing to the credit of Mr. Satish in his NPS Account, in respect of which deduction has been allowed under section 80CCD to Mr. Satish in the earlier previous years. Such amount received by her as a nominee on closure of the account is deemed to be her income for A.Y.2024-25.
- Mr. Vishal, a Central Government employee, contributed INR 50,000 towards Tier II account of NPS. The same would be eligible for deduction under section 80CCD. He has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 23

Examine the allowability of the following if the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A):

- Rajan has paid a hospital INR 62,000 for treatment and spent nothing for life insurance or for maintenance of handicapped dependent.
- Varun, a resident Indian, has spent nothing for treatment in the previous year and deposited INR 25,000 with LIC for maintenance of dependant disabled.
- Hari, a resident individual, has incurred 20,000 for treatment and 25,000 was deposited with LIC for maintenance of dependant disabled.
- Mr. X is a resident individual. He deposits a sum of INR 50,000 with Life Insurance Corporation every year for the maintenance of his handicapped grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted.

What will be the deduction if Mr. X had made this deposit for his dependant father?

Concept Problem 24

For the AY 2024-25, the Gross Total Income of Mr. Chaturvedi, a resident in India, was INR 8,18,240 which includes long-term capital gain of INR 2,45,000 taxable u/s 112 and Short- term capital gain of INR 58,000. The Gross Total Income also includes interest income of INR 12,000 from savings bank deposits with banks and 40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF INR 1,20,000 and also paid a medical insurance premium INR 51,000. Mr. Chaturvedi also contributed INR 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque.

Compute the total income and tax thereon of Mr. Chaturvedi, who is 70 years old as on 31.3.2024, in a tax efficient manner.

Concept Problem 25

Mr. Rajmohan whose gross total income was INR 6,40,000 for the financial year 2023-24 furnishes you the following information:

- Stamp duty paid on acquisition of residential house (self-occupied) - INR 50,000.

- (ii) Five-year post-office time deposit - INR 20,000.
- (iii) Donation to a recognized charitable trust INR 25,000 which is eligible for deduction under section 80G at the applicable rate.
- (iv) Interest on loan taken for higher education of spouse paid during the year INR 10,000.

Compute the total income of Mr. Rajmohan for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Concept Problem 26

Compute the eligible deduction under Chapter VI-A for the AY 2024-25 of Ms. Roma, aged 40 years who has a gross total income of INR 15,00,000 for the AY 2024-25 and has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). She provides the following information about her investments/payments during the P.Y. 2023-24:

S. No.	Particulars	Amount
1.	Life Insurance premium paid (Policy taken on 31.03.2012 and sum assured is INR 4,40,000)	35,000
2.	Public Provident Fund contribution	1,50,000
3.	Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000
4.	Payment to L.I.C. Pension Fund	1,40,000
5.	Mediclaim Policy taken for self, wife and dependent children; premium paid by cheque	30,000
6.	Medical Insurance premium paid by cheque for parents (Senior Citizen)	52,000

Concept Problem 27

Rudra Ltd. has one unit at Special Economic Zone (SEZ) and another unit at Domestic Tariff Area (DTA). The company provides the following details for the previous year 2023-24.

Particulars	Rudra Ltd.	Unit in DTA
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Proceeds from export sales in SEZ received in convertible foreign exchange by 30.9.2024 is INR 3,00,00,000. He has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2024-25, in the following situations:

- (i) If both the units were set up and start manufacturing from 22-05-2015.
- (ii) If both the units were set up and start manufacturing from 14-05-2019.

2. ICAI RTPs, MTPs, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 28

Mrs. Sharma has let out one residential house property @ INR 1,00,000 p.m. and she has paid municipal tax of INR 1,00,000.

She has taken a Medi-claim policy on 17.07.2023 in the name of Mr. Sharma and paid premium of INR 18,000 by cheque.

She has also taken a Medi-claim policy on 15.10.2023 in the name of her Father-in-law who is aged 66 years and paid premium of INR 16,000 by cheque.

She has incurred INR 21,000 on the treatment of her brother who is dependent on her and suffering from severe disability.

She had purchased NSC in P.Y. 2021-22 and there is accrued interest of INR 30,000 and also there is accrued interest of PPF INR 10,000.

She has taken Jeevan Suraksha Policy in the name of Mr. Sharma and paid premium of INR 19,000.

She has taken loan in 2017-18 from SBI for the education of his son who is studying in B. Com (Hons) in SRCC and she had paid principal amount of INR 60,000 and interest INR 10,000 in PY 2023-24.

She has Agricultural Income INR 1,00,000.

Compute her Income Tax Liability for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 29

Mr. Darshan aged 61 years, working with G Ltd., submits the following particulars of investments and payments made by him during the previous year 2023-24:

- Deposit of INR 1,50,000 in public provident fund.
- Payment of life insurance premium of INR 62,000 on the policy taken on 01.4.2021 to insure his life (Sum assured – INR 3,00,000).
- Deposit of INR 55,000 in a five-year term deposit with bank.
- Contributed INR 1,95,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by G Ltd.
- On 1.4.2023, Mediciam premium of INR 1,08,000 and INR 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years medical insurance and incurred INR 46,000 towards medical expenditure of his father, aged 90 years, not dependent on him. No insurance policy taken for his father.
- He spent INR 6,000 for the preventive health-check-up of his wife.
- He has incurred an expenditure of INR 90,000 for the medical treatment of his mother, being a person with severe disability.

His income comprises of income from salary of INR 18,50,000 and interest on fixed deposits of INR 75,000. Compute the deduction available to Mr. Darshan under Chapter VI-A for A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Would your answer be different, if Mr. Darshan contributed INR 1,30,000 (being, 10% of his salary) towards NPS of the Central Government?

Concept Problem 30

Mr. Arihant, a resident individual aged 40 years, has Gross Total Income of INR 7,50,000 comprising of income from Salary and income from house property for AY 2024-25. He provides the following information:

- a) Paid INR 70,000 towards premium for life insurance policy of his handicapped son (section 80U disability). Sum assured INR 4,00,000; and date of issue of policy 1-8-2022.
- b) Deposited INR 90,000 in tax saver deposit in the name of his major son in Punjab National Bank of India.
- c) Paid INR 78,000 towards medical insurance for the term of 3 years as a lumpsum payment for himself and his spouse. Also, incurred INR 54,000 on medical expenditure of his father, a resident aged 68 years. No medical insurance policy is taken in the name of his father. His father earned INR 4,50,000 interest from fixed

deposit.

- d) Contributed INR 25,000 to The Clean Ganga Fund, set up by the Central Government.

Compute the Total Income and deduction under Chapter VI-A for the Assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 31

Mr. Raj has income from business/profession INR 6,00,000 and long-term capital gain INR 4,00,000 and short-term capital gain u/s 111A INR 2,00,000 and casual income INR 1,00,000.

He has paid premium of a medi-claim policy amounting to INR 20,000 taken in the name of his dependent grandfather who is senior citizen and payment was made by a cheque on 09.01.2024.

He has paid premium of Jeevan Suraksha policy INR 7,000, has donated INR 12,000 to the National Defense Fund, INR 4,000 to Rajiv Gandhi Foundation and INR 3,00,000 to a charitable institution and INR 1,00,000 to a social organization and INR 4,00,000 to religious organization. All such organizations are notified under section 80G. (All the donations were made by cheque)

Compute his total income and tax liability for the AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 32

Compute the deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y. 2024-25. Mr. Dhyanchand, aged 65 years, is working with ABC Ltd. His income comprises of salary of Rs. 18,50,000 and interest on fixed deposits of Rs. 75,000. He submits the following particulars of investments and payments made by him during the previous year 2023-24.

- a. Deposit of Rs. 1,50,000 in public provident fund.
- b. Payment of life insurance premium of Rs. 62,000 on the policy taken on 01.4.2020 to insure his life (Sum assured – Rs. 4,00,000).
- c. Deposit of Rs. 45,000 in a five-year term deposit with bank.
- d. Contributed Rs. 2,10,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by ABC Ltd.
- e. On 1.4.2023, Mediclaim premium of Rs. 1,08,000 and Rs. 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years.
- f. Incurred Rs. 46,000 towards medical expenditure of his father, aged 85 years, not dependent on him. No insurance policy taken for his father.
- g. He spent Rs. 6,000 for the preventive health-checkup of his wife.
- h. He has incurred an expenditure of Rs. 90,000 for the medical treatment of his mother, being a person with severe disability.

Assume that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 33

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

- i) Basic salary: 3,80,000
- ii) Dearness allowance: 1,20,000 (40% forms part of pay for retirement benefits)
- iii) Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.

- iv) Gift received by X's minor son on his birthday from friend: 70,000. (No other gift is received by him during the previous year 2023-24).
- v) During the year 2015-16, Mr. X gifted a sum of 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1st April, 2023, her total investments in business was 10,00,000. During the previous year 2023-24, she has loss from such business 1,30,000.
- vi) Mr. X deposited 70,000 in Sukanya Samridhi account on 23.01.2024. He also contributed 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- vii) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid 15,000 as interest on such loan which includes 5,000 for the financial year 2022-23.

Determine the total income of Mr. X for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 34

In August 2022, Mr. Kunal, a first-time home buyer, borrowed a sum of 40 lakhs from the National Housing Bank for acquisition of a residential house for self-occupation. The stamp duty value of the house is 43 lakhs. The loan was sanctioned on 17.6.2022. The loan amount was disbursed directly to the builder by the bank. The repayments made towards principal and interest during the P.Y. 2023-24 was 2 lakhs and 2.80 lakhs, respectively.

In the light of the above facts, determine the deduction, if any, available to Mr. Kunal during the A.Y. 2024-25 in respect of the repayment of loan and interest assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 35

Nathan Aviation Ltd. is running two industrial undertakings one in a SEZ (Unit S) and another in a normal area (Unit N). The brief summarized details for the year ended 31.3.2024 are as follows:

Particulars	Amount (Lakhs)	
	S	N
Domestic turnover	10	100
Export turnover	120	Nil
Gross profit	20	10
Less: Expenses and depreciation	7	6
Profits derived from the unit	13	4

The brought forward business loss pertaining to Unit N is INR 2 lakhs. Briefly compute the business income of the Assessee. Assume F.Y. 2023-24 falls within the first 5-year period commencing from the year of manufacture or production of articles or things or provisions of services by the Unit S.

Concept Problem 36

Mr. Ramesh furnishes the following particulars for the previous year 2023-24 in respect of an industrial undertaking established in "Special Economic Zone" in March 2018. It began manufacturing in April 2018.

Particulars	Amount
Total sales	85,00,000
Export sales [proceeds received in India]	45,00,000
Domestic sales	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2023-24 include freight and insurance of INR 5 lacs for delivery of goods outside India.

Compute the amount of deduction available to Mr. Ramesh under section 10AA for A.Y. 2024-25.

CHAPTER 13

TAX DEDUCTION/COLLECTION AT SOURCE

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. A, the employer, pays gross salary including allowances and monetary perquisites amounting to INR 7,30,000 to his General Manager. Besides, the employer provides non-monetary perquisites to him whose value is estimated at INR 1,20,000. The General Manager is exercising the option to shift out of the default tax regime and pay tax under the optional tax regime as per the normal provisions of the Act. What is the tax implication in the hands of Mr. A, the employer and General Manager, the employee?

Concept Problem 2

Examine TDS implications u/s 194A in the cases mentioned hereunder:

- (i) On 1.10.2023, Mr. Harish made a six-month fixed deposit of INR 10 lakh @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2024.
- (ii) On 1.6.2023, Mr. Ganesh made three nine-month fixed deposits of INR 3 lakh each, carrying interest @ 9% with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2024.
- (iii) On 1.10.2023, Mr. Rajesh started a 1-year recurring deposit of INR 2,00,000 per month @ 8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2024.

Concept Problem 3

ABC Ltd. makes the following payments to X, a contractor, for contract work during the PY 2023-24:

INR 20,000 on 01.05.2023

INR 25,000 on 01.08.2023

INR 28,000 on 01.12.2023

On 01.03.2024, a payment of INR 30,000 is due to X on accounts of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to X.

Concept Problem 4

Certain concessions are granted to transport operators in the context of cash payments under section 40A(3) and deduction of tax at source under section 194-C. Elucidate.

Concept Problem 5

Moon TV, a TV channel, made payment of INR 50 lakhs to a production house for production of programme for telecasting as per the specifications given by the channel. The copyright of the programme is also transferred to Moon TV. Would such payment be liable for TDS under section 194C? Discuss.

Also, examine whether the provisions of TDS under section 194C would be attracted if the payment was made by Moon TV for acquisition of telecasting rights of the content already produced by the production house.

Concept Problem 6

XYZ Ltd. pays INR 50,000 per month as rent to the Mr. Kishore for a building in which one of its branches is situated. Discuss whether TDS provisions under section 194-I are attracted.

Concept Problem 7

Mr. X, a salaried individual, pays rent of INR 55,000 per month to Mr. Y from June, 2023. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.

Would your answer change if Mr. X vacated the premises on 31st December, 2023?

Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?

Concept Problem 8

XYZ Ltd. makes a payment of INR 28,000 to Mr. Ganesh on 2.8.2023 towards fees for professional services and another payment of INR 25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions under section 194J are attracted.

Concept Problem 9

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS applicable in each case. Assume that all payments are made to residents.

S No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y. 2023-24
1.	Mr. Ganesh, an individual carrying on retail business with turnover of INR 2.5 crores in the P.Y. 2022-23	Contract Payment for repair of residential house	INR 5 lakhs
		Payment of commission to Mr. Vallish for business purposes	INR 80,000
2.	Mr. Rajesh, a wholesale trader whose turnover was 95 lakhs in PY 2022-23.	Contract Payment for reconstruction of residential house (made during the period January-March, 2024)	INR 20 lakhs in Jan 2024, INR 15 lakhs in Feb 2024, & INR 20 lakhs in March 2024.
3.	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house in March, 2024	INR 51 lakhs
4.	Mr. Dheeraj, a pensioner	Contract payment made during October-November 2023 for reconstruction of residential house	INR 48 lakhs

Concept Problem 10

Examine the applicability of the provisions for tax deduction at source under section 194DA in the following cases:

- i) Mr. X, a resident, is due to receive INR 4.50 lakhs on 31.3.2024, towards maturity proceeds of LIC policy taken on 1.4.2021, for which the sum assured is INR 4 lakhs and the annual premium is INR 1,25,000.
- ii) Mr. Y, a resident, is due to receive INR 3.95 lakhs on 31.3.2024 on LIC policy taken on 31.3.2012, for which the sum assured is INR 3.5 lakhs and the annual premium is INR 26,100.
- iii) Mr. Z, a resident, is due to receive INR 95,000 on 1.8.2023 towards maturity proceeds of LIC policy taken on 1.8.2017 for which the sum assured is INR 90,000 and the annual premium was INR 10,000.

Concept Problem 11

Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹ 60 lakh and ₹ 15 lakh, respectively, to Mr. Y on 1.8.2023. He has purchased the house property and the land in the year 2022 for ₹ 40 lakh and ₹ 10 lakh, respectively. The stamp duty value on the date of transfer, i.e., 1.8.2023, is ₹ 85 lakh and ₹

20 lakh for the house property and rural agricultural land, respectively. Examine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

Concept Problem 12

Mr. Sharma, a resident Indian aged 77 years, INR 52,000 per month from the UP State Government. The same is credited to his savings account in SBI, Lucknow Branch. In addition, he gets interest @ 8% on fixed deposit of 20 lakh with the said bank. Out of the deposit of 20 lakh, 2 lakh represents five-year term deposit made by him on 1.4.2023. Interest on savings bank credited to his SBI savings account for the P.Y.2023-24 is 9,500.

- 1) From the above facts, compute the total income and tax liability of Mr. Sharma for the A.Y. 2024-25, assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).
- 2) What would be the amount of tax deductible at source by SBI, assuming that the same is a specified bank? Is Mr. Sharma required to file his return of income for A.Y.2024-25, if tax deductible at source has been fully deducted? Examine.
- 3) Is Mr. Sharma required to file his return of income for A.Y. 2024-25, if the fixed deposit of INR 20 lakh was with Canara Bank instead of SBI, other facts remaining the same?

Concept Problem 13

Mr. Gupta, a resident Indian, is in retail business and his turnover for F.Y.2022-23 was ₹ 12 crores. He regularly purchases goods from another resident, Mr. Agarwal, a wholesaler, and the aggregate payments during the F.Y.2023-24 was ₹ 95 lakh (₹ 20 lakh on 1.6.2023, ₹ 25 lakh on 12.8.2023, ₹ 22 lakh on 23.11.2023 and ₹ 28 lakh on 25.3.2024). Assume that the said amounts were credited to Mr. Agarwal's account in the books of Mr. Gupta on the same date. Mr. Agarwal's turnover for F.Y. 2022-23 was ₹ 15 crores.

- (1) Based on the above facts, examine the TDS/TCS implications, if any, under the Income-tax Act, 1961.
- (2) Would your answer be different if Mr. Gupta's turnover for F.Y. 2022-23 was ₹ 8 crores, all other facts remaining the same?
- (3) Would your answer to (1) and (2) change, if PAN has not been furnished by the buyer or seller, as required?

Concept Problem 14

Ashwin doing manufacture and wholesale trade furnishes you the following information: Total turnover for the financial year:

Particulars	Amount
2022-23	1,05,00,000
2023-24	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2023-24:

Particulars	Amount
Interest paid to UCO Bank on 15.8.2023	41,000
Contract payment to Raj (2 contracts of INR 12,000 each) on 12.12.2023	24,000
Shop rent paid (one payee) on 21.1.2024	2,50,000
Commission paid to Balu on 15.3.2024	7,000

Concept Problem 15

Compute the amount of tax deduction at source on the following payments made by M/s. S Ltd. during FY 2023-24 as per the provisions of the Income-tax Act, 1961.

S. No	Date	Nature of payment
i.	1.10.2023	Payment of INR 2,00,000 to Mr. "R" a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect along with his PAN.
ii.	1.11.2023	Payment of fee for technical services of INR 25,000 and Royalty of INR 20,000 to Mr. Shyam who is having PAN.
iii.	30.06.2023	Payment of INR 25,000 to M/s X Ltd. for repair of building.
iv.	01.01.2024	Payment of INR 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd.
v.	01.01.2024	Payment made INR 2,30,000 to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
vi.	01.02.2024	Payment of commission of INR 14,000 to Mr. Y.

Concept Problem 16

Examine the applicability of TDS provisions and TDS amount in the following cases:

- Rent paid for hire of machinery by B Ltd. to Mr. Raman ₹ 2,60,000 on 27.9.2023.
- Fee paid on 1.12.2023 to Dr. Srivatsan by Sundar (HUF) ₹ 35,000 for surgery performed on a member of the family.
- ABC and Co. Ltd. paid ₹ 19,000 to one of its directors as sitting fees on 01-01-2024.

Concept Problem 17

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2023-24:

- Payment made by a company to Mr. Ram, sub-contractor, ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31-03-2024.
- Winning from horse race ₹ 1,50,000 paid to Mr. Shyam, an Indian resident.
- ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2024 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 18

An amount of INR 40,000 was paid to Ravi on 01.07.2023 towards fees for professional services without deduction of tax at source. Subsequently, another payment of INR 50,000 was due to Ravi on 28.02.2024 from which tax @ 10% (amounting to INR 9,000) on the entire amount of INR 90,000 was deducted. However, this tax of INR 9,000 was deposited only on 22.06.2024.

Compute the interest chargeable under section 201.

Concept Problem 19

Saiyam has invested some amount in Tax Ltd. and the company has paid him interest of INR 2,70,000 after deducting tax at source @ 10%. The cheque was collected by the bank and the bank charges were 2%. He has also received dividend from domestic company of INR 80,000 (gross) in April 2023 and bank charges were 1%.

Compute his tax liability or tax refund for AY 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 20

Mr. Ram purchased 10 lottery tickets of INR 500 each with a winning of INR 4.2 lakhs (after TDS @ 30%). He has also received interest of INR 90,000 after deducting tax at source @ 10%. The cheque was collected by bank and a service charge @ 1% was charged by the bank. He has received family pension of INR 6,000 p.m. Compute his tax liability and also tax payable/ refund for assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept problem 21

Compute the amount of TDS in the following cases:

- Payment of INR 200,000 to Mr. Ram, a transporter having PAN.
- Punjab National Bank pays INR 100,000 per month as rent to Central Government for a building in which one of its branches is situated.
- Mrs. Indira, a landlord, derived income from rent from letting a house property to M/s Vaibhav Corporation Ltd. of INR 1,00,000 per month. She charged GST @ 15% on lease rent charges. What is the value on which tax is required to be deducted?

Concept Problem 22

Rahil & Co. a partnership firm is having a car dealership show-room. They have purchased cars for 2 crores from XYZ Ltd., car manufactures, the cost of each car being more than 12 lakhs. They sell the cars to individual buyers at a price yielding 10% margin on cost. State whether there will be any obligation to collect tax in the above two situations.

Concept Problem 23

What are the clarifications given by CBDT with respect to section 206C(1F) relating to following issues?

- Whether TCS on sale of motor vehicle is applicable only to luxury car?
- Whether TCS is applicable on each sale or aggregate value of sale of motor vehicle, exceeding INR 10 lakhs?
- Whether TCS is applicable in case of an individual?
- Whether TCS on sale of motor vehicle is at retail level also or only by manufacturer to distributor or dealer?

Concept Problem 24

Mudra Adco Ltd., an advertising company, has retained a sum of INR 15 lakhs, towards charges for procuring and canvassing advertisements, from payment of INR 1 crore due to Cloud TV, a television channel, and remitted the balance amount of INR 85 lakhs to the television channel. Would the provisions of tax deduction at source under section 194H be attracted on the sum of INR 15 lakhs retained by the advertising company?

Concept Problem 25

Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2024:

- Mr. Tandon received a sum of INR 1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
- A sum of INR 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).
- Ms. Kaul won a lucky draw prize of 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.
- Finance Bank Ltd. sanctioned and disbursed a loan of INR 10 crores to Borrower Ltd. on 31-3-2023. Borrower Ltd. paid a sum of INR 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.
- Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2023 to February, 2024) at Hyderabad where he pays a monthly house rent of INR 52,000 for those three months, totaling to INR

1,56,000. Rent is paid by him on the first day of the relevant month.

- vi) Mr. Marwah, aged 80 years, holds 6 ½ % Gold Bonds, 1977 of 2,00,000 and 7% Gold Bonds 1980 of 3,00,000. He received yearly interest on these bonds on 28.02.2024.
- vii) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call centre. On 18-03-2024, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is Rs. 70,000 regarding service charges of call centre. The amount is paid through cheque on 28-03-2024 by Jigar Limited.
- viii) Vikas, an Indian resident and salaried individual, makes payments of 15 lakh in January 2024, 30 lakhs in February 2024 and 15 lakhs in March 2024 to Naveen, a contractor for reconstruction of his residential house.

Concept Problem 26

Mr. Subhash engaged in the business of trading of electrical appliances. His turnover for F.Y. 2022-23 and F.Y. 2023-24 was 12 crore and 9.5 crore, respectively. During the previous year 2023-24, XYZ Ltd. placed order for purchase of electric appliances for 55 lakhs on 01.08.2023. He again placed order for 35 lakhs on 01.11.2024. Mr. Subhash delivered both the orders within 15 days of receipt of orders. Discuss, whether Mr. Subhash is required to collect tax at source, on the consideration received from XYZ Ltd.

Concept Problem 27

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS and amount required to be deducted at source as applicable in each case. Assume that all payments are made to residents.

S.No.	Particulars of the year	Nature of payment	Aggregate of payments made in the F.Y. 2023-24
A.	Mr. Kale, receiving pension from Central Government	Contractual payment made during April 2023 for reconstruction of his residential house in Arunachal Pradesh	52,50,000
B.	Mr. Rahul, a wholesale trader of spices whose turnover was 5 crores in F.Y. 2022-23.	Contract payment for construction of office godown during January to March 2024 to Mr. Akhilesh, an Individual	50,00,000
C.	Mr. Golu, an individual carrying garment trading business with turnover of 95 lakhs in F.Y.2022-23	Payment of commission to Mr. Vinay for securing a contract from a big business house in November 2023	1,20,000
D.	XYZ Urban Co-operative bank	Payment by way of cash withdrawal, by ABC & Company a partnership firm, amounting 1.2 crores during financial Year 2023-24. ABC & Company has filed its returns for the last 3 financial years within time.	1,20,00,000

Concept Problem 28

State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2023-24 under Income Tax Act, 1961. Assume that all payments are made to residents:

- i) Mr. Mahesh has paid 6,00,000 on 15.10.2023 to M/s Fresh Cold Storage Pvt. Ltd, for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetables in India having turnover of 3 crores during the previous year 2022-23.
- ii) Mr. Ramu, a salaried individual, has paid rent of 60,000 per month to Mr. Shiv Kumar from 1st July, 2023 to 31st March, 2024. Mr. Shiv Kumar has not furnished his Permanent Account Number.

- iii) Mrinal & Sons, a LLP withdrew from its bank account 40 lakhs by cash on 1.5.2023, 35 lakhs on 7.9.2023 and 55 lakhs on 28.2.2024. The purpose of withdrawal from bank was for buying agricultural produce, from farmers/ agriculturist, being raw material required for manufacture of finished products by it. Mrinal & Sons regularly files its return of income before the due date.
- iv) 51,000 paid to Mr. A, a resident individual as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company.

Concept Problem 29

Examine the following transactions with reference to applicability of the provisions of Tax collected at source and the rate end amount of the TCS for the Assessment Year 2024-25.

- i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of 5 lakhs on 01.11.2023 from an agent who is engaged in organizing foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other Provisions of the Act.
- ii) Mr. Anu doing business of textile as a proprietor. His turnover in the business is 11 crores in the previous year 2022-23. He received payment against sale of textile goods from Mr. Ram 75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming that all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu, nor he deducted any tax at source.)

Concept Problem 30

Briefly discuss the clarification issued by the CBDT on the cross application of TDS under section 194-Q and TCS under section 206C(1H).

Concept Problem 31

State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2023 and charged 8 crores for the lease. ABC Co. Ltd. sold coal for 2 crores to Mahapower Ltd., another Indian company, during the previous year 2023-24. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2022-23 amounted to 11 crores and 12 crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any?

Concept Problem 32

Mr. Krishna (aged 65 years), a furniture manufacturer, reported a profit of 5,64,44,700 for the PY 2023-24 after debiting/ crediting the following items:

Debits:

1. 20,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.
2. 48,000 contributed to a university approved and notified u/s 35(1)(ii) to be used for scientific research.
3. Interest paid 1,67,000 during PY 2023-24 on loan taken for purchase of E-Vehicle on 15-05-2022 from a bank. The E- vehicle was purchased for the personal use of his wife.
4. His firm has purchased timber under a forest lease of 20,00,000 for the purpose of business.

Credits:

1. Income of 4,00,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
2. He received 3,00,000 from a debtor which was written off as bad in the year 2019-20. Amount due from the debtor (which was written off as bad) was 5,00,000, out of which tax officer had only allowed 3,00,000 as deduction in computing the total income for assessment year 2020-21.
3. He sold some furniture to his brother for 7,00,000. The fair market value of such furniture was 9,00,000.

Other information:

1. Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
2. Mr. Krishna purchased a new car 12,00,000 on 1st September, 2023 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account in PY 2023-24.
3. Mr. Krishna had sold a house on 30th March, 2023 and deposited the long-term capital gains of 25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1st March, 2024, he sold another house property in which he resided for 1 crore. He earned a long-term capital gain of 50,00,000 on sale of this property. On 25th March, 2024, he withdraws money out of his capital gain account and invested 1 crore on construction of one house.
4. Mr. Krishna also made the following payments during the previous year 2023-24.
 - Lump sum premium of 30000 paid on 30th March, 2024 for the medial policy taken for self and spouse. The policy shall be effective for five years i.e., from 30th March, 2024 to 29th March, 2029.
 - 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Krishna for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 33 [MTP Nov 23]

Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2024-25.

- i) ABC Ltd is a producer of natural gas. During the year it sold natural gas worth 26,50,000 to M/s Deep Co., a partnership firm. It also incurred 1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.
- ii) ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2023-24 as under:

Bill No.	Date	Amount
1	30-04-2022	27,000
57	30-06-2022	25,000
105	30-09-2022	28,000
151	30-12-2022	32,000

- iii) Mr. Purushotham, a resident Indian, dealing in hardware goods has a turnover of INR 12 crores in the PY 2022-23. He purchased goods from Mr. Agarwal, a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2023-24 on various dates is 80 lakhs which are as under:

10-06-2023	25,00,000
20-08-2023	27,00,000
12-10-2023	28,00,000

He credited Mr. Agarwal's account in the books of accounts on the same date and made the payment on the 28-02-2024 INR 80 lakhs. Mr. Agarwal's turnover for the financial year 2022-23 is INR 20 crores.

Concept Problem 34

Mention the significant differences between TDS and TCS.

CHAPTER 14

ADVANCE TAX & INTEREST

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.

Solution

The proviso to section 234C contains the provisions for payment of advance tax in case of capital gains and casual income.

Advance tax is payable by an Assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles, etc.

Since it is not possible for the Assessee to estimate his capital gains, or income from lotteries etc., it has been provided that if any such income arises after the due date for any instalment, then, the entire amount of the tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining instalments of advance tax, which are due.

Where no such instalment is due, the entire tax should be paid by 31st March of the relevant financial year.

No interest liability on late payment would arise if the entire tax liability is so paid.

Note: In case of casual income the entire tax liability is fully deductible at source @ 30% under section 194B and 194BB. Therefore, advance tax liability would arise only in respect of the health and education cess element of such tax, if the same along with tax liability in respect of other income, if any, is INR 10,000 or more.

2. ICAI RTPS, MTPS, PAST YEAR QUESTIONS AND SELF-DRAFTED QUESTIONS

Concept Problem 2

Mr. Jay having total income of INR 8,70,000, did not pay any advance tax during the previous year 2023-24. He wishes to pay the whole of the tax, along with interest if any, on filing the return in the month of July, 2024. What is total tax which Mr. Jay has to deposit as self-assessment tax along with interest, if he files the return on 29.07.2024? Assume that he shift out default tax regime under section 115BAC.

Solution:

Obligation to pay advance tax arises in every case, where the advance tax payable is INR 10,000 or more. As a consequence of such failure, assessee may be charged with interest under section 234B and 234C.

In the given case, since Mr. Jay did not deposit any amount of advance tax during the previous year, he will need to pay the total tax due on his income along with interest on default of payment of advance tax (section 234B) and interest for deferment of advance tax (section 234C) before filing of his return.

Total tax due on returned income of INR 8,70,000 is INR 89,960 [(20% of 3,70,000 + 12,500) + cess @ 4%]

Interest under section 234B

Interest under section 234B is attracted - a) When the assessee, who is liable to pay advance tax has failed to pay such tax; or b) Where the advance tax paid by the assessee is less than 90% of the assessed tax.

Since, Mr. Jay did not pay any amount as advance tax, interest under section 234B at 1% per month or part of the month will be levied beginning from 1st April of the following year i.e., 01.04.2024 till the time he deposits the whole tax under self-assessment.

Interest will be levied on tax liability of INR 89,900 (rounded off to nearest hundred, ignoring fraction) at 1% for four months i.e., from 1st April to 29th July.

The interest under section 234B amount to INR 3,596

Interest under section 234C

Assessee, other than assessee who declares profits and gains in accordance with provision of section 44AD(1) or section 44ADA(1), are liable to pay advance tax in 4 instalments during the previous year. Section 234C is attracted, if the actual instalment paid by the assessee is the less than the amount required to be paid by him on such instalments. The interest shall be calculated at 1% per month or part of the month for short payment or non-payment of each instalment.

In the given scenario, since Mr. Jay, did not deposit any amount as advance tax, the interest under section 234C is calculated as under:

Date	Tax payable (1) (rounded off to nearest 100, ignoring fraction)	Cumulative Tax paid (2)	Default (2-1)	Interest
15.06.2023	89,900*15% = 13,400	0	13,400	13,400 x 1% x 3 = 402
15.09.2023	89,900*45% = 40,400	0	40,400	40,400 x 1% x 3 = 1,212
15.12.2023	89,900*75% = 67,400	0	67,400	67,400 x 1% x 3 = 2,022
15.03.2024	89,900*100% = 89,900	0	89,900	89,900 x 1% x 1 = 899
Total interest under section 234C				4,535

Mr. Jay needs to pay INR 98,091 as total of tax and interest on or before filing of return in month of July, 2024.

Concept Problem 3

The following details are provided by Mr. Divakar, an individual, for the assessment year 2024-25:

	Amount
Total estimated tax payable	4,40,000
TDS (deductible but not deducted)	55,000

Determine the advance tax payable with their due dates for the assessment year 2024-25.

Concept Problem 4

Mr. Ayaansh (aged 35 years), a resident individual, is a dealer of garments. During the previous year 2023-24, total turnover of his business was 105 lakhs (out of which 15 lakhs was received by way of account payee cheques and balance in cash). Mr. Ayaansh opts of shifting out of default tax regime u/s 115BAC.

What would be your advice to Mr. Ayaansh relating to the provisions of advance tax with its due date along with the amount payable, assuming that he wishes to make maximum tax savings without getting his books of account audited.

Concept Problem 5

Mr. Jay is having total income of 6,90,000 during the P.Y. 2023-24 consisting of Income from business of 40,000, lottery winnings (gross) 5,60,000, income by way of salary (computed) 1,20,000 and loss from house property 30,000. Compute his tax liability and advance tax obligations for A.Y. 2024-25 assuming Mr. Jay opts of shifting out of default tax regime u/s 115BAC.

Concept Problem 6

Mr. Chandra Prakash, a resident individual aged 54, is planning to pay self-assessment tax and furnish his return of income on 15.12.2024. He furnishes the following details of his income, the amount of tax deducted at source and advance tax paid for the previous year 2023-24 as under:

- i) Retail Toy business, whose turnover is INR 185 lakhs [received INR 90 lakhs by Account payee cheque, INR 50 lakhs through ECS and balance in cash]. He opts for presumptive taxation scheme under section 44AD.
- ii) Income from other sources INR 3,05,000.
- iii) Tax deducted at source INR 55,000.
- iv) Advance tax paid INR 1,45,000 on 14-3-2024.

Calculate the interest payable under section 234B of the Income-tax Act, 1961. Assume Mr. Chandra opts of shifting out of default tax regime u/s 115BAC.

Concept Problem 7

Sheetal has paid advance tax as given below:

Particulars	Amount
Upto June 15, 2023	Nil
Upto September 15, 2023	45,000
Upto December 15, 2023	95,000
Upto March 15, 2024	1,70,000

She had long term capital gains of INR 3,00,000 on 01.01.2024 and her income under the head business/profession is INR 11,00,000.

She has filed return of income on 10.12.2024 and has paid difference of the tax on 10.12.2024.

Last date for filing of return is 31.07.2024.

Compute interest payable under section 234A, 234B, and 234C. Assume Sheetal opts of shifting out of default tax regime u/s 115BAC.

Concept Problem 8

Tax Ltd. has paid advance tax for the previous year 2023-24 as given below:

Particulars	Amount
Upto 15.06.2023	50,000
Upto 15.09.2023	1,50,000
Upto 15.12.2023	3,00,000
Upto 15.03.2024	6,00,000

- a) Actual tax liability was found to be INR 7,00,000 and balance tax was paid on 10.12.2024. Compute interest payable under section 234A, 234B, and 234C.
- b) Assume actual tax liability to be INR 6,50,000.

- c) Presume actual tax liability to be INR 400,000 and refund was granted on 10.11.2024. Also compute interest.

Concept Problem 9

Briefly explain the concept of self- assessment tax u/s 140 A of the Income- tax Act, 1961 and its components.

Concept Problem 10 [ICAI Nov 22]

Ms. Priya, aged 61 years, has total income of INR 7,50,000, including income from profession, for A.Y. 2024-25, and has paid advance tax of INR 10,000 on 13.12.2023. She has filed her return of income on 15.06.2024.

Calculate the self-assessment tax payable and the interest thereon u/s 234A, 234B and 234C, if any, by Ms. Priya under both tax regimes

CHAPTER 15

INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. A, a member of a HUF, received INR 10,000 as his share from the income of the HUF. Is such income includible in his chargeable income? Examine with reference to the provisions of the Income-tax Act, 1961 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Solution

No. Such income is not includible in Mr. A's chargeable income since section 10(2) exempts any sum received by an individual as a member of a HUF where such sum has been paid out of the income of the family.

Concept Problem 2

State with reasons in brief whether the following statements are true or false with reference to the provisions of the Income-tax Act, 1961 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

- i) Exemption is available to a Sikkimese individual, only in respect of income from any source in the State of Sikkim.
- ii) Pension received by a recipient of gallantry award, who was a former employee of Central Government, is exempt from income-tax.
- iii) Mr. Roy received a sum of 20 lakh on 31.3.2024 from Life Insurance Corporation of India in respect of a policy, where the sum assured was 15 lakhs, taken on 1.10.2005 and for which a onetime premium of 10 lakh was paid. Mr. Roy claims that the amount is totally exempt under section 10(10D) of the Income-tax Act, 1961.
- iv) Compensation on account of disaster received from a local authority by an individual or his/her legal heir is taxable.
- v) Mr. Xavier, a 'Param Vir Chakra' awardee, who was formerly in the service of the Central Government, received a pension of INR 2,20,000 during the financial year 2023-24. This amount is taxable.

Solution

i) False

Exemption under section 10(26AAA) is available to a Sikkimese individual not only in respect of the said income, but also in respect of income by way of dividend or interest on securities from anywhere in world.

ii) **True:** Section 10(18) exempts any income by way of pension received by individual who has been in service of Central Government and has been awarded "Paramvir Chakra" or "Mahavir Chakra" or "Vir Chakra" or such other gallantry award as the Central Government, may, by notification in the Official Gazette, specify in this behalf.

iii) False

As per section 10(10D), any sum received under an insurance policy issued before 01.04.2012, in respect of which the premium payable for any year during the term of the policy exceeds 20% of actual capital sum

assured, shall not be exempt from tax. Hence, the contention of Mr. Roy is not correct since the one-time premium of 10 lakh paid by him is in excess of 20% of the sum assured [i.e. it exceeds 3 lakhs, being 20% of 15 lakh].

Further, tax is deductible @ 5% on net income of 10,00,000 [Maturity proceeds – Total Insurance premium paid) under section 194DA on such sum paid to Roy, since the same is not exempt under section 10(10D) and payment amount is INR 1,00,000 or more.

iv) False

As per section 10(10BC), any amount received or receivable as compensation by an individual or his/her legal heir on account of any disaster from the Central Government, State Government or a local authority is exempt from tax.

However, the exemption is not available to the extent such individual or legal heir has already been allowed a deduction under this Act on account of such loss or damage caused by such disaster.

v) False

Pension received by Mr. Xavier, a former Central Government employee who is a 'Param Vir Chakra' awardee, is exempt under section 10(18).

CHAPTER 16

FILING OF RETURN

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Paras aged 55 years is a resident of India. During the F.Y. 2023-24, interest of INR 2,88,000 was credited to his Non-resident (External) Account with SBI. INR 30,000, being interest on fixed deposit with SBI, was credited to his saving bank account during this period. He also earned INR 3,000 as interest on this saving account. Is Paras required to file return of income?

What will be your answer, if he has incurred INR 3 lakhs as travel expenditure of self and spouse to US to stay with his married daughter for some time?

Solution

An individual is required to furnish a return of income under section 139(1) if his total income, before giving effect to the deductions under Chapter VI-A or exemption under section or section 54/54B/54D/54EC or 54F, exceeds the maximum amount not chargeable to tax i.e. 3,00,000 under default tax regime u/s 115BAC and 2,50,000 if exercises the option of shifting out of the default tax regime provided under section 115BAC(1A) (for A.Y. 2024-25).

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

Particulars	Amount
Income from other sources	
Interest earned from Non-resident (External) Account INR 2,88,000 [Exempt u/s 10(4)(ii), assuming that Mr. Ram has been permitted by RBI to maintain the aforesaid account]	Nil
Interest on fixed deposit with SBI	30,000
Interest on savings bank account	3,000
Gross Total Income	33,000
Less: Deduction under section 80TTA (not available under the default tax regime u/s 115BAC)	-
Total Income	30,000

In case he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A), he would be eligible for deduction of INR 3,000 under section 80TTA. Accordingly, his total income would be INR 30,000. However, in both regimes, total income of INR 33,000, before giving effect to deductions under Chapter VI-A, would be considered.

Since the total income of Mr. Paras for A.Y.2024-25, before giving effect to the deductions under Chapter VI-A, is less than the basic exemption limit in both regimes, he is not required to file return of income for A.Y.2024-25

Note: In the above solution, interest of INR 2,88,000 earned from Non-resident (External) account has been taken as exempt on the assumption that Mr. Paras, a resident, has been permitted by RBI to maintain the aforesaid account.

However, in case he has not been so permitted, the said interest would be taxable. In such a case, his total income, before giving effect, inter alia, to the deductions under Chapter VI-A, would be INR 3,21,000 (30,000 + 2,88,000 + 3,000), which is higher than the basic exemption limit of INR 3,00,000 or INR 2,50,000, as the case may be. Consequently, he would be required to file return of income for A.Y.2024-25.

If he has incurred expenditure of 3 lakhs on foreign travel of self and spouse, he has to mandatorily file his return of income on or before the due date under section 139(1), even if his income is less than the basic exemption limit.

Concept Problem 2

Explain with brief reasons whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:

- i) Belated return filed under section 139(4).
- ii) Return already revised once under section 139(5).
- iii) Return of loss filed under section 139(3).

Solution

Any person who has furnished a return under section 139(1) or 139(4) can file a revised return at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier, if he discovers any omission or any wrong statement in the return filed earlier.

Accordingly,

- i) A belated return filed under section 139(4) can be revised.
- ii) A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if the Assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier. It implies that a return of income can be revised more than once within the prescribed time.
- iii) A return of loss filed under section 139(3) is deemed to be return filed under section 139(1), and therefore, can be revised under section 139(5).

Concept Problem 3

Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books of account for the financial year ended on 31st March, 2024 audited under section 44AB. Her total income for the assessment year 2024-25 is INR 6,35,000. She wants to furnish her return of income for assessment year 2024-25 through a tax return preparer. Can she do so?

Solution

Section 139B provides a scheme for submission of return of income for any assessment year through a Tax Return Preparer. However, it is not applicable to persons whose books of account are required to be audited u/s 44AB.

Therefore, Mrs. Hetal cannot furnish her return of income for A.Y.2024-25 through a Tax Return Preparer.

Concept Problem 4

State with reasons whether you agree or disagree with the following statements:

- i) Return of income of Limited Liability Partnership (LLP) could be verified by any partner.
- ii) Time limit for filing return under section 139(1) in the case of Mr. A having total turnover of INR 160 lakhs (100 lakhs received in cash) for the year ended 31.03.2024, whether or not opting to offer presumptive income under section 44AD, is 31st October 2024.
- iii) The Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.
- iv) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.
- v) A Limited Liability Partnership with business loss of INR 130,000 is not required to file ROI.

Solution

i) **Disagree:**

The return of income of LLP should be verified by a designated partner.

Any other partner can verify the Return of Income of LLP only in the following cases:

- a) where for any unavoidable reason such designated partner is not able to verify the return, or,
- b) where there is no designated partner.

ii) **Disagree:**

In case Mr. A opts to offer his income as per the presumptive taxation provisions of section 44AD (INR 11.60 lakhs or more), then, the due date u/s 139(1) for filing of return of income for the year ended 31.03.2024, shall be 31st July, 2024.

In case, Mr. A wants to declare business income lower than INR 11.60 lakhs, he has to get his accounts audited under section 44AB, since his turnover exceeds INR 1 crore, in which case, the due date for filing return would be 31st October, 2024.

iii) **True:**

Section 139A(2) provides that the Assessing Officer may, having regard to the nature of transactions as may be prescribed, also allot a PAN to any other person, whether any tax is payable by him or not, in the manner and in accordance with the procedure as may be prescribed.

iv) **False:**

Section 140(b) provides that where the Karta of a HUF is absent from India, the return of income can be verified by any other adult member of the family; such member can be a male or female member.

v) **False:**

As per third proviso to section 139(1), every Company or Firm shall furnish on or before the due date the return in respect of its income or loss in every previous year.

Since LLP is included in the definition of “Firm” under the Income-tax Act, 1961, it has to file its return mandatorily, even though it has incurred a loss.

Concept Problem 5

Mr. Vineet exercised the option of shifting out of the default tax regime provided under section 115BAC(1A) and submits his return of income under the optional tax regime (i.e., the normal provisions of the Act) on 12-09-2024 for A.Y 2024-25 consisting of income under the head “Salaries”, “Income from house property” and bank interest. On 21-12-2024, he realized that he had not claimed deduction under section 80TTA in respect of his interest income on the Savings Bank Account. He wants to revise his return of income. Can he do so? Examine. Would your answer be different if he discovered this omission on 21-03-2025?

Solution

Since Mr. Vineet has income only under the heads “Salaries”, “Income from house property” and “Income from other sources”, he does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961 or any other law in force. Therefore, the due date of filing return for A.Y.2024-25 under section 139(1), in his case, is 31st July, 2024. Since Mr. Vineet had submitted his return only on 12.9.2024, the said return is a belated return under section 139(4).

As per section 139(5), a return furnished under section 139(1) or a belated return u/s 139(4) can be revised. Thus, a belated return under section 139(4) can also be revised. Therefore, Mr. Vineet can revise the return of income filed by him under section 139(4) in December 2024, to claim deduction under section 80TTA, since the time limit for filing a revised return is three months prior to the end of the relevant assessment year, which is 31.12.2024.

However, he cannot revise return had he discovered this omission only on 21-03-2025, since it is beyond 31.12.2024.

Concept Problem 6

Explain the term “return of loss” under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required?

Solution

A return of loss is a return which shows certain losses. Section 80 provides that the losses specified therein cannot be carried forward, unless such losses are determined in pursuance of return filed under the provisions of section 139(3).

Section 139(3) states that to carry forward the losses specified therein; the return should be filed within the time specified in section 139(1).

Following losses are covered by section 139(3):

- business loss to be carried forward under section 72(1),
- speculation business loss to be carried forward under section 73(2),
- loss from specified business to be carried forward under section 73A(2), in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).
- loss under the head “Capital Gains” to be carried forward under section 74(1); and
- loss incurred in the activity of owning and maintaining race horses to be carried forward u/s 74A(3)

However, loss from house property to be carried forward under section 71B and unabsorbed depreciation under section 32 can be carried forward even if return of loss has not been filed as required under section 139(3).

Concept Problem 7

Mr. Aakash has undertaken certain transactions during the F.Y.2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents:

S.No.	Transaction
1.	Payment of life insurance premium of INR 45,000 in the F.Y. 2023-24 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of INR 1,00,000 to a five-star hotel for stay for 5 days with family, out of which INR 60,000 was paid in cash
3.	Payment of INR 80,000 by ECS through bank account for acquiring the debentures of A Ltd., an Indian company
4.	Payment of INR 95,000 by account payee cheque to Thomas Cook for travel to Dubai for 3 days to visit relatives
5.	Applied to SBI for issue of credit card.

Solution

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Payment of life insurance premium of INR 45,000 in the F.Y. 2023-24 by account payee cheque to LIC for insuring life of self and spouse	No, since the amount paid does not exceed INR 50,000 in the F.Y.2023-24.
2.	Payment of INR 1,00,000 to a five-star hotel for stay for 5 days with family, out of which INR 60,000 was	Yes, since the amount paid in cash exceeds INR 50,000

	Transaction	Is quoting of PAN mandatory in related documents?
	paid in cash	
3.	Payment of INR 80,000, by ECS through bank account, for acquiring the debentures of A Ltd., an Indian company	Yes, since the amount paid for acquiring debentures exceeds INR 50,000. Mode of payment is not relevant in this case.
4.	Payment of INR 95,000 by account payee cheque to Thomas Cook for travel to Dubai for 3 days to visit relatives	No, since the amount was paid by account payee cheque, quoting of PAN is not mandatory even though the payment exceeds INR 50,000
5.	Applied to SBI for issue of credit card.	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

Concept Problem 8

Enumerate the circumstances in which an individual Assessee is empowered to verify his return of income under section 139 by himself or otherwise by any authorized person.

Solutions

The following table enumerates the specific circumstances and the authorized persons empowered to verify the return of income of an individual Assessee filed under section 139(1) in each such circumstance:

S No.	Circumstances	ROI Verified by
1	Where he is absent from India	Individual himself; or any person duly authorized by him in this behalf holding a valid power of attorney from the individual. (Such power of attorney should be attached to ROI)
2	Where he is mentally incapacitated from attending to his affairs	His guardian; or any other person competent to act on his behalf.
3	Where, for any other reason, it is not possible for the individual to verify the return	Any person duly authorized by him in this behalf holding a valid power of attorney from the individual (Such power of attorney should be attached to ROI)
4	In circumstances not covered above	The individual himself.

Concept Problem 9

Examine with reasons, whether quoting of PAN in the following transactions is mandatory or not, as per the provisions of Income-tax Act, 1961 for A.Y. 2024-25:

- Mr. Nihar makes cash payment to a hotel Ginger, Rishikesh of Rs. 50,000 against the bill raised by the hotel.
- Mr. Suresh, in a single transaction, makes contract of Rs. 1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.
- Payment to Mutual Funds of Rs. 57,000 for purchase of its units.

Solution

Requirement of quoting PAN in respect of certain transactions [Rule 114B of Income-tax Rules, 1962]

- PAN not required to be quoted:

Mr. Nihar is not required to quote his PAN while making payment Rs. 50,000 in cash to a hotel Ginger,

Rishikesh, since such payment does not exceed Rs. 50,000.

ii) PAN is mandatorily required to be quoted:

Mr. Suresh is required to quote his PAN while making contract of Rs. 1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956, since amount of the transaction exceeds Rs. 1,00,000.

iii) PAN is required to be quoted:

PAN has to be mandatorily quoted while making payment of Rs. 57,000 to Mutual Funds for purchase of its units, since such payment exceeds Rs. 50,000.

Concept Problem 10

Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act.

Solution

Provisions of Income-tax Act, 1961 relating to quoting of Aadhar Number under section 139AA

Every person who is eligible to obtain Aadhar Number is required to mandatorily quote Aadhar Number, on or after 1st July, 2017:

- in the application form for allotment of Permanent Account Number (PAN)
- in the return of income

The provisions of section 139AA relating to quoting of Aadhar Number would, however, not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

- residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- a non-resident as per Income-tax Act, 1961;
- of the age of 80 years or more at any time during the previous year;
- not a citizen of India.

If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him.

Every person who has been allotted PAN as on 1st July, 2017, and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to prescribed authority on or before a date as may be notified by the Central Government.

Concept Problem 11

Can Mr. Raghuram file his return for the A.Y. 2024-25 belatedly u/s 139(4) in the previous year 2025-26, if he has failed to file said return on or before the due date of filing return of income for the A.Y. 2024-25, due to inadvertent reasons? Also, specify the consequences of non-filing of return within the due date u/s 139(1).

Solution

If any person fails to furnish a return within the time allowed to him under section 139(1), he may furnish the belated return for any previous year at any time –

- before three months prior to the end of the relevant assessment year, or
- before the completion of the assessment, whichever is earlier.

The last date for filing return of income for A.Y. 2024-25 is 31st December, 2024. Thereafter Mr. Raghuram cannot furnish his belated return in PY 2025-26 since PY 2025-26 begins on 1st April, 2025.

Consequences for non – filing return of income within the due date under section 139(1)

- a) **Carry Forward and set-off certain losses:** Carry forward and set-off of business loss, speculation business loss, loss from specified business, loss under the head “Capital Gains”, and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward whereas return of income is not furnished within the time limit allowed under section 139(1).
- b) **Interest under Section 234A:** Interest under section 234A @ 1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable where the return of income is furnished after the due date. However, no interest u/s 234A shall be charged on self- assessment tax paid by the assessee on or before the due date of filing of return.
- c) **Fee under section 234F:** Late fee of 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1).

However, if the total income of the person does not exceed 5 lakhs, the fees payable shall not exceed 1,000.

Concept Problem 12

You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y. 2024-25 in each of the following independent situations:

- i) Manish & Sons (HUF) sold a residential house on which there arose a long-term capital gain of 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long-term capital gain was taxable.
- ii) Mrs. Archana was born in Germany and married in India. Her residential status under section 6(6) of the Income-tax Act, 1961 is ‘resident and ordinarily resident’. She owns a car in Germany which she uses for her personal purposes during her visit to her parent place in that country.
- iii) Sudhakar has incurred an expenditure of 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels.

Solution

- i) A HUF whose total income without giving effect to, inter alia, section 54EC, exceeds the basic exemption limit of 2,50,000, is required to file a return of its income on or before the due date under section 139(1).

In this case, since the total income without giving effect to exemption under section 54EC is 12 lakhs, exceeds the basic exemption limit, the HUF is required to file its return of income for A.Y. 2024-25 on or before the due date under section 139(1).

- ii) Every person, being a resident other than not ordinarily resident in India would be required to file a return of income or loss for the previous year on or before the due date, even if his or her total income does not exceed the basic exemption limit, if such person at any time during the previous year, inter alia, holds any asset located outside India.

In this case, though Mrs. Archana owns a car in Germany, the same does not fall within the ambit of “Capital asset” as it is a personal effect. Hence, Mrs. Archana is not required to file her return of income for A.Y. 2024-25 on account of owning a car for personal purposes in Germany.

- iii) If an individual has incurred expenditure exceeding 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit. Since Mr. Sudhakar has incurred expenditure of 1,20,000 in the P.Y. 2023-24 towards consumption of electricity, he has to file his return of income for A.Y. 2024-25 on or before the due date under section 139(1).

Concept Problem 13

Mr. Mukesh born on 1.4.1962 furnished his original return for Assessment Year 2024-25 on 30.07.2024. He has shown salary income of 7.30 lakhs (computed) and interest from his savings bank of 12,700 and from his fixed deposits of 43,000. He also claimed deduction under section 80C of 1.50 lakhs. He had claimed deduction u/s 80D of 25,000. He also claimed deduction u/s 80TTA of 10,000. His employer had deducted TDS of 33,950 from his salary, which he adjusted fully against tax payable.

He paid health insurance premium of 38,000 by account payee cheque for self and wife. He paid 1,500 in cash for his health check-up and 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of 33,000 during the year to insure the health of his mother, aged 80 years, staying with his younger brother. He further incurred medical expenditure of 25,000 on his father, aged 81 years, who is staying with him. His father is not covered under any Medclaim policy.

He seeks your advice about possibility of revising his return and if possible, file his revised return. Analyze the above narrated facts as per applicable provisions of the Income-tax Act, 1961. Does he need to revise his return and for what reasons? Please advise him suitably and if needed, re-compute his income and tax payable or refund due for the Assessment Year 2024-25.

Assume that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 14

What is the fee for default in furnishing return of income u/s 234F?

Solution

Where a person, who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of Rs. 5,000.

However, if the total income of the person does not exceed Rs. 5 lakhs, the fees payable shall not exceed Rs. 1,000.

Concept Problem 15

Mr. Naksh has undertaken certain transactions during the F.Y. 2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents:

	Particulars
1.	Payment of life insurance premium of Rs. 40,000 in F.Y. 2023-24 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of Rs. 1,10,000 to RBI acquiring its bonds
3.	Payment of Rs. 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

Solution

	Transaction	Is quoting of PAN mandatory?
1.	Payment of life insurance premium of Rs. 40,000 in the F.Y. 2023-24 by account payee cheque to LIC for insuring life of self and spouse.	No, since the amount does not exceed Rs. 50,000 in the F.Y. 2023-24.
2.	Payment of Rs. 1,10,000 to RBI for acquiring its bonds.	Yes, since the amount paid exceeds Rs. 50,000
4.	Payment of Rs. 1,00,000 by account payee cheque to travel agent for travel to Dubai for 3 days to visit.	No, since the amount was paid by account payee cheque, quoting of PAN is not mandatory even though the payment exceeds Rs. 50,000.

Concept Problem 16

Mrs. Shivani is a US Citizen. She got married to Mr. Sriram, an Indian citizen and resident of India, in the year 2016. Since then, she has been staying in India. She has a Bank account in US. She sold a residential house in US and earned a long-term capital gain of 2 lakhs. She invested the whole sales consideration in Capital Gain bonds under section 54EC so that no long-term capital gain is taxable. She does not have any source of income in India during the P.Y. 2023-24. Is she required to furnish her return of income? If yes, can she furnish a belated return?

Solution

An individual whose total income without giving effect to, *inter alia*, section 54EC exceeds the maximum amount not chargeable to tax i.e., 2,50,000, is required to file a return of income on or before the due date under section 139(1) i.e., 31st July, 2024.

Every person, being a resident other than not ordinarily resident in India, would be required to file a return of income or loss for the previous year, even if his total income does not exceed the basic exemption limit, if such person, at any time during the previous year, *inter alia*, holds any asset located outside India or has a signing authority in any account located outside India.

In this case, Mrs. Shivani is a resident and ordinarily resident in India for A.Y. 2024-25 since she has been staying in India since the year 2016. Total income of Mrs. Shivani without giving effect to, *inter alia*, section 54EC is 2 lakhs, which is below the basic exemption limit.

However, since she has a bank account in US, she has to furnish her return of income for A.Y. 2023-24 on or before 31.07.2024.

Yes, she can furnish a belated return under section 139(4), if she has not furnished her return on or before 31.7.2024, at any time before the –

- i) three months prior to the end of the relevant assessment year i.e., 31.12.2024; or
- ii) completion of the assessment

whichever is earlier.

Concept Problem 17

Mr. Sitaram is engaged in the business of trading of cement having turnover of 10 crores during the financial year 2023-24. As a tax consultant, advise him what are the particulars to be furnished under section 139 along with Return of Income?

Solution

Since Mr. Sitaram's turnover from business of trading of cement is INR 10 crores which exceeds INR 1 crore, being the threshold limit for tax audit under section 44AB, he is subjected to tax audit.

Accordingly, Mr. Sitaram, is required to furnish the following particulars along with his return of income -

- a) the report of audit referred to in section 44AB.
- b) the particulars of the location and style of the principal place where he carries on the business or profession and all the branches thereof.

Concept Problem 18

What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default?

Solution

If a person, who has been allotted PAN as on 1.7.2017 and is required to intimate his Aadhar number under section 139AA(2), has failed to intimate the same on or before 31.3.2023, the PAN of such person would become inoperative immediately after 31.3.2023 for the purpose of furnishing, intimating or quoting under the Income-tax Act, 1961.

Where a person, whose PAN has become inoperative, is required to furnish, intimate or quote his PAN under the Act, it shall be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the Act and he would be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN.

Where a person, who is required to intimate his Aadhar Number under section 139AA(2), fails to do so on or before the notified date i.e., 31.3.2023, he shall be liable to pay such fee, as may be prescribed, at the time of making intimation under section 139AA(2) after 31.3.2023.

However, such fee shall not exceed 1,000.

Concept Problem 19

Mr. Vikas, a resident in India aged 80 years, is having a house property in Mumbai. He has let out the house property to ABC Ltd. for a rent of 50,000 per month from 1.4.2023. He does not have any other source of income. Is Mr. Vikas required to file his return of income for A.Y. 2024-25. If yes, why?

Solution

An individual whose total income exceeds the maximum amount not chargeable to tax i.e., 5,00,000 in this case since Mr. Vikas is of 80 years, is required to file a return of income on or before the due date under section 139(1) i.e., 31st July, 2024.

Also, a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if the person fulfills such other conditions as may be prescribed.

Accordingly, vide Notification no. 3/2022 dated 21.4.2023, the CBDT inserted Rule 12AB which prescribes, *inter alia*, that in case of resident individual who is aged **60 years** or more at any time during the relevant P.Y. is required to file his return of income if the aggregate of tax deducted at source and tax collected at source, in his case, during the P.Y. is 50,000 or more.

In this case, Mr. Vikas's total income would comprise of only income from house property from let out of house property in Mumbai. His total income would be 4,20,000 [6,00,000 – 30% under section 24(a)], which is below the basic exemption limit of 5,00,000.

ABC Ltd. is required to deduct tax at source u/s 194-I @ 10% of 6,00,000. Tax deductible would be 60,000. Since tax deducted at source in case of Mr. Vikas is more than 50,000, he has to furnish his return of income for A.Y. 2024-25 on or before 31.07.2024, even though his total income is below the basic exemption limit of 5,00,000.

Note – It is assumed that Mr. Vikas has neither made an application to the Assessing Officer u/s 197 nor furnished declaration to ABC Ltd. u/s 197A for non-deduction of tax. In case, he has obtained the certificate u/s 197 or furnished declaration to ABC Ltd. u/s 197A, no tax would have been deducted by ABC Ltd. on rental income. Consequently, Mr. Vikas would not be required to file his return of income.

Concept Problem 20

State any three conditions when a person is required to furnish Income-tax return in the prescribed form & manner on or before the due date even if such person (other than a company or a firm) is not otherwise required to furnish a return u/s 139(1).

Solution

Conditions when a person is required to furnish return of income on or before the due date even if he is otherwise not required to furnish return u/s 139(1)

Any person, other than a company or a firm, who is not required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person

- i) has deposited an amount or aggregate of the amounts exceeding 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or
- ii) has incurred expenditure of an amount or aggregate of the amounts exceeding 2 lakhs for himself or any other person for travel to a foreign country; or
- iii) has incurred expenditure of an amount or aggregate of the amounts exceeding 1 lakh towards consumption of electricity; or
- iv) fulfils such other prescribed conditions.

Rule 12AA provides that a person, other than a company or a firm, who is not required to furnish a return under section 139(1), and who fulfils any of the following conditions during the previous year has to file their return of income on or before the due date in the prescribed form and manner:

- a) if his total sales, turnover or gross receipts, as the case may be, in the business exceeds 60 lakhs during the previous year; or
- b) if his total gross receipts in profession exceeds 10 lakhs during the previous year; or
- c) if the aggregate of TDS and TCS during the previous year, in the case of the person, is 25,000 or more; or
 However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is 50,000 or more.
- d) the deposit in one or more savings bank account of the person, in aggregate, is 50 lakhs or more during the previous year.

Concept Problem 21 [ICAI May 22] [RTP May 23]

Due to some inconsistent information provided in the return of income furnished under Section 139(1), the Assessing Officer considers it defective under Section 139(9) of the Income-tax Act, 1961.

- i) How, the Assessing Officer would deal with the issue?
- ii) What are the consequences if defect is not rectified within the time allowed?
- iii) Specify the remedies available if not rectified within time allowed by the Assessing Officer?

Solution

- i) Where the Assessing Officer considers that the return of income furnished by the assessee is defective,
 - a) he may intimate the defect to the assessee and
 - b) give him an opportunity to rectify the defect within a period of 15 days from the date of such intimation.
 The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee.
- ii) If the defect is not rectified within the period of 15 days or such further extended period, then, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.
- iii) The Assessing Officer has the power to condone the delay and treat the return as a valid return, if the assessee has rectified the return after the expiry of 15 days or the further extended period, but before the assessment is made.

Concept Problem 22

Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessee not maintaining regular books of accounts, defective.

Concept Problem 23 [RTP May 23]

Mr. Aakash has undertaken certain transactions during the F.Y.2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –

S.No.	Transaction
1.	Opening a current account with HDFC Bank
2.	Sale of shares of ABC (P) Ltd. for INR 1,50,000
3.	Purchase of two-wheeler motor vehicle of INR 1 lakh
4.	Purchase of a professional laptop of INR 3 lakhs

Solution

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Opening a current account with HDFC Bank	Yes, quoting of PAN is mandatory on opening of a current account by a person with bank.
2.	Sale of shares of ABC (P) Ltd. for INR 1,50,000	Yes, since the amount for sale of unlisted shares exceeds 1,00,000
3.	Purchase of two-wheeler motor vehicle of INR 1 lakh	Since the purchase is of two-wheeler motor vehicle, quoting of PAN is not mandatory
4.	Purchase of a professional laptop of INR 3 lakhs	Yes, since the amount paid exceeds 2,00,000

Concept Problem 24 [MTP May 23]

Mr. X would like to furnish his updated return for the A.Y. 2022-23. In case he furnished his updated return of income, he would be liable to pay INR 2,50,000 towards tax and INR 35,000 towards interest after adjusting tax and interest paid at the time filing earlier return. You are required to examine whether Mr. X can furnish updated return

- a. as on 31.3.2024
- b. as on 28.2.2025
- c. as on 31.5.2025

If yes, compute the amount of additional income-tax payable by Mr. X at the time of filing his updated return assuming he exercised the option of shifting out of default tax regime u/s 115BAC.

CHAPTER 17

COMPUTATION OF TOTAL INCOME

AND TAX LIABILITY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Mr. X has a total income of INR 16,00,000 for P.Y.2023-24, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2024-25 under the default tax regime u/s 115BAC.

Concept Problem 2

Mr. X has a total income of INR 16,00,000 for P.Y.2023-24, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2024- 25 assuming his age is –

- a) 45 years
- b) 63 years
- c) 82 years

Assume that Mr. X has exercised the option to shift out/ opt out of the default tax regime.

Concept Problem 3

Compute the tax liability of Mr. A (aged 42), having total income of INR 51 lakhs for the AY 2024-25. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. A has exercised the option to shift out of section 115BAC.

Concept Problem 4

Compute the tax liability of Mr. B (aged 51) under the default tax regime, having total income of INR 1,01,00,000 for the Assessment Year 2024-25. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit.

Concept Problem 5

Compute the tax liability of Mr. C (aged 58), having total income of INR 2,01,00,000 for the Assessment Year 2024-25. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. C has exercised the option to shift out of section 115BAC.

Concept Problem 6

Compute the tax liability of Mr. D (aged 65) in a most beneficial manner. He is having total income of INR 5,01,00,000 for the Assessment Year 2024-25. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit and is the same under both tax regimes.

Concept Problem 7

Mr. Raghav aged 26 years and a resident in India, has a total income of INR 6,50,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2024-25 under default tax regime under section 115BAC.

Concept Problem 8

Mr. Pawan aged 35 years and a resident in India, has a total income of INR 7,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2024-25 under default tax regime under section 115BAC.

Concept Problem 9

Mr. Piyush, aged 35 years and a resident in India, has a total income of INR 4,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2024-25 if he exercises the option to shift out of the default tax regime.

Concept Problem 10

Who is an “Assessee”?

Solution

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

In addition, the term includes –

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

Concept Problem 11

State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year.

Solution

General Rule: The income of an Assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in few cases, the income is taxed in the previous year in which it is earned. These exceptions have been made to protect the interest of Revenue. The exceptions are as follows:

i) Shipping Business of a Non-Resident

A ship belonging to a non -resident is allowed to leave the Indian port only when the tax @ 7.5% of the amount of carriage charge received or receivable has been paid or satisfactory arrangement has been made for payment thereof to the Government.

ii) Person leaving India

Where it appears to the Assessing Officer that any individual may leave India during the current previous year or shortly after its expiry and he has no present intention of returning to India, the Total Income of such individual for the period from the date of commencement of previous year up to the probable date of his departure from India is chargeable to tax in the previous year itself.

Example:

Suppose Mr. X is leaving India for USA on 10.6.2023 and it appears to the Assessing Officer that he has no intention to return. Before leaving India, Mr. X may be asked to pay Income-tax on the income earned during the P.Y. 2023-24 as well as on the total income earned during the period 1.4.2023 to 10.06.2023.

iii) AOP/BOI formed for a particular event or purpose

If an AOP/BOI is formed or established for a particular event or purpose and the Assessing Officer believes that the AOP/BOI is likely to be dissolved in the same year, he can make assessment of the income up to the date of dissolution as income of the relevant previous year in the same previous year.

iv) Person likely to transfer the property to avoid tax

If it appears to the Assessing Officer that a person is likely to sell, transfer or dispose of any of his assets to avoid payment of any liability under this Act, the Total Income of such person for the period from the date of commencement of previous year to the date, when the Assessing Officer commences proceedings under this section is, chargeable to tax in that previous year.

v) Discontinued Business

Where any business or profession is discontinued in any previous year, the income of the period from date of commencement of previous year up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax in that previous year.

Concept Problem 12

What are the two schools of Hindu law and where are they prevalent? Explain. Also, mention the difference between the two schools of Hindu Law.

Solution

The two schools of Hindu law are Dayabaga school, prevalent in West Bengal and Assam, and Mitakshara school, prevalent in rest of India.

Under the Dayabaga school of Hindu Law, nobody acquires the right, share in the property by birth as long as the head of family is living. Thus, the children do not acquire any right, share in the family property, as long as his father is alive and only on death of the father, the children will acquire right/share in the property. Hence, the father and his brothers would be the coparceners of the HUF.

Under the Mitakshara school of Hindu Law, one acquires the right to the family property by his birth and not by succession irrespective of the fact that his elders are living. Thus, every child born in the family acquires a right/share in the family property.

Concept Problem 13

What is the difference between an Association of Persons and Body of Individuals?

Solution

In order to constitute an Association of Persons (AOP), persons must join for a common purpose or action and their object must be to produce income; it is not enough that the persons receive the income jointly.

Body of Individuals denotes the status of persons like executors or trustees who merely receive the income jointly and who may be assessable in like manner and to the same extent as the beneficiaries individually. Thus, co-executors or co-trustees are assessable as a BOI as their title and interest are indivisible.

The difference between an AOP and BOI is that in case of a BOI, only individuals can be the members, whereas in case of AOP, any person can be its member i.e. entities like company, firm etc. can be the member of AOP but not of BOI.

In case of an AOP, members voluntarily come together with a common will for a common intention or purpose, whereas in case of BOI, such common will may or may not be present.

Concept Problem 14

The Jain HUF in Assam comprises of Mr. Suresh Jain, his wife Mrs. Sapna Jain, his son Mr. Sarthak Jain, his daughter-in-law Mrs. Preeti Jain, his daughter Miss Seema Jain and his unmarried brother Mr. Pritam Jain. Which of the members of the HUF are eligible for coparcenary rights?

Solution

Dayabaga school of Hindu law is prevalent in Assam. In Dayabaga school of Hindu law, nobody acquires the right, share in the property by birth as long as the head of family is living.

Thus, the children do not acquire any right, share in the family property, as long as his father is alive and only on death of the father, the children will acquire right/share in the property.

Hence, Mr. Suresh Jain and his brother, Mr. Pritam Jain would be the coparceners of the Jain HUF and are eligible for coparcenary rights.

Concept Problem 15

Compute the tax liability under default tax regime of Mr. Kashyap (aged 35), having total income of INR 51,75,000 for the Assessment Year 2024-25. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit.

Concept Problem 16

Mr. Agarwal, aged 40 years and a resident in India, has a total income of INR 6,50,00,000, comprising long term capital gain taxable under section 112 of INR 55,00,000, short term capital gain taxable under section 111A of INR 65,00,000 and other income of INR 5,30,00,000. Compute his tax liability for A.Y.2024-25 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes.

Concept Problem 17

Mr. Sharma aged 62 years and a resident in India, has a total income of INR 2,30,00,000, comprising long term capital gain taxable under section 112 of INR 52,00,000, short term capital gain taxable under section 111A of INR 64,00,000 and other income of INR 1,14,00,000. Compute his tax liability for A.Y.2024-25 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes.

Concept Problem 18

Mr. A, aged 32 years, is employed with XYZ (P) Ltd. on a basic salary of INR 50,000 p.m. He has received transport allowance of INR 15,000 p.m. and house rent allowance of INR 20,000 p.m. from the company for the P.Y. 2023-24. He has paid rent of INR 25,000 p.m. for an accommodation in Delhi. Mr. A has paid interest of INR 2,10,000 for housing loan taken for the construction of his house in Mumbai. The construction of the house is completed in March, 2024 and his parents live in that house.

Other Information

- Contribution to PPF - 1,50,000
- Contribution to pension scheme referred to in section 80CCD - 50,000
- Payment of medical insurance premium for father, who is of the age of 65 - 55,000
- Payment of medical insurance premium for self and spouse - 32,000

Compute the total income and tax liability of Mr. A for the A.Y. 2024-25 in the most beneficial manner.

Concept Problem 19

Mr. Kadam is entitled to a salary of INR 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent free accommodation which is owned by the company. The HRA amount payable was INR 7,000 per month. The rent for the hired accommodation was INR 6,000 per month at New Delhi. Advise Mr. Kadam whether it would be beneficial for him to avail HRA or Rent Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Kadam exercises the option to shift out of the default tax regime under section 115BAC.

Concept Problem 20

Compute the tax liability of Mr. Kashyap (aged 35), having total income of INR 51,75,000 for the A.Y. 2024-25. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit. Assume that Mr. Kashyap has exercised the option of shift out of the default tax regime under section 115BAC.

Concept Problem 21

Compute the tax liability of Mr. Gupta (aged 61) under default tax regime, having total income of ` 1,02,00,000 for the A.Y.2024-25. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit.

Concept Problem 22

Mr. Agarwal aged 40 years and a resident in India, has a total income of INR 4,50,00,000, comprising long term capital gain taxable under section 112 of INR 55,00,000, short term capital gain taxable under section 111A of INR 65,00,000 and other income of INR 3,30,00,000. Compute his tax liability for A.Y.2024-25 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes.

Concept Problem 23

Mr. Sharma aged 62 years and a resident in India, has a total income of INR 2,30,00,000, comprising long term capital gain taxable under section 112 of INR 52,00,000, short term capital gain taxable under section 111A of 64,00,000 and other income of INR 1,14,00,000. Compute his tax liability for A.Y.2024-25. Assume that Mr. Kashyap has exercised the option of shift out of the default tax regime under section 115BAC.

Concept Problem 24

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2023 and came to India for the first time on 16.03.2023. She left for USA on 19.9.2023. She returned to India again on 27.03.2024. While in India, she had purchased a show room in Mumbai on 30.04.2023, which was leased out to a company on a rent of INR 25,000 p.m. from 1.05.2023. She had taken loan from a bank for purchase of this show room on which bank had charged interest of INR 97,500 upto 31.03.2024. She had received the following gifts from her relatives and friends during 1.4.2023 to 31.3.2024:

From parents of husband	INR 51,000
From married sister of husband	INR 11,000
From two very close friends of her husband (INR 1,51,000 and INR 21,000)	INR 1,72,000

- Determine her residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the A.Y. 2024-25 if she opts out of the default tax regime under section 115BAC.
- Would her residential status undergo any change, assuming that she is a person of Indian origin and her total income from Indian sources is 18,00,000 and she is not liable to tax in USA?

Concept Problem 25

Dr. Niranjana, a resident individual, aged 60 years is running a clinic in Surat. Her Income and Expenditure Account for the year ending March 31st, 2024 is as under:

Expenditure	Amount	Income	Amount
To Medicine consumed	35,38,400	By Consultation and Medical charges	58,85,850
To Staff salary	13,80,000	By Income-tax refund (Principal INR 5,000, interest 450)	5,450
To Clinic consumables	1,10,000	By Dividend from units of UTI (Gross)	10,500

Expenditure	Amount	Income	Amount
To Rent paid	90,000	By Winning from game show on T.V. (net of TDS of INR 15,000)	35,000
To Administrative expenses	2,55,000	By Rent	27,000
To Amount paid to scientific research association approved u/s 35	1,50,000		
To Net profit	4,40,400		
	59,63,800		59,63,800

- i) Rent paid includes INR 30,000 paid by cheque towards rent for her residential house in Surat.
ii) Clinic equipments are:

1.04.2023	Opening W.D.V.	INR 5,00,000
7.12.2023	Acquired (cost) by cheque	INR 2,00,000

- iii) Rent received relates to property situated at Surat. Gross Annual Value INR 27,000. The municipal tax of INR 2,000, paid in December, 2023, has been included in “administrative expenses”.
iv) She received salary of INR 7,500 p.m. from “Full Cure Hospital” which has not been included in the “consultation and medical charges”.
v) Dr. Niranjana availed a loan of INR 5,50,000 from a bank for higher education of her daughter. She repaid principal of INR 1,00,000, and interest thereon INR 55,000 during previous year 2023-24.
vi) She paid INR 1,00,000 as tuition fee (not in the nature of development fees/ donation) to the university for full time education of her daughter.
vii) An amount of 28,000 has also been paid by cheque on 27th March, 2024 for her medical insurance premium.

From the above, compute the total income of Dr. Smt. Niranjana for the A.Y. 2024-25 under the default tax regime and optional tax regime as per the normal provisions of the Act.

Concept Problem 26

Ms. Purvi, aged 55 years, is a Chartered Accountant in practice. She maintains her accounts on cash basis. Her Income and Expenditure account for the year ended March 31, 2024 reads as follows:

Expenditure	Amount	Income	Amount
Salary to staff	15,50,000	Fees earned:	
Stipend to articled Assistants	1,37,000	Audit	27,88,000
Incentive to articled Assistants	13,000	Taxation services	15,40,300
Office rent	12,24,000	Consultancy	12,70,000
Printing and stationery	12,22,000	Dividend received on shares of X Ltd., an Indian company (Gross)	10,524
Meeting, seminar and Conference	31,600	Income from UTI (Gross)	7,600
Purchase of car (for official use)	80,000	Honorarium received from various institutions for valuation of answer papers	15,800
Repair, maintenance and petrol of car	4,000	Rent received from residential flat let out	85,600
Travelling expenses	5,25,000		

Expenditure	Amount	Income	Amount
Municipal tax paid in respect of house property	3,000		
Net Profit	9,28,224		
	57,17,824		57,17,824

Other Information:

- Allowable rate of depreciation on motor car is 15%
- Value of benefits received from clients during the course of profession is INR 10,500.
- Incentives to articled assistants represent amount paid to two articled assistants for passing Inter Examination at first attempt.
- Repairs and maintenance of car include INR 2,000 for the period from 1-10-2023 to 30-09-2024.
- Salary includes INR 30,000 to a computer specialist in cash for assisting Ms. Purvi in one professional assignment.
- The travelling expenses include expenditure incurred on foreign tour of INR 32,000 which was within the RBI norms.
- Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to INR 5,000 and INR 10,000, respectively, paid in cash.
- She invested an amount of INR 10,000 in National Saving Certificate.
- She has paid INR 70,000 towards advance tax during the P.Y. 2023-24.

Compute the total income and tax payable by Ms. Purvi for the A.Y. 2024-25 in a most beneficial manner.

Concept Problem 27

Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2024 revealed the following information:

- The net profit was INR 11,20,000.
- The following incomes were credited in the profit and loss account:
 - Dividend from UTI INR 22,000. (Gross)
 - Interest on debentures INR 17,500. (Gross)
 - Winnings from races INR 15,000. (Gross)
- It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:

Opening stock INR 8,000.

Closing stock INR 12,000.
- INR 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).
- Salary includes INR 20,000 paid to his brother which is unreasonable to the extent of INR 2,500.
- Advertisement expenses include 15 gift packets of dry fruits costing INR 1,000 per packet presented to important customers.
- Total expenses on car was INR 78,000. The car was used both for business and personal purposes. $\frac{3}{4}$ th is for business purposes.

8. Miscellaneous expenses included INR 30,000 paid to A & Co., a goods transport operator in cash on 31-1-2024 for distribution of the company's product to the warehouses.
9. Depreciation debited in the books was INR 55,000. Depreciation allowed as per Income-tax Rules, 1962 was INR 50,000.
10. Drawings INR 10,000 debited in the books.
11. Investment in NSC INR 15,000 debited in the books.

Compute the total income of Mr. Y for the assessment year 2024-25 under optional tax regime as per normal provisions of the Act.

Concept Problem 28

Balamurugan furnishes the following information for the year ended 31-03-2024:

Particulars	Amount
Income from business	(1,35,000)
Income from house property	(15,000)
Lottery winning (Gross)	5,00,000
Speculation business income	1,00,000
Income by way of salary [computed]	2,70,000
Long term capital gain u/s 112	70,000

Compute his total income, tax liability and advance tax obligations under default tax regime u/s 115BAC.

Concept Problem 29

Mr. Rajiv, aged 50 years, a resident individual and practicing Chartered Accountant, furnishes you the receipts and payments account for the financial year 2023-24.

Receipts and Payments Account

Receipts	Amount	Payments	Amount
Opening balance (1.4.2023) Cash on hand and at Bank	12,000	Staff salary, bonus and stipend to articed clerks	21,50,000
Fee from professional services (Gross)	59,38,000	Other administrative expenses	11,48,000
Rent	50,000	Office rent	30,000
Motor car loan from Canara Bank (@ 9% p.a.)	2,50,000	Housing loan repaid to SBI (includes interest of INR 88,000)	1,88,000
		Life insurance premium (10% of sum assured)	24,000
		Motor car (acquired in Jan 2024 by account payee cheque)	4,25,000
		Medical insurance premium (for self and wife) (paid by A/c Payee cheque)	18,000
		Books bought on 01.07.2023 (annual publications by A/c payee cheque)	20,000

Receipts	Amount	Payments	Amount
		Computer acquired on 1.11.2023 by A/c payee cheque (for professional use)	30,000
		Domestic drawings	2,72,000
		Public provident fund subscription	20,000
		Motor car maintenance	10,000
		Closing balance (31.3.2024) Cash on hand and at Bank	19,15,000
	62,50,000		62,50,000

Following further information is given to you:

1. He occupies 50% of the building for own residence and let out the balance for residential use at a monthly rent of INR 5,000. The building was constructed during the year 1997-98, when the housing loan was taken.
2. Motor car was put to use both for official and personal purpose. One-fifth of the motor car use is for personal purpose. No car loan interest was paid during the year.
3. The written down value of assets as on 1-4-2023 are given below:

Furniture & Fittings	INR 60,000
Plant & Machinery (Air-conditioners, Photocopiers, etc.)	INR 80,000
Computers	INR 50,000

Note: Mr. Rajiv follows cash system of accounting.

Compute the total income of Mr. Rajiv for the A.Y. 2024-25 assuming that he has shifted out of the default tax regime under section 115BAC.

Concept Problem 30

From the following details, compute the total income and tax liability of Siddhant, aged 31 years, of Delhi both as per section 115BAC and as per the regular provisions of the Income-tax Act, 1961 for the A.Y.2024-25. Advise Mr. Siddhant whether he should opt for section 115BAC:

Particulars	Amount
Salary including dearness allowance	4,35,000
Bonus	15,000
Salary of servant provided by the employer	12,000
Rent paid by Siddhant 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

Siddhant purchased a flat in a co-operative housing society in Delhi for INR 4,75,000 in April, 2016, which was financed by a loan from Life Insurance Corporation of India of INR 1,60,000@15% interest, his own savings of INR 65,000 and a deposit from a nationalized bank for INR 2,50,000 to whom this flat was given on lease for ten years. The rent payable by the bank was INR 3,500 per month. The following particulars are relevant:

- a) Municipal taxes paid by Mr. Siddhant - INR 4,300 (per annum)

- b) House Insurance - INR 860
- c) He earned INR 2,700 in share speculation business and lost INR 4,200 in cotton speculation business.
- d) In the year 2017-18, he had gifted INR 30,000 to his wife and INR 20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest @ 19% per annum.
- e) Siddhant received a gift of INR 30,000 each from four friends.
- f) He contributed INR 50,000 to Public Provident Fund.

Concept Problem 31

Ramdin, aged 33, working as Manager (Sales) with Frozen Foods Ltd., provides the following information for the year ended 31.03.2024:

Basic Salary	INR 15,000 p.m.
DA (50% of it is meant for retirement benefits)	INR 12,000 p.m.
Commission as a percentage of turnover of the Company	0.5 %
Turnover of the Company	INR 50 lacs
Bonus	INR 50,000
Gratuity	INR 30,000
Own Contribution to R.P.F.	INR 30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F. account @ 15% p.a.	INR 15,000
Gold Ring worth INR 10,000 was given by employer on his 25 th wedding anniversary.	
Music System purchased on 01.04.2023 by Company for INR 85,000 and was given to him for personal use.	
Two old heavy goods vehicles owned by him were leased to a transport company against the fixed charges of INR 6,500 p.m. Books of account are not maintained.	
Received interest of INR 5,860 on bank FDRs on 24.04.2023 and interest of INR 6,786 (Net) from the debentures of Indian Companies on 05.05.2023.	
Made payment by cheques of INR 15,370 towards premium of Life Insurance policies and INR 22,500 for Mediclaim Insurance policy for self and spouse.	
Invested in NSC INR 30,000 and in FDR of SBI for 5 years INR 50,000.	
Donations of INR 11,000 to an institution approved u/s 80G and of INR 5,100 to Prime Minister's National Relief Fund were given during the year by way of cheque.	

Compute his total income and tax payable thereon for the A.Y. 2024-25. Assume that Mr. Ramdin has exercised the option to shift out of the default tax regime under section 115BAC.

Concept Problem 32

From the following particulars furnished by Mr. X for the year ended 31.3.2024, you are requested to compute his total income and tax payable for the assessment year 2024-25, assuming that he opts out of the default tax regime under section 115BAC.

- a. Mr. X retired on 31.12.2023 at the age of 58, after putting in 26 years and 1 months of service, from a private company at Mumbai.
- b. He was paid a salary of INR 25,000 p.m. and house rent allowance of INR 6,000 p.m. He paid rent of INR 6,500 p.m. during his tenure of service.
- c. On retirement, he was paid a gratuity of INR 3,50,000. He was covered by the payment of Gratuity Act. Mr. X

had not received any other gratuity at any point of time earlier, other than this gratuity.

- d. He had accumulated leave of 15 days per annum during the period of his service; this was encashed by Mr. X at the time of his retirement. A sum of INR 3,15,000 was received by him in this regard. His average salary may be taken as INR 24,500. Employer allowed 30 days leave per annum.
- e. After retirement, he ventured into textile business and incurred a loss of INR 80,000 for the period upto 31.3.2024.
- f. Mr. X has invested INR 1,00,000 in public provident fund.

Concept Problem 33

Rosy and Mary are sisters, born and brought up at Mumbai. Rosy got married in 1982 and settled at Canada since 1982. Mary got married and settled in Mumbai. Both of them are below 60 years. The following are the details of their income for the previous year ended 31.3.2024:

S. No.	Particulars	Rosy	Mary
1.	Pension received from State Government	-	60,000
2.	Pension received from Canadian Government	20,000	-
3.	Long-term capital gain on sale of land at Mumbai	1,00,000	1,00,000
4.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,50,000
5.	LIC premium paid	-	10,000
6.	Premium paid to Canadian Life Insurance Corporation at Canada	40,000	-
7.	Mediclaim policy premium paid	-	25,000
8.	Investment in PPF	-	20,000
9.	Rent received in respect of house property at Mumbai	60,000	30,000

Compute the total income and tax liability of Mrs. Rosy and Mrs. Mary for the A.Y. 2024-25 and tax thereon assuming both exercised the option to shift out of the default tax regime.

Concept Problem 34

Mr. X, an individual set up a unit in Special Economic Zone (SEZ) in the financial year 2019-20 for production of washing machines. The unit fulfills all the conditions of section 10AA of the Income-tax Act, 1961. During the financial year 2022-23, he has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. It fulfills all the conditions of section 35AD. Capital expenditure in respect of warehouse amounted to INR 75 lakhs (including cost of land INR 10 lakhs). The warehouse became operational with effect from 1st April, 2023 and the expenditure of INR 75 lakhs was capitalized in the books on that date.

Relevant details for the financial year 2023-24 are as follows:

Particulars	Amount
Profit of unit located in SEZ	40,00,000
Export sales of above unit	80,00,000
Domestic sales of above unit	20,00,000
Profit from operation of warehousing facility (before considering deduction u/s 35 AD)	1,05,00,000

Compute income-tax (including AMT under Section 115JC) liability of Mr. X for A.Y. 2024-25 both as per section 115BAC and as per regular provisions of the Income-tax Act, 1961 for A.Y. 2024-25. Advise Mr. X whether he should pay tax under default tax regime or normal provisions of the Act.

2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS
Concept Problem 35

You are required to compute the total income of the Ms. Radhika, a resident individual, aged 37 years and the tax payable for the AY 2024-25. She furnishes the following particulars relating to the year ended 31-3-2024:

(i)	Winnings from a TV Game show (Net)	77,000
(ii)	Gift received from Father's brother	85,000
(iii)	Gift received from Archita, her close friend	80,000
(iv)	Interest on capital received from TVA & Co., a partnership firm in which she is a partner (@ 15% p.a.)	4,50,000
(v)	Rent received for a vacant plot of land after deduction of 10% TDS	3,03,300
(vi)	Amount received from Lime Pvt. Ltd., for a house at Delhi for which she had been in negotiation for enhanced rent three years back. This has not been taxed in any earlier year. The house was, however, sold off in March, 2023.	2,85,000
(vii)	Amount received under Keyman Insurance Policy	4,35,000
(viii)	Amount forfeited by her for the vacant plot, since the buyer could not finalize the deal as per agreement.	3,10,000
(ix)	Donation given in cash to a charitable trust registered u/s 12AA	22,000
(x)	She owns agricultural lands at Dhaka, Bangladesh. She has derived agricultural income therefrom	5,20,000
(xi)	Public Provident Fund paid in the name of her minor daughter	1,25,000
(xii)	Interest credited in the said PPF account during the year	50,900
(xiii)	Share of profits received from TVA & Co., a partnership firm	1,50,000

Computation should be made under proper heads of income. Assume that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 36

From the following information provided by Mr. Raj, aged 42 years working as a manager in XYZ Limited, for the year ended 31.3.2024, you are required to compute his total income for the A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Basic salary	INR 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.)	INR 30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F account @ 15% p.a.,	INR 15,000
Arrears of rent received from XYZ Limited	INR 75,000
Received interest INR 10,000 from Axis Bank Savings account during the year, and interest of INR 12,040 (gross) from the debentures of M/s. Coal India Ltd.	

He made payment through cheque INR 15,370 towards premium on Life insurance policies and INR 22,500 for Medclaim Insurance Policy for his major dependent daughter.

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

XYZ Limited has taken residential house of Mr. Raj as Company's guest house and later purchased from him in the year 2022 at market value for INR 75 lakhs. Purchase cost was only INR 10 lakhs in April, 2005.

During August, 2023, Mr. Raj had sold his gold chain and a diamond ring for INR 3,40,000 which he had purchased in April, 2005 for INR 1,13,000.

Donation of INR 11,000 to Prime Minister's National Relief Fund were given during the year by way of cheque.

(CII for 2004-05: 117, 2021-22: 317, and 2023-24: 348)

Concept Problem 37

Compute total income of Mr. Mathur for AY 2024-25 from following information for FY 2023-24 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Particulars	Amount
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	60,000
Loss from speculation business - X	80,000
Profit from speculation business - Y	40,000
Income from trading and manufacturing business @ 8%	3,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	2,10,000
Short term capital loss on sale of Jewelry	1,50,000
Investment in tax saver deposit on 31-03-2024	60,000
Brought forward loss of business of assessment year 2018-19	5,50,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2006	3,00,000

Concept Problem 38

From the following particulars of Shri Jagdish (aged 59 years) for the Assessment Year 2024-25, you are required to find out his taxable income and net tax liability assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

- Basic Salary @ INR 51,000 per month, Dearness allowance @ INR 10,000 per month (Part of salary for retirement benefits), House rent allowance INR 4,000 per month and rent paid for house in Mumbai is INR 7,000 per month
- He owns a commercial building at New Delhi, which is let out on 1/7/2023 at a monthly rent of INR 46,000. He paid municipal taxes of INR 27,000 and INR 25,000 for the financial year 2022-23 and 2023-24 on 31-3-2024 and 20-4-2024, respectively.
- He deals in shares. During financial year 2023-24, he earned INR 1,70,000 from his share business and paid INR 30,000 as securities transaction tax.
- He purchased 4000 unlisted shares of Shyam Limited on 16-1-2008 for INR 80,000. Company declared bonus in the ratio of 1:1 on 1st February, 2008. Shri Jagdish sold 3000 Bonus Shares on 28/12/2023 for INR 2,00,000 to his friend Mr. Mehul through unrecognized stock exchange. (CII: 2007-08: 129, 2023-24: 348)
- He received dividend of INR 13,00,000 as dividend income from listed domestic company; Interest from

saving bank account deposits with IDBI Bank INR 15,000 and lottery winnings (Net of TDS @ 30%) is INR 21,000.

He paid the following amount out of his taxable income:

- Deposits in Public Provident Fund INR 2,00,000.
- Medical insurance 'premium paid for health of his wife INR 19,000 and for health of dependent son INR 12,000 through cheque.

Concept Problem 39

Ms. Geeta, a resident individual, provides following details of her income/losses for the year ended 31.03.2024:

	Particulars	Amount
(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 AY 2024-25 and the amount of loss that can be carried forward assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

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

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

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

Concept Problem 40

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

He purchased a flat in Pune during F.Y. 2017-18, which has been given on monthly rent of INR 27,500 since 01.07.2020. The annual property tax of Pune flat is INR 40,000 which is paid by Mr. Jagdish whenever he comes to India. Mr. Jagdish last visited India in July 2022. He has taken a loan from Union Bank of India for purchase of the Pune flat amounting to INR 15,00,000. The interest on such loan for the F.Y. 2023-24 was INR 84,000. However, interest for March 2024 quarter has not yet been paid by Mr. Jagdish.

He had a house in Jaipur which was sold in May 2017. In respect of this house, he received arrears of rent of INR 96,000 in Feb. 2024 (not taxed earlier).

He also derived some other incomes during F.Y. 2023-24 which are as follows:

- Profit from business in Thailand INR 2,75,000
- Interest on bonds of a Japanese Co. INR 45,000 out of which 50% was received in India.
- Income from Apple Orchid in Nepal given on contract and the yearly contract fee of 5,00,000, for F.Y. 2023-24 was deposited directly by the contractor in Kathmandu branch of Union Bank of India in Mr. Jagdish's bank account maintained with Union Bank of India's Pune Branch.

Compute the total income of Mr. Jagdish for Assessment Year 2024-25 chargeable to income tax in India assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 41

From the following information furnished by Mr. Raj aged 50 years, a resident individual and practicing chartered accountant, you are required to compute his total and tax liability for the A.Y. 2024-25.

Receipts and payments account for F.Y. 2023-24.

Receipts	Amount	Payments	Amount
Opening Balance (01.04.2023) Cash & Bank	50,000	Staff salary, bonus and stipend to article clerks	25,13,500
Fee from professional service	51,36,000	Other general & admin. expenses	13,00,000
Motor car loan from BOB @ 10% interest per annum	1,00,000	Office rent	45,000
Interest on Saving bank account maintained with SBI	15,000	Life Insurance Premium	25,000
		Motor Car (Acquired in January, 2021) paid by way of account payee cheque on 10.12.2021)	8,00,000
		Books (annual publication bought by way of account payee draft)	20,000
		Computer acquired on 1.12.2023 for professional use by way of crossed cheque	30,000
		Drawings	2,75,000
		Motor car maintenance	15,000
		Public Provident Fund subscription	1,40,000
		Closing balance (31.03.2024)	1,37,500

Receipts	Amount	Payments	Amount
		Cash & Bank	
	53,01,000		53,01,000

Other Information:

- i) Motor car was put to use for both official and personal purposes. 1/3rd of the motor car is for personal purpose. No interest on car loan was paid during the year.
- ii) Mr. Raj purchased a flat in Gwalior for Rs. 20,00,000 in July, 2018 cost of which was partly financed by a loan from State Bank of India of Rs. 15,00,000 @ 10% interest, his own savings Rs.1,00,000 and a deposit from Bank of Baroda for Rs. 4,00,000. The flat was given to SBI on lease for 10 years @ Rs. 42,000 per month. The following particulars are relevant:
 - (a) Municipal taxes paid by Mr. Raj = Rs. 5,500 per annum
 - (b) House Insurance = Rs. 2,000

The loan is still unpaid till 31.3.2024.
- iii) He earned Rs. 1,00,000 in share speculation business and lost Rs.1,50,000 in commodity speculation business.
- iv) Mr. Raj received a gift of Rs. 30,000 each from four of his family friends.
- v) He contributed Rs. 1,10,000 to Prime Minister's Draught Relief Fund by way of bank draft.
- vi) He donated to a registered political party Rs. 3,00,000 by way of cheque.

Computation of total income and tax liability of Mr. Raj for A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 42

Mr. Manohar, a resident individual, age 53 years provides consultancy services in the field of Taxation. His Income and Expenditure account for the year ended 31st March, 2024 is as follows:

Expenditure	Amount	Income	Amount
To Salary	4,00,000	By Consulting fees	58,00,000
To Motor car expenses	88,000	By Share of Profit from HUF	55,000
To Depreciation	87,500	By Interest on bank fixed deposits	25,000
To Medical expenses	70,000	By Interest on income tax refund	26,000
To Purchase of computer	90,000		
To Bonus	25,000		
To General expenses	1,05,000		
To Office & administrative	1,15,000		
To Excess of income over Expenditure	49,25,500		
	59,06,000		59,06,000

The following other information relates to the financial year 2023-24:

- (1) Salary includes a payment of INR 22,000 per month to his sister-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is ₹ 18,000 per month

(2) Written down value of the assets as on 1st April, 2023 are as follows:

Motor car (25 % used for personal use)	INR 3,50,000
Furniture & Fittings	INR 80,000

(3) Medical expenses include:

- Family planning expenditure INR 15,000 incurred for the employees which was revenue in nature.
- Medical expenses for his father INR 55,000. (Father's age is 65 years and he is not covered under any medical insurance policy). INR 2,500 incurred in cash and remaining by credit card.

(4) The computer was purchased on 5th June, 2023 on credit. The total invoice was paid in the following manner:

- INR 18,000 paid in cash as down payment on the date of purchase
- Remaining amount was paid through account payee cheque on 10th August, 2023.

(5) Bonus was paid on 30th September, 2024.

(6) General expenses include commission payment of INR 42,000 to Mr. Mahesh for the promotion of business on 17th September, 2023 without deduction of tax at source.

(7) He also received gold coins from a family friend on the occasion of marriage anniversary on 15th November, 2023. The market value of the coins on the said date was INR 85,000.

The consultancy fees for the previous year 2022-23 was INR 52,50,300. Compute the total income and the tax liability of Mr. Manohar for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 43

Mr. A's GST liability for half year ended on September 30, 2023 is INR 50,000. However, Mr. A has suffered unexpected loss in his business and is short of cash. Therefore, he decides not to pay GST. Examine whether Mr. A's contention is valid.

Solution

No, Mr. A's contention is not valid.

Tax is not a voluntary payment or donation, but compulsory payment charged pursuant to legislative authority. Thus, Mr. A will have to compulsorily pay GST of 50,000 for half year ended on September 30, 2023 in accordance with the applicable provisions of GST law irrespective of his financial position.

Concept Problem 44

List the situations under which the substantial interest assumes importance.

Solution

Following are the situations under which the substantial interest assumes importance:

- a. Taxability of deemed dividend under section 2(22)(e);
- b. Disallowance of excessive or unreasonable expenditure under section 40A(2) to an individual who has a substantial interest in the business or profession of the Assessee; and
- c. Clubbing of salary income of spouse, under section 64(1)(ii) in respect of remuneration received by the spouse from a concern in which the individual has a substantial interest.

Concept Problem 45

Describe average rate of tax and maximum marginal rate under section 2(10) and 2(29C) of the Income-tax Act, 1961.

Solution

As per section 2(10), Average Rate of tax means the rate arrived at by dividing the amount of income-tax calculated on the Total Income by such Total Income.

Section 2(29C) defines Maximum marginal rate to mean the rate of income-tax (including surcharge on the income-tax, if any) applicable in relation to the highest slab of income in the case of an individual, AOP or BOI, as the case may be, as specified in Finance Act of the relevant year.

Concept Problem 46

Write short note on “Income accruing” and “Income due”. Can an income which has been taxed on accrual basis be assessed again on receipt basis?

Solution

“Accrue” refers to the right to receive income, whereas “Due” refers to the right to enforce payment of the same.

Example

Salary for work done in December will accrue throughout the month, day to day, but will become due on 31st December or 1st January, as per the employment agreement. Similarly, on Government securities, interest payable on specified dates arise/accrues during the period of holding, day to day, but will become due for payment only on the specified dates.

Income which has been taxed on accrual basis cannot be assessed again on receipt basis, as it will amount to double taxation. For example, when interest on bank deposit is offered on accrual basis, amounts received on maturity of such deposit including interest thereon cannot be treated as income again.

Concept Problem 47

Mr. Dheeraj, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:

- He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of 3,34,000. He has paid municipal taxes of 30,000 for the current financial year. Both these floors are of equal size.
- As per interest certificate from ICICI bank, he paid 1,80,000 as interest and 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2023.
- He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2020-21. Total turnover of the undertaking was 400 lakhs, which includes 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is 45 lakhs.
- He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- He earned 30,000 and 45,000 as interest on saving bank deposits and fixed deposits respectively.
- He also sold his vacant land on 01.12.2023 for 13 lakhs. The stamp duty value of land at the time of transfer was 14 lakhs. The FMV of the land as on 1st April, 2001 was 4.8 lakhs and Stamp duty value on the said date was 4 lakhs. This land was acquired by him on 15.9.1997 for 2.80 lakhs. He had incurred registration expenses of 12,000 at that time.

The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100 respectively.

- He paid insurance premium of 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings.

Concept Problem 48

During the previous year 2023-24, following transactions took place in respect of Mr. Raghav who is 56 years old.

i. Mr. Raghav owns two house properties in Mumbai. The details in respect of these properties are as under-

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

ii. Mr. Raghav had a house in Delhi. During financial year 2013-14, he had transferred the house to Ms. Vamika, daughter of his sister without any consideration. House would go back to Mr. Raghav after the life time of Ms. Vamika. The transfer was made a condition that 10% of rental income from such house shall be paid to Mrs. Raghav. Rent received by Ms. Vamika during the PY 2023-24 from such house property is 5,50,000.

iii. Mr. Raghav receives following income from M/s M Pvt Ltd. during P.Y. 2023-24.

- Interest on Debentures of 7,50,000; and
- Salary of 3,75,000. He does not possess the adequate professional qualification commensurate with the salary received by him.

Shareholding of M/s M Pvt Ltd. as on 31.03.2024 is as under –

	Equity Shares	Preference Shares
Mr. Raghav	Nil	Nil
Mrs. Raghav	2%	25%
Mr. Jai Kishan (Brother of Mrs. Raghav)	98%	75%

iv. Mr. and Mrs. Raghav form a partnership firm will equal share in profits. Mr. Raghav transferred a fixed deposit of 1 crore to such firm. Firm had no income or expense other than the interest of 9,00,000 received from such fixed deposit firm distributed the entire surplus to Mr. and Mrs. Raghav at the end of the year.

v. Mr. Raghav holds preference shares in M/s K Pvt Ltd. He instructed the company to pay dividends to Ms. Geetanshi. Dividend received by Ms. Geetanshi during the previous year 2023-24 is INR 13,00,000.

vi. Other income of Mr. Raghav includes

- Interest from saving bank account of 2,00,000
- Cash gift of 75,000 received from daughter of his sister on his birthday.

Compute the total income of Mr. Raghav for the Assessment Year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 49

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 previous year ended 31.03.2024:

S.No.	Particulars	Amount
1.	Pension received from Russian Government	65,000

S.No.	Particulars	Amount
2.	Long-term capital gain on sale of land at New Delhi (Computed)	3,00,000
3.	Short- term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of 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 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 50

Mr. Rishabh, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. He earned profit of 82,45,000 as per profit and loss account after debiting and crediting the following items:

- Depreciation 15,40,000
- Short term capital gains on transfer of listed equity shares in a company on which STT is paid 10,00,000
- He received income-tax refund of 15,550 which includes interest on refund of 4,550.
- Dividend income from Indian companies 15,00,000

Additional information –

- Mr. Rishabh installed new plant and machinery for 65 lakhs on 1.10.2023 which was put to use on 1.1.2024. Depreciation (including additional depreciation) on this amount of 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules.
- Mr. Rishabh took a loan from SBI of 50 lakhs on 15.9.2023 @ 10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2024 has been paid on 31.3.2024 and the same has been debited to profit and loss account.
- Advance tax paid during the year is 17,50,000.
- Rishabh purchased goods for 40 lakhs from Mr. Ram, his brother. The market value of the goods is 35 lakhs.
- He paid 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is 5,00,000 and the policy was taken on 1.4.2017.
- He paid 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- On 1.7.2023, Mr. Rishabh withdrew 1.5 crores in cash from three current accounts maintained by him with HSBC. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Rishabh for the A.Y. 2024-25, in the manner so that he can make maximum tax savings.

Concept Problem 51

Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit u/s 44AB of Income Tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2024

Particulars	Amount	Particulars	Amount
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries and Wages	20,00,000	By Profit on sale of asset of	2,00,000

Particulars	Amount	Particulars	Amount
		scientific research	
To Interest on loans	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To professional Fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	15,74,500		
Total	60,61,500	Total	60,61,500

Explanatory Information:

- i. Opening and closing stock of finished goods were unvalued by 10%. Opening stock of 4,50,000 and Closing Stock of 5,58,000 was shown.
- ii. Salaries & wages include following items:
 - a. Contributed 20% of the basic salary in National Pension Scheme referred to section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of 3,00,000 and Dearness allowance is 40% of basic salary 50% of Dearness allowance forms part of the salary.
 - b. Some of the employees opted for retirement under the voluntary retirement scheme; a sum of 2,40,000 was paid to them on 1st January, 2024.
- iii. Interest on loan includes interest paid @15% per annum on loan of 12,00,000 which was taken from State Bank of India on 01.05.2023 for purchase of new electric car of 15,00,000. The car is used for personal purposes.
- iv. Depreciation allowable as per Income Tax Rules, 1962 is 4,50,000 but during the calculation of such depreciation following additional was not considered:

Motor car purchased for 3,00,000 for supply of finished goods to dealers on 25-08-2023.
- v. An asset was purchased for 6,00,000 on 17-11-21 for conducting scientific research and the deduction was claimed under section 35 of the Income Tax Act, 1961. The asset was sold on 05-09-2023 for a consideration of 8,00,000.

Other Information:

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2023. The compensation of 12,00,000 was received on 27.02.2024. Such property was purchased by him on 08.08.2005 for 2,00,000. He has purchased another plot of industrial land on 21.04.2024 for 6,00,000. Government has also paid 54,000 as interest on such compensation on 28.03.2024.

Cost inflation indices: FY 2023-24 : 348, FY 2005-06 : 117

Compute the total income and tax liability of Mr. Shivansh for the A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). Ignore Provisions relating to AMT.

Concept Problem 52

Mr. Sonu, aged 30 years, submits the information of following transaction/income during the P.Y. 2023-24:

- i) Mr. Sonu owns two house properties in Delhi. The details in respect of these properties are as under -

Particulars	House 1 Self - occupied	House 2 Let - out
Rent received per month	Not applicable	50,000
Municipal taxes paid	7,500	Nil
Interest on loan (taken for purchase of property)	2,50,000	3,00,000
Principal repayment of loan (taken from HDFC bank)	2,00,000	3,00,000

- ii) Mr. Sonu had another house in Delhi. During financial year 2016-17, he had transferred the said house to Ms. Varsha, daughter of his brother without any consideration. House would go back to Mr. Sonu after the life time of Ms. Varsha. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Sonu. Rent received by Ms. Varsha during the previous year 2023-24 from such house property is 6,50,000.
- iii) Mr. and Mrs. Sonu forms a partnership firm with equal share in profits. Mr. Sonu transferred a fixed deposit of INR 50 lakhs to such firm. Firm had no income or expense other than the interest of 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Sonu at the end of the year.
- iv) Mr. Sonu holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the life time of Chandni. Dividend received by Ms. Chandni during the previous year 2023-24 is 10,00,000.
- v) Mr. Sonu has a short-term capital loss of 16,000 from sale of property and long-term capital gain of 15,000 from sale of property.
- vi) Other income of Mr. Sonu includes
- Interest from saving bank account of 2,00,000
 - Cash gift of 75,000 received from daughter of his sister on his birthday.
 - Income from betting of 34,000
 - Income from card games of 46,000
 - Loss on maintenance of race horses of 14,600

Compute the total income of Mr. Sonu for the Assessment Year 2024-25 and the losses to be carried forward assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Concept Problem 53

Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2024:

Trading Profit & Loss Account

Particulars	Amount	Particulars	Amount
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross Profit	43,86,000		
	<u>2,40,00,000</u>		<u>2,40,00,000</u>
Bonus to staff	71,250	Gross Profit	43,86,000
Rent of premises	80,250	Income Tax Refund	30,000

Particulars	Amount	Particulars	Amount
Advertisement	7,500	Warehousing charges	22,50,000
Bad debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and services tax demand paid	1,62,525		
Miscellaneous paid	7,88,475		
Net profit of the year	50,85,000		
	<u>66,66,000</u>		<u>66,66,000</u>

Following are the further information relating to the financial year 2023-24:

- i) Income-tax refund includes amount of 4,570 of interest allowed thereon.
- ii) Bonus to staff includes an amount of 7,500 relating to P.Y. 2022-23, paid in the month of December 2023.
- iii) Advertisement expenses include an amount of 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- iv) Miscellaneous expenses include:
 - a) amount of 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
 - b) amount of 1,00,000 paid to Political Party by cheque.
- v) Goods and Services Tax demand paid includes an amount of 5,300 charged as penalty for delayed filing of returns and 12,750 towards interest for delay in deposit of tax.
- vi) Mr. Kamal had purchased a warehouse building of 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2023 and the income from this activity is credited in the Profit and Loss account under the head “Warehousing charges”.
- vii) Depreciation under the Income-tax Act, 1961 works out at 65,000.
- viii) Interest on loans includes an amount of 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the A.Y. 2024-25 in a most beneficial manner.

Concept Problem 54 [ICAI May 22]

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2024, you are requested to compute his total income and tax payable for the Assessment Year 2024-25; assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A):

- i) He sold his vacant land on 09.12.2023 for 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was 19 lakhs. The fair market value of the land as on 1st April, 2001 was 6 lakhs (SDV is 5,00,000). This land was acquired by him on 05.08.1996 for 3.40 lakhs. He had incurred registration expenses of 15,000 at that time. The cost of inflation index for the year 2023-24 and 2001-02 are 348 and 100, respectively.
- ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2020-21. Total turnover of the undertaking was 300 lakhs, which includes 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is 30 lakhs.
- iii) He has income of 10,000 from crossword puzzles and 15,000 gross interest from bank interest deposit.

iv) Tuition fees of 36,000 for his three children to a school. The fees being 12,000 p.a. per child.

Concept Problem 55 [ICAI May 22]

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

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

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

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

- ii) Received subsidy of 20% on new machine purchased on 03-07-2023 during the previous year under technology upgradation fund Scheme from the Central Government.
- iii) She paid a job charge for the value addition on the fabrics 90,000 without deduction of tax to job worker by an account payee cheque.
- iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting 50,000, has now been received back during previous year 2023-24, from the agent due to settlement with commission agent.
- v) 25,000 paid to creditor for goods in cash.
- vi) Incurred loss of 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.
- vii) Interest received amounting 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.
- viii) She Received 60,000 by pre-mature withdrawals from deposit including interest 5,000, in post office time deposit, eligible for deduction under Section 80C.
- ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2023 for 5,00,000, which was acquired for 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of 50,000. (cost inflation index 2004-05: 113, 2007-08: 129 and 2023-24: 348)
- x) She received a gold coin (bullion) worth 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2023-24.
- xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) 75,000.
- xii) She deposited a sum of 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). Give brief note wherever necessary.

Concept Problem 56 [RTP May 23]

Mr. Suresh has a sole proprietary manufacturing unit. On 1st April, 2023, he owns Plant A and Plant B (rate of depreciation 15%). Depreciated value of the block on 1st April, 2023 is INR 10,00,000. Plant B is transferred on 15th October, 2023 for INR 19,00,000. Expenditure on transfer of Plant B is INR 20,000. Plant C (rate of depreciation 15%) is purchased on 10th March, 2024 for INR 22,00,000. However, Plant C is put to use on 2nd September, 2024 Business income of Mr. Suresh before claiming any depreciation is INR 11,00,000.

On 1st March, 2024, Mr. Suresh transfers 900 equity shares in A Ltd. (unlisted) for INR 23,50,000. Mr. Suresh does not own any residential house property. These shares were purchased on 2nd April, 2016 for INR 2,00,000. To avail of the benefit of exemption under different sections, he made the following investments on 1st May, 2024.

- i) A residential house property at Kolkata: 19,00,000 (out of which stamp duty expenditure is 30,000).
- ii) NHAI bonds: 3,00,000.

Find out the gross total income of Mr. Suresh for the A.Y. 2024-25 assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). CII – F.Y. 2023-24: 348; F.Y. 2015-16:254

Concept Problem 57 [ICAI Nov 22]

Mr. X a resident, aged 56 years, till recently was a successful businessman filing his return of incomes regularly and promptly ever since he obtained PAN card. During the COVID- Pandemic period his business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1st January, 2024 he decided to wind-up his business which he also promptly intimated to the jurisdictional Assessing Officer about the closure of his business.

Assessing Officer sent him a notice to tax income of A.Y. 2024-25 during A.Y. 2023-24 itself. Does the Assessing Officer have the power to do so? Are there any exceptions to the general rule “Income of the previous year is assessed in the assessment year following the previous year”?

Solution

Yes, he has the power to do so.

Since the business of Mr. X is discontinued on 1st January, 2024, the income of the period from 1.4.2023 to 1.1.2024 may, at the discretion of the Assessing Officer, be charged to tax in A.Y. 2023-24 itself.

Following are the other exceptions to the general rule “Income of the previous year is assessed in the assessment year following the previous year” i.e., the income of the previous year is assessed in the previous year itself.

- i) Shipping business of non-resident
- ii) Persons leaving India with no present intention of returning
- iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose and likely to be dissolved
- iv) Persons likely to transfer property to avoid tax.

Concept Problem 58 [ICAI Nov 22]

Dr. Rohan, 82 years old resident surgeon, having his Nursing Home in Mumbai, gives the following particulars for the year ended on 31.03.2024.

Receipts	Amount	Payments	Amount
Opening Balance b/d	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2023 received in April, 2023		Entertainment Expenses	1,10,000
IPD 40,000		Purchase of Television	48,000
OPD 45,000	85,000	Gift to daughter-in law	60,000

Receipts	Amount	Payments	Amount
Dividend from shares (net)	18,900	Interest on loan for repairs to property	65,000
Fees received during the year	10,25,000	Personal medical expenses	70,000
Gifts received from relatives of patients	45,000	Deposits in PPF A/c	55,000
Honorarium for painting services in Jai Hind Art School (net)	22,500	Nursing Home expenses	3,75,000
Income-tax Refund (Including interest 1,500)	12,100	Prof. fees paid for consulting services	1,20,000
		Purchase of furniture at home	1,35,000
		Personal Expenses	3,00,000
		Balance c/f	2,04,500
	19,18,500		19,18,500

Other Information:

- He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- Salary includes 60,000 paid to his sister who is a qualified nurse paid in cash.
- Entertainment expenses include 25,000 for dinner to doctors in a five-star hotel.
- Interest on loan for repairs to property includes 40,000 for his residential property.
- His daughter in law earned income of 10,000 from the amount received as gift.
- Fixed Assets values as on 01.04.2023 are as under :
Nursing Home Equipments 2,20,000, Medical Books (incl. annual publications 10,000) 35,000, Laptop 40,000.
- Television purchased for nursing home purpose on 21.09.2023 is put to use on 03.10.2023.
- He has donated 10,000 towards PM CARES Fund on 15.08.2023.

You are required to

- Compute the total income and tax payable by him for A.Y. 2024-25 as per the regular provisions of the Income-tax Act, 1961.
- What will be his total income and tax payable, if he opts for the provisions of section 44ADA? Will it be more beneficial for him to adopt 44ADA?

Concept Problem 59 [MTP May 23]

Mr. Samar, a resident individual, aged 43 years, provides professional services in the field of interior decoration. His Income & Expenditure A/c for the year ended 31st March, 2024 is as under:

Expenditure	Amount	Income	Amount
To Employees' Remuneration & Benefits	13,66,000	By Consultancy Charges	58,80,000
To Office & Administrative Exp.	3,14,000	By Interest on Public Provident Fund (PPF) Account	60,000
To General Expenses	75,000	By Interest on Savings Bank Account	20,000

Expenditure	Amount	Income	Amount
To Electricity Expenses	65,000	By Interest on National Savings Certificates VIII Issue (for 3rd year)	21,000
To Medical Expenses	80,000		
To Purchase of Furniture	48,000		
To Depreciation	90,000		
To Excess of income over exp.	39,43,000		
	59,81,000		59,81,000

The following other information relates to financial year 2023-24:

- (i) The expenses on Employees' Remuneration & Benefits includes:
 - a) Family Planning expenditure of 20,000 incurred for the employees which was revenue in nature. The same was paid through account payee cheque.
 - b) Payment of salary of 25,000 per month to sister-in-law of Mr. Samar, who was in-charge of the Accounts & Receivables department. However, in comparison to similar work profile, the reasonable salary at market rates is 20,000 per month.
- (ii) Amount received by Mr. Samar as Employees' Contribution to EPF for the month of February, 2024 - 10,000 was deposited after the due date under the relevant Act relating to EPF.
- (iii) Medical Expenses of 80,000 as appearing in the Income & Expenditure A/c was expensed for the treatment of father of Mr. Samar. His father was 72 years old and was not covered by any health insurance policy. The said payment of 80,000 was made through account payee cheque.
- (iv) General expenses as appearing in the Income & Expenditure A/c, includes a sum of 25,000 paid to Ms. Anjaleen on 5th January, 2024 as commission for securing work from new clients. This payment was made to her without deduction of tax at source.
- (v) Written down value of the depreciable assets as on 1st April, 2023 were as follows:
 - Professional Books 90,000
 - Computers 35,000
- (vi) The new Furniture as appearing in the Income & Expenditure A/c was purchased on 31st August, 2023 and was put to use on the same day. The payment was made as under:
 - 18,000 paid in cash at the time of purchase of new furniture on 31.08.2023.
 - 19,000 paid by account payee cheque on 05.09.2023 as balance cost of new furniture and
 - 11,000 paid in cash on 31.08.2023 to the transporter as freight charges for the new furniture.
- (vii) Mr. Samar purchased a car on 02.04.2022 for 3,35,000 for personal use. However, on 30.04.2023 he brought the said car for use in his profession. The fair market value of the car as on 30.04.2023 was 2,50,000.
- (viii) Mr. Samar made a contribution of 1,00,000 in his PPF A/c on 31.01.2024.
- (ix) The Gross Professional Receipts of Mr. Samar for P.Y. 2022-23 was 52,00,000.

Compute the total income and tax liability of Mr. Samar for A.Y. 2024-25, assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Ignore provisions under section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income.

Concept Problem 60 [MTP May 23]

Mr. Rishabh, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. He earned

profit of 82,45,000 as per profit and loss account after debiting and crediting the following items:

- (i) Depreciation 15,40,000
- (ii) Short term capital gains on transfer of listed equity shares in a company on which STT is paid 10,00,000
- (iii) He received income-tax refund of 15,550 which includes interest on refund of 4,550.
- (iv) Dividend income from Indian companies 15,00,000

Additional information

- (i) Mr. Rishabh installed new plant and machinery for 65 lakhs on 1.10.2023 which was put to use on 1.1.2024. Depreciation (including additional depreciation) on this amount of 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules.
- (ii) Mr. Rishabh took a loan from SBI of 50 lakhs on 15.9.2023 @ 10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2024 has been paid on 31.3.2024 and the same has been debited to profit and loss account. Interest is charged by the bank on monthly basis.
- (iii) Advance tax paid during the year is 17,50,000
- (iv) Rishabh purchased goods for 40 lakhs from Mr. Ram, his brother. The market value of the goods is 35 lakhs.
- (v) He paid 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is 5,00,000 and the policy was taken on 1.4.2018.
- (vi) He paid 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- (vii) On 1.7.2023, Mr. Rishabh withdrew 1.5 crores in cash from three current accounts maintained by him with HSBC. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Rishabh for the A.Y. 2024-25, in the manner so that he can make maximum tax savings.