BASICS & TAX RATES

→ To run and develop any country or state, govt. need POWER and MONEY.

→ Govt. get money from Businesses, Taxes and Loans

POWER

1) Entry NO. 82 of Union list in Seventh Schedule of Article 246 of Constitution of India has given power to Central Government to make ~~or~~ law on taxes on Income other than Agricultural income.

2) Entry NO. 46 of State list give power to State Govt., to make law on tax on agricultural income.

In this subject, we have to calculate Total Income and Tax liability of person.

Name of Assessee ..... PY 23-24 AY 24-25.

Computation of Total Income

	₹
Income from Salary	XX
Income from House Property (Rental)	XX
Income from Business & Profession	XX
Income from Capital Gain	XX
Income from Other sources	XX
Gross Total Income (GTI)	XX
Less: Deduction U/C VI - A	XX
Total Income / Net taxable Income	XX

For Computation of Total income and tax liability, we should have knowledge of Income Tax Law.

Source of Income Tax Law:

1) Income Tax ~~1961~~. Act 1961:

It is the main source of Income Tax law.
It provides determination of Total Income, tax liability etc. It is applicable to whole India. and it is applicable from 1st April, 1962.

2) Income Tax Rules, 1962:

Income Tax Act empowered. CBDT (Central Board of Direct Taxes) to make rules, rate of depriciation, all forms, valuation rules of perquisite etc. provided in rules.
benefits (while job jo godi ya ghar milta hai vo)

3) Finance Act, 2023:

Every year finance minister presents finance bill in the Parliament which contain various amendments to be made in Direct and Indirect Taxes.
Finance Bill, 2023 was presented by Nirmala Sitaraman on 1st Feb, 2023
As soon as, bill was passed by Parliament and after receiving approval from President, it become Finance Act, 2023.

Finance bill, 2023 ~~Income~~ finance Act, 2023 on 31st March, 2023

4) Notification:
It is issued by Central Govt./ CBDT to give effects of Amendments or to give effect provision of the Act..
It is binding to assessee as well as department.

5) Circulars:
Circulars are issued by CBDT to clarify the meaning of certain provisions. It is binding to Income Tax Dept. but not binding to Assessee.

SEC 4: CHARGING SECTION of Income Tax.

Income Tax is charged for every ~~assess~~ Assessment year. It is charged on every person. It is charged on Total income earned by person in previous year. Tax is charged at the ~~per~~ rate prescribed in finance Act.

Year.

↓ Calender Year ↓ 1st Jan. to 31st Dec.

↓ financial Year ↓ 1st Apr. to 31st March.

↓ Previous Year (PY) ↓ Year of Income ↓ PY 2023-24 (1/4/23 to 31/3/24)

↓ Assessment Year (AY ↓ Year of Tax ↓ AY 2024-25 (1/4/24 to 31/3/25)

SEC 2(9): ASSESSMENT YEAR:

It means period of 12 months, commence every year on 1st April and end on 31st March. Income earned in previous year is taxed in Assessment Year. It means Assessee pay tax and file his return of income in Assessement Year.
Income earned in PY 23-24 is taxable in AY 24-25.

SEC 3: Previous Year.

It means year in which assessee earn the ~~year~~ income. Normally previous year start from 1st April of every year but in case of new business or profession (new source of income), previous year start from the date on which new business/profession was set up or new source of income arise till 31st March. of that Financial Year.

Ex:- Mr. Sarthak started a new business on 16th Aug. 2023
In this case PY 23-24 start from 16th Aug 23 and end on 31st Mar. 24.

Sec. 2(31) Person.

1) Individual (Ind. Minor & Unsound mind) : Ex: Mr. Sarthak
2) HUF: Ex: BB's HUF
3) Company: Ex: Adani Power Ltd.
4) Partnership Firm: (Ind. LLP): Ex. BB Virtual Firm or Gupme Foods LLP
5) AOP/BOI: A & B Joint Venture
6) Local Authority: BMC, Gram Panchayat.
7) Artificial Juridical Person: Deities, Universities etc.

Date
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Sec 2(7) Assessee :

It means Person required to pay tax or any other sum under Income Tax Law.

TAX RATES FOR AY 24-25. (PY 23-24)

- General Tax Rate → Finance Act 2023.
- Special Tax Rate → Income Tax Act, 1961

a) Winning → 30%.
b) Bitcoin → 30%.
c) Cash Credit → 60%.
(Anonymous)

d) Long term → 20%.
Capital Gain

e) Long term → 10%.
Capital Gain 112A
(Share Market)

f) Short term → 15%.
Capital Gain 111A

1) Incase of Individual / HUF / AOP / BOI / AJP.

a) Incase of Individual / HUF / AOP / BOI / AJP (Resident or Non Resident)

	Tax Rate.
Tax Income upto 250,000 (Basic exemption)	Nil
Total Income > 250,000 upto 500000	5%.
Total Income > 500000 upto 10,00,000	20%.
Total Income > 10,00,000	30%.

b) Incase of Senior Citizen (Resident individual Age of 60 years or more in P.Y).

total ~~Tax~~ income upto 300000 (Basic exemption)	Nil
> 300000 upto 500000	5%.
> 500000 upto 1000000	20%.
> 10,00,000	30%.

c) Incase of Super Senior Citizen (Resident Individual Age 80 years or more in PY)

Total Income upto 500000 (Basic exemption)	—
> 500000 upto 10,00,000	20%
> 10,00,000	30%

Date of Birth.	Basic exemption for PY 23-24 (AY 24-25)
01/04/1964	₹ 300000 (Completed age of 60 years on 31/3/24)
01/04/1944	₹ 500000 (Completed age of 80 years on 31/3/24.

* Surcharge (Extra Tax)

		%
a)	If total income upto 50 Lakhs	Nil
b)	If Total income > 50 lakhs upto 1 crore	10% of Tax
c)	If total income > 1 crore upto 2 crore	15% of Tax.
d)	> 2 crore upto 5 crore	25% of Tax
e)	> 5 crore	37%

* Health & Education Cess @ 4% always applicable [on tax + surcharge (if any)].

Note: Total Income (NTI) and Net tax liability is always rounded off in the nearest ₹ of 10.

Ex:- ₹

26904 → 26900

27535 → 27540

27538 → 27540

Q.2. Page no: 1

a)

Total income of Mr. A = ₹51,00,000

Calculation of Tax liability

Upto 2,50,000	—	—
> 2,50,000 upto 5,00,000	5%	12,500
> 5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 51,00,000	30%	12,30,000
		13,42,500
Add: Surcharge@10%		1,34,500
		14,76,750

Marginal Relief 64250

Rest to

Tax on 50,00,000 + (NTI - 50,00,000)

→ 13,12,500 + 1,00,000 = 14,12,500

iske liye note dikhana padega

Add: HEC@4%	56,500
Net Tax Payable	1469000

Ex:- Mr. BB Total Income is 1,01,32,000

Calculation of Tax liability

Upto 2,50,000.	—	—
> 2,50,000 upto 5,00,000	5%.	12,500
> 5,00,000 upto 10,00,000	20%.	1,00,000.
> 10,00,000 upto 1,01,32,000	30%.	27,39,600.
		28,52,100.
Add: surcharge	15%.	4,27,815
		32,79,915

~~Add: HEC @ 4%.~~

marginal Relief.
~~217635.~~
54165.

Rest. to.

Tax on 1,00,00,000 + (NTI - 1,00,00,000)

2812500 + 1,32,000 = 3225750.

$\boxed{30,93,750}$

+10% surcharge
~~2944500. + 4%.~~

Add: HEC @ 4%.

32,25,750 ~~11,7780~~ 1,29,030

Net Tax Payable ~~3062,280.~~ 33,54,780.

Note: 1.

Tax

upto 2.5 L	—
> 2.5L upto 5L	12,500
> 5L upto 10L	1,00,000
> 10L upto 1 Cr.	27,00,000
	28,12,500
Add: SC@10%	281250
	3093750

Q-2 Page no. 1.

b)

Total income of Mr. A = ₹1,01,00,000

Calculation of Tax liability

Upto 2,50,000	–	
> 2,50,000 upto 5,00,000	5%	12,500
> 5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 1,01,00,000	30%	27,30,000
		28,42,500
Add: Surcharge @ 15%		4,26,375
		32,68,875

Marginal Relief 75125

Rest to.

Tax on 1,00,00,000 + (NTI - 1,00,00,000)

30,93,750 + 1,00,000 = 31,93,750

Add: HEC @4% 1,27,750.

Net Tax Payable 3321,500

Note: Tax on 1,00,00,000.

upto 2.5 L	–	–
> 2.5 L upto 5 L	5%	12500
> 5 L upto 10 L	20%	1,00,000
> 10 L upto 1 cr	30%	2700,000.
		28,12,500
Add: Surcharge @ 10%		281250
		3093750

Date
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c) Total income of Mr. A = ₹ 2,01,00,000

Calculation of tax liability

upto ₹50,000	—	—
>2,50,000 upto 5,00,000	5%	12,500
>5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 2,01,00,000	30%	57,30,000
		58,42,500
Add: Surcharge @ ~~10~~ 25%		1,460625
		73,03,125

Marginal Relief

518750

Rest to.

Tax on 2,00,00,000 + (CNTI - 2,00,00,000)

5812500 + 15% + 1,00,000

6684375 + 1,00,000 = 67,84,375

Add: HEC @ 4% 2,71,375

Net Tax Payable 70,55,750

Note: Tax on 2,00,00,000

upto 2.5 L	—	—
>2.5 L upto 5 L	5%	12,500
>5 L upto 10 L	20%	1,00,000
>10 L upto 2 cr.	30%	57,00,000
		58,12,500
Add: Surcharge @ 15%		87187 5
		6684375

Q. Ex: Compute Tax Liability of ~~AK~~ KK Ltd. (Domestic Co.) for AY 24-25.

Total Income = Rs. 1,01,30,000. [Turn over for PY 21-22 = 320 Cr.]

Calculation of Tax Liability

Total Income = Rs. 1,01,30,000.

Tax @ 25%.	25,32,500	
Add: Surcharge @ 7%	1,77,275	(surcharge on Tax)
	27,09,775.	

Marginal Relief 79,775

Rest. to.

Tax on 1 Cr. + (NTI − 1 Cr.)

2,50,0000 + 1,30,000 = 26,30,000

Add: HEC @ 4%.	1,05,200	
	27,35,200.	

Ex:- Total Income of KIM Inc., a foreign Company is Rs. 10,01,20,000 for PY 23-24.
Turnover for PY 21-22 was 320 Cr.
Calculate Tax Liability for AY 24-25.

Calculation of Tax Liability

Total Income = 10,01,20,000.

Tax @ 40% = 40048000
Add: Surcharge @ 5% = 2002400
42050400

Marginal Relief.

Rest to.
Tax on 10 Cr + (CNTI - 10 Cr.)
40800000 + 1,20,0000
41,4092000.
Add: HEC @ 4% - 1636800
42,5,6800

1130400

Note: Tax on 10 Cr.
10 Cr. x 40% = 4,00,00,000.
Add: Surcharge @ 2% = 8,0,000
4,08,00,000

3) Tax Rate for Firm/LLP/Local Authority

Tax Rate : 30%

→ Surcharge @ 12% if Total income > 1 crore.
→ Health & Education cess @ 4% on Tax (incl. surcharge)

4) Tax Rate for Co-operative Society

	Tax Rate
Total income upto 10,000	10%
Total income > 10,000 upto 20,000	20%
> 20,000	30%

→ Surcharge @ 7% if Total income > 1 crore upto 10 crore
& @ 12% if total income > 10 crore. (same as Domestic Company)

Health & Education Cess @ 4% on tax (including surcharge).

NOTE FOR MARGINAL RELIEF:

Marginal Relief is applicable for all Assessee where surcharge is applicable. You have to check Marginal Relief when total income is little bit more than 50L/1cr/2cr./5cr. (in case of individual, HUF, AOP, BOI, Artificial juridical person) OR 1cr/10cr. (in case of Company) OR 1cr. (in case of firm, LLP, Local Authority).

Rebate general aur Special
Dono mai lagta

Date
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SECTION 87A REBATE.

→ For resident individual having total income upto Rs. 5 lakh. (CNTT)

Rebate from Tax
- i) Tax Amt. xxx
- ii) 12,500 xxx.

whichever is lower.

• Note: Rebate available befor HEC.
This Rebate is available against tax on any type of income., other than LTCG u/s 112A.

Q.3 (Page no. 1)

Mr. Raghav.
Total Income = Rs. 4,40,000.

Tax Cal^n

upto 2,50,000	—	—
> 2,50,000 upto 4,40,000	—	9,500.
		9,500

- Rebate u/s 87A
  - Tax Amt 9500
  - OR
  - 12500 12500. 9500

Net Tax. —

112 A — 10% — Share Capital se LTCG.

112 — Ghar vagera bechke.

long term capital Gain for 2 years.

Date
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Q.4 (Page no. 1)

Total Income = Rs. 4,80,000 (LTCG)

Tax liability

upto 2,50,000	—	—
> 2,50000 upto 4,80,000	20%	46,000

– Relate u/s 87A

Tax Amt 46,000

OR

12,500 12,500 +2,

33,500

Add: HEC@4% 1340

38840

~~116000~~

Date
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AGRICULTURE INCOME.

Agricultural Income from Agriculture land in India shall be Exempt (Not taxable) due to section 10(1)

Meaning of Agriculture Income:

i) Income from sale of Agriculture produce.
ii) Rent of Agriculture land (used for agriculture purpose)
iii) Rent of farm house (used as store house or dwelling unit)
iv) Income from nursery.

Ex:

* MB meet * produce 1000 tons of potato (cost: 70,000)

200 tons — Sold in Raw form for ₹1,30,000

800 tons. → further process cost: 3,00,000 → Chips Sale: 15,00,000

Rule NO.7 : Sale of Agriculture Produce.

Sale in Raw form

Total Income Agriculture

200 tons.

SP (130000 − Cost 14000)

₹ 1,16,000

If process is compulsory for sale.

Total Agri income

Sale after Process

Process is optional.

Agriculture Income	₹
FMV of Agri Product	
further process	5,20,000
− Cost of Agri produce	(56,000)
Agri income	4,64,000

Business Income	₹
Sale of final product	15,00,000
− FMV of Agri produce used	(5,20,000)
− Further process cost	(3,00,000)
PGBP	6,80,000

↓

Profit & Gain from Business & Profession

FMV = fair market value.

Q.13. (Page no. 4)

Mr. B. PY 23-24 AY 24-25.

Computation of Agricultural Income.	₹
i) Sale of Sugarcane in Raw form	10,00,000
(-) Cost of cultivation	(5,00,000)
	5,00,000

ii) Sugarcane further processed	₹
FMV of sugarcane Further process	2,20,0000
(-) Cost of cultivation	(1,40,000)
	8,00,000.

Total Agri Income : 5,00,000 + 8,00,000 = 13,00,000

Computation of Business Income (PGBP)	₹
Sale of Sugar	25,00,000
(-) further process cost	(1,50,000)
(-) FMV of sugarcane used	22,00,000
PGBP.	1,50,000

* Some specific Rules for Tea/ Coffee & Rubber *

Rule NO:8 : Income from growing & manufacturing of tea.

- 40% Business Income
- 60% Agriculture Income

Rule NO: 7B : Income from growing & manufacturing of coffee.

A] Grown & Cured of Coffee.

- 25% Business income
- 75% Agriculture income

B] Grown, Cured, Roasted & Grounded.

- 40% Business income
- 60% Agriculture Income.

RULE NO. 7A : Growing & Manufacturing of Rubber.

35% Business Income

65% Agricultural Income.

Q.15 . Page No. 4.

Miss Vivitha PY 23-24 AY 24-25.

Computation of Agriculture Income & Business Income.

Particulars.	Business Income %	Business Income ₹	Agriculture Income %	Agriculture Income ₹
Income from Sale of Rubber	35%	1,05,000	65%	195,000
Income from coffee grown & cured	25%	25,000	75%	75,000.
Income from Coffee grown, cured roasted, grounded in Colombo. * (outside India)	100%	2,50,000.	~~100%~~	
Income from tea grown & manufacture of tea.	40%	1,60,000	60%	2,40,000
Income from Nursery.			100%	80,000
Total-		5,40,000 Taxable.		5,90,000. Exempt u/s 10(1)

PARTIAL INTEGRATION IN CASE OF AGRICULTURE INCOME.

merge kina

Agriculture Income is exempt from tax but for computation of tax, it shall be considered if following conditions are satisfied:

i) Assessee should be Individual / HUF / AOP/BOI/AJP.
ii) Net Agriculture income is more than ₹5,000.
iii) Non-Agriculture income is more than basic exemption.

Computation of tax liability

Particular	₹
Tax on (Total income + Net agricultural income)	xxx
Less: Tax on (Basic ~~exper~~ exemption + Net agricultural income)	xxx
Net tax payable.	xxx

Q.14 (Page no. 4)

Mr. X. PY 23-24 AY: 24-25

Computation of Total Income

Particulars	₹
Income from Salary	4,80,000
Income from these Property	2,50,000.
Income from other sources	
Net Agri. Income 3,10,000	
(-) Exempt u/s 10(1) (3,10,000)	—
Gross Total Income (GTI)	7,30,000
(-) Deduction u/s VI-A	—
Net tanable income.	7,30,000

A] Age is 45 years.

* Calculation of Tax liability

A] Tax on (Total income + Net Agri Income) : 124500
(7,30,000 + 3,10,000)
(10,40,000) (Note 1)

B) Tax on (Basic exemption + Net Agri income.)
(2,50,000 + 310,000)
560,000 (Note 2) (24,500)

1,00,000

Add: HEC @ 4%. 4,000

1,04,000

Note. 1: Tax on 10,40,000.

upto 2,50,000	—	—
> 2,50,000 upto 5,00,000	5%	12,500
> 5,00,000 upto 10,00,000	20%	1,00,000.
> 10,00,000 upto 10,40,000	30%	12,000.
		1,24,500

Note 2: Tax on 5,60,000.

upto 2,50,000.	—	—
2,50,000 upto 5,00,000	5%	12,500
5,00,000 upto 560,000	20%	12,000
		24,500.

B) Age is 70 years.

Calculation of tax liability

A] Tax on [Total income + Net agri income] :		1,22,000
[7,30,000 + 3,10,000]		
[10,40,000] Note 3.		
B) Tax on [Basic exemption + Net agri income]		
(3,00,000 + 3,10,000)		
(10,000) (Note 2)		(32,000)
		90,000
Add: HEC @ 4%		3,600
Net tax payable		93,600

Note 3 : Tax on 10,40,000.

upto 3,00,000	—	—
>3,00,000 upto 5,00,000	5%	10,000
>5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 10,40,000	30%	12,000
		1,22,000

Note 4 : Tax on 6,10,000.

upto 3,00,000	—	—
>3,00,000 upto 5,00,000	5%	10,000
>5,00,000 upto 6,10,000	20%	22,000
		32,000

INCOME

REVENUE RECEIPT : It is always treated as income and taxable under Income Tax law.

Capital Receipts : Normally Capital Receipts are not treated as income & it is not taxable.

Ex:- Loan taken

Share Capital issued by company etc

Capital Receipt are treated as income if it is specifically provided in the law.

Under the head Capital gain, profit on transfer of capital asset shall be treated as income and it is taxable.

→ Notes:

1) Income means net receipt (Gross receipts - Expenses for earning such income.

2) Income includes casual income also.

Ex: Winning from lottery, card games, horse race etc.

3) In Income Tax, income is taxable whether it is legal income or illegal income. (TA Qureshi)

illegal business ka loss

* Income tax mai income legal ho ya illegal kuch nhi bataya, agr vo income hai to taxable hai.

(78% lagega)

DEEMED INCOME.

SEC 68: Cash Credit.
(Tax lagega)

→ where any amount credited in the books of accounts of Assessee. and assessee is not be to explain, source & nature of such ~~au~~ amount ~~or~~ explanation is not satisfactory in the opinion of Assessing Officer. (Income tax officer), then it will be treated as Deemed Income of Assesse.

→ If Assessee has taken any loan or borrowing from any person and if explanation about source and nature. is not satisfactory ~~of~~ of that person (giver) then such loan is treated as Deemed Income. in hand of assessee

Ex:-

1) Mr. BB took a loan of ₹50 lakhs. from Faizan Bhai & if Faizan Bhai's explanation about source and nature is not satisfactory, then it is assumed that Mr. BB's explanation is not satisfactory. & it is treated as income of Mr. BB.

Dono ko lagega

faizan ko lag sakta hai

Loan ka paisa kaha se diya vo batana padega

If any closely held company (Pvt. Ltd) received any amount towards share application, share capital, share Premium from any Resident person. and if such shareholder's explanation is not ~~satisfactorily~~ satisfactory about source & nature, then it is assumed that company's explanation is not satisfactory & it is treated as Deemed Income. in hands of company.

(78% Tax Lagega)

Date
Page

Example: BB ~~treats~~
BB Pvt. Ltd issued shares to Aditya of Rs. 2 crores. In this case, if Adityas explanation is not satisfactory about source and nature then it is treated as income of BB Pvt. Ltd.

Sec 69: Unexplained Investment

→ If in any previous year, ~~Assees~~ Assessee made investment & which are not recorded in Books of accounts and Assessee's explanation is not satisfactory about the source & nature ~~then~~ the it is treated as Deemed Income of Assessee

Sec 69A: Unexplained Money

→ If in any previous year, the assessee is found to be owner of any money, ~~gold~~ jwellery, bullion etc and same ~~saved~~ is not recorded in Books of Accounts & Assessee's explanation about source and nature. is not satisfactory then value of such asset. shall be treated as Deemed Income.

Section 69B: Amount of Investment / asset Not fully recorded in Books of Account.

If in any previous year, assessee made investment or found to be owner of any asset and if such investment or asset not fully recorded in books of accounts & assessee's explanation is not satisfactory then difference between value of investment / asset & amount recorded

in books of accounts, is treated as Deemed Income of Assessee.

Ex:- Mr. BB found to be owner of 1 kg Gold. (MV = 60 L) during the year PY 23-24. But he has recorded only ₹20 L for acquiring gold on 1 kg. In this case Assessing officer may treat ₹40 L as deemed income of Mr. BB, if BB's explanation is not satisfactory.

Section 69C : Unexplained Expenditure.

In any previous year, assessee incurred any expenditure and assessee's explanation is not satisfactory about the source of such expenditure, then such expenditure shall be treated as deemed income of Assessee.

Ex:- Mr. BB incurred 1 crore expenditure on the marriage of his son. If BB's explanation is not satisfactory about source and nature of Rs. 1 crore then amount of 1 crore is treated as Deemed Income of Mr. BB.

Section 69D : Amount borrowed on Hundi / Repaid on Hundi

If any amount is borrowed or repaid on Hundi in cash, then such amount shall be treated as Deemed Income of Assessee. If amount borrowed on Hundi is already as income, then at the time of repayment it will not be treated as income.

Section 115BBE.

ABOVE DEEMED INCOME (Sec 68/69/69A/69B/69C/69D) SHALL BE TAXABLE @ 60% + 25% surcharge + 4% HEC.

EFFECTIVE TAX RATE 78%

In the following cases Income earned in P.Y is taxable in PY itself.

1) Sec 172: Shipping business of Non-Resident.

→ In case of Non-Resident engaged in Shipping business is required to pay tax in India in PY itself before leaving Indian Port.

→ In this case income of Non-Resident is calculated as follows:

Amount received in India or outside for goods/ passenger shipped at Indian port	×	7.5%	×	Tax Rate 40% + Surcharge (if applicable) + HEC @ 4%

2) Sec 174: Person leaving India

→ If it appears to A.O (Assessing officer) that any person leaving India for permanent settlement, then A.O may ask the assessee to pay tax in P.Y itself on the income earned in PY.

Ex:- Mr. Hari leaving India on 10th Dec. 2023. In this case AO may ask Hari to pay tax on income earned between 1st April 2023 till 10th Dec. 2023 in PY 23-24 itself.

NOTE: Sec. 172 (NR shipping) is mandatory section but other sections are applicable only if it appears to AO.

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Note: In all the above cases, Assessee is required to pay tax & file his return of income in PY itself.

3) Sec: 174 A. AOP/BOI/AJP formed for a particular event or purpose

IF AOP/BOI/AJP is formed for a particular event and dissolved in PY itself, in this case AO may ask assessee to pay tax on income in PY itself.

Ex:- A BOI is formed to do business in Ganesh Chaturthi festival (in September 2023) & dissolve after Ganesh Chaturthi. In this case, AO may ask BOI in previous year 23-24 on income earned in PY 23-24.

4) Sec: 175: Person likely to transfer property to avoid tax

If it appears to AO that any person likely to transfer, sale, gift any of his asset to avoid payment of any liability in income tax, then AO may ask Assessee to pay tax in PY itself.

5) Sec: 176: Discontinued Business

If any business or profession is discontinued in PY then AO may ask assessee to pay tax in PY. on the income earned in PY.

Ex:- Miss Jiya discontinued her business on 12th December 2023. In this case, AO may ask Miss Jiya to pay tax on income earned between 1st April, 2023 till 12th December 2023. in PY 23-24 itself.

SEC : 115 BAC

Default Tax Regime for Individual / HUF / AOP / BOI / AJP.

In case of individual / HUF / AOP / BOI / AJP, from AY. 24-25. tax rates are

	Tax Rate.
Total income upto 3,00,000	—
> 3,00,000 upto 6,00,000	5%.
> 6,00,000 upto 9,00,000	10%.
> 9,00,000 upto 12,00,000	15%.
> 12,00,000 upto 15,00,000	20%.
> 15,00,000	30%.

Note: In case of Senior citizen & Super senior citizen Basic exemption of ₹ 3,00,000 only applicable.

Surcharge	Surcharge rate on tax.
Total income upto 50,00000	—
> 5000,000 upto 1,00,00,000	10%.
> 1,00,00,000 upto 2,00,00,000	15%.
> 2,00,00,00	25%.

Note: Surcharge of 37% not applicable

Health & Education Cess @ 4% applicable on taxes + Surcharge (if applicable)

NOTE: Above Tax Rate is applicable in case of Resident as well as ~~or~~ Non-Resident Assessee.

REBATE UNDER SEC 87A.

If Assessee follows 115BAC, then rebate under Sec 87A is as follows:

→ In case of Resident individual having Total income upto ₹7,00,000

Rebate Amt:

(i) Tax Amt.
OR
(ii) 25,000

} whichever is lower.

Ex: Mr. Sarthak (resident) having total income of ₹6,90,000 & pay taxes as per section 115BAC.

Tax Calⁿ.

upto 3,00,000.	—	—
>3,00,000 upto 6,00,000	5%	15,00,000
>6,00,000 upto 6,90,000	10%	9,000
		24,000

(→ Rebate u/s 87A

i) Tax Amt.	₹4,000	
OR		
ii) 25,000	25,000	24000
		X

urge
able)
lent

Date
Page

MARGINAL RELIEF:

IF total income is more than ₹ 7,00,000 ~~but~~ but does not exceed ₹ 7,27,770 then tax on such income cannot be exceed the amount by which the total income exceed ₹ 7 lakh.

Mr. Hari (Resident Ind.)

		₹	₹	₹
Total income.		7,27,000	7,05,000	7,50,000
Tax calⁿ				
upto 3,00,000		—	—	—
> 3,00,000 upto 6,00,000	5%	15,000	15,000	15,000
> 6,00,000 upto 7,27,000	10%	12,700	10,500	15,000
		27,700	25,500	30,000
↔ Rebate 87A		—	—	—
		27,700	25,500	30,000
		MR ↓ 700	mp. ↓ 20,500	↓
Rest to				
Tax on 7,00,000 + (NTI − 7,00,000)				
Nil + 27,000		27,000	5,000	50,000
		27,000	5000	30,000
Add: HEC @ 4%		1080	200	1,200
		28080	5200	31,200

Note: Section 115BAC is a default taxation regime from AY 24-25. If Assessee wish to opt out from this regime then he can do so. & pay taxes as per normal tax rate

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Page

If Assessee pay tax as per 115BAC then various benefits of exemptions & deductions. are not available to Assessee.

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SEC 115 BAC

Assessee does not claim benefit of following Exemption / Deduction

1) Salary
   a) HRA u/s 10(13A)
   b) Leave travel Concession u/s 10(5)
   c) Entertainment Allowance and Professional tax u/s 16(iii) & 16(ii)
   d) Allowances exemption u/s 10(14)
      Except -
      D - Commutation Allowance for Divyang employee (₹3200 p.m)
      T - Travelling on Tour Allowance
      D - Daily Allowance
      C - Conveyance Allowance

2) House Property
   a) Interest u/s 24(b) for Self-Occupied Property
   b) Losses from LOP/DLOP not allowed to set off against any other head of income.

3) PGBP
   a) Additional Depreciation 32(1)(iia)
   b) Sec. 35(1)(ii)/(iii)/(iia) & 35(2AA) [Donation for Scientific Research].
   c) Sec. 35AD (Specified Business - 14 Business)
   d)

EK bacer ager
AMT Credit gaya toh
vapas nhi aayega.

... milega hi nhi & additionally
pichle saal ke carry forwarded losses
(unabsorbed dep.) bhi nhi deduct honge.

4) IFOS

a) Exemption for Income of minor u/s 10(32)

b) Exemption for Allowance of MP/MLA/MLC u/s 10(17)

5) Deduction u/c VI - A

a) Deduction u/c VI - A except 80CCD(2), 80CCH(2) & 80JJAA

b) u/s 10AA (SEZ)

Note :

1) Assessee cannot setoff any brought forward depreciation (unabsorbed depreciation) or brought forward losses if such loss and depreciation is attributable to above deduction and depreciation.

2) If assessee is having PGBP and and he is opting 115BAC in PY 23-24. then any ~~a~~ additional depreciation in unabsorbed depreciation is not allowed to set off but it will be added to opening WDV as on 01/04/2023.

Example :

Unabsorbed depreciation of Mr. BB is ₹7,00,000 (It includes ₹3,00,000 due to additional depreciation). In this case, ₹3,00,000 is not allowed to set off but it will be added to opening WDV of Block as on 01/04/2023 if Assessee opted 115BAC for PY 23-24.

3) If 115BAC applicable then AMT not apply.
Brought forward AMT Credit cannot be setoff against income under sec. 115BAC. It means credit shall be lapsed.

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4) Sec. 115BAC is default tax regime, however Assessee can avail the benefit of regular/normal tax regime by exercising the option.

a) Assessee does not have PGBP :-

Option of Regular tax regime must be exercised along with income tax return u/s 139(1) for every PY.

b) Assessee having PGBP -

Option of Regular Tax regime must be exercised along with Income Tax Return u/s 139(1). Such option once exercised shall apply for subsequent ~~years~~ AY also. However, the options once exercised for regular tax regime can be withdraw only once for PY and thereafter the person shall never be eligible for the benefit of regular tax regime till the time having any income under PGBP.

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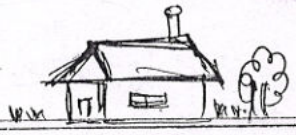
Q. Mr. Devam PY 23-24 AY 24-

Computation of Total Income

Particulars	Amt (₹)	Amt
Income from Salary		
Basic Salary	40,00,000	
(-) HRA (90,000 - 60,000)	30000	
(-) LTC (195,000 - 180,000	15,000	
NPS Contribution by BB Pvt Ltd.	4,80,000	
Less: Ded^n u/s 16		
i) Std. Deduction	(50,000)	
ii) Professional tax	(2,000)	44,73,0
Income from HP		
A	(1,05,000)	
B	60,000	
C	(80,000)	(125,0
IFOS		
1) Interest for minor Son (800-800)		
2) Interest for minor Daughter (2000-1500)	500	
3) Interest for self	28,000	28,5
4) Interest on PPF (Exempt)		
	GTI	43,76,
Less: Ded^n u/c VI-A		



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INCOME FROM HOUSE PROPERTY.

(5-7 Marks)

SEC 22 : CHARGING SECTION OF HOUSE PROPERTY.

Rental Income (Annual value) of House Property taxable under the head house property if following two conditions are satisfied.

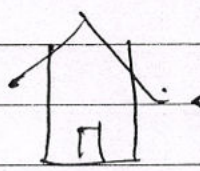
i) There should be house property.
ii) Assessee should be owner of such ~~pro~~ house property.

House Property means [building] and land appertenant (attached) to such building.

Note No.1 • Income from Residential property as well as commercial property (shop, Complex, Godown) also covered under house property.

• Rent of vacant land – IFOS / PGBP.

• Rohan Builders.



Building (Stock in Trade)

Income from sale of building. → Taxable PGBP.

Income from letout of house property → Taxable H.P.

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Page

Types of House Property

- Let Out Property (LOP)
  - Always Taxable
- Self-Occupied Property (SOP)
  - SOP (Residence)
    - 2 SOP
      - Exempt
    - > 2 SOP
      - 2 SOP
        - Exempt
      - Remaining SOP.
        - DLOP (Deemed let out property)
          - Fully taxable.
  - SOP (Business or Profession)
    - IGNORE.

Name of Assessee PY 23-24 AY 24-25.

Computation of Income from House Property

Particular.	SOP(2)	LOP	DLOP.
↑ Municipal Value	–	XX	XX
fair Rent	–	XX	XX
↓ whichever is higher	–	XX	XX
Standard Rent	–	XX	XX
↑ Expected Rent	–	XX	XX
Actual Rent	–	XX	–
Gross Annual Value (GAV)	–	(XX)	XX
(–) Municipal taxes paid.	–	XX	XX
Net Annual Value (NAV)	–	XX	XX
(–) Deduction u/s 24	~~XX~~	~~XX~~	
(i) 24(a) 30% of NAV.	–	(XX)	(XX)
(ii) Interest on loan. 24(b)	(XXX)	(XX)	(XX)
IFHP.	(XXX)	XX	XX.

* Municipal Value : It means value of property as per Municipal record.

* fair Rent : It means Rent of similar property in same locality. It is also known as Reasonable Rent or Reasonable letting value.

* Standard Rent : It means rent as per Rent control Act. It is the maximum amount of rent that can be legally recovered by owner from tenant.

* Actual Rent : Rent received + Rent receivable - Unrealised Rent

* Municipal Taxes :

a) It means taxes which are recovered by municipility, local authority, gram panchayat.
- It is also known as property tax, house tax, local tax etc.

b) It is allowed only if it is paid by owner.
- If it is paid by tenant, then not allowed

c) It is allowed on Payment basis : PAID - Allowed
Pay kiya to allow hoga OUTSTANDING - Not Allowed
Nahi kiya to nhi hoga
JAB karoge tab hoga

d) If it is given in % form, then it should be calculated on MUNICIPAL VALUE.

Q.1. (Page no. 42)

Ms. Jayashree. PY 23-24 AY 24-25

Computation of Gross Annual value.

Particulars.	H1 (₹)	H2 (₹)	H3 (₹)	H4 (₹)	H5 (₹)
Municipal value	80,000	55,000	65,000	24,000	80,000
fair ~~va~~ Rent	90000	60,000	65,000	25,000	75,000
(whichever is higher)	90,000	60,000	65,000	25,000	80,000
Standard Rent	N.A	75,000	58,000	NA	78,000
(whichever is lower)	90,000	60,000	58,000	25,000	78,000
Actual Rent.	72,000	72,000	60,000	30,000	72,000
(whichever is higher)	~~90,000~~				
Gross Annual value.	90,000	72,000	60000	30,000	78,000

Q.2 Mr. Nandan PY 23-24 AY-24-25

(Page no. 42)

computation of Net Annual Value.

Particulars	H1	H2	H3	H4	H5
Municipal Value	1,20,000.	2,40,000	1,10,000	90,000	75,000
Fair Value	1,50,000	2,40,000	1,14,000	84,000	80,000
(whichever is higher)	1,50,000	2,40,000	1,14,000	90,000	80,000
Standard Rent	1,08,000	NA	1,40,000	NA	78,000
(whichever is lower)	1,08,000	2,40000.	1,14,000	90,000	78,000
Actual Rent	1,80,000	2,10,000	1,20,000	1,08,000	72,000
(whichever is higher)					
Gross Annual Value.	1,80,000.	240,000	1,20,000	1,08,000	78,000
less: Municipal Taxes.	(18,000)	(28,800)	(16,500)	(7,200)	(9,000)
Net Annual Value.	1,68,000	2,11,200	1,03,500	1,00,800	69,000

* Interest on Loan:

a) Interest is allowed ~~on~~ as deduction if loan is taken for the purpose of House property i.e. purchase, construction, repair or renovation.

b) Loan may be taken from bank, financial institution, friends, family etc.

c) Interest is allowed on due basis

Paid] - ALLOWED
O/s

d) Interest on interest (penal interest) is not allowed as deduction.

e) If any fresh loan is taken for repayment of earlier loan and earlier loan was taken for the purpose of House Property then interest on fresh loan is allowed as deduction

F) If any interest is paid / payable outside India shall not be allowed as deduction if (TDS) is not deducted on such interest.

g) Limit of Interest

↓ LOP / DLOP

↓ NO limit (full Interest allowed for deduction)

↓ SOP (Max 2) (R)

↓ Special case

1) loan is taken on ~~~~ or after 01/04/1999

+

2) loan is taken for purchase or construction of property

+

3) If loan is taken for construction then construction should be completed within the period of 5 years from end of F.Y. in which loan was taken

MAX ₹2,00,000

↓ General case.

Max ~~₹2,00,0~~ ₹30,000

b) Other expenses
- → Repairs & Maintenance
- → Insurance expenses
- → Parking charges
- → Society charges
- → Electricity & water charges

NOT Allowed because 30% Std. deduction on NAV allowed.

Actual Rent = Rent Received + Receivable - Unrealised Rent.

Unrealised Rent:
- It means rent which is not ~~recd~~ recovered from tenant.
- It is like bad debts of rent
- It is deductable only if following 4 conditions of Rule 4 are satisfied:
  - a) Tenancy should be bonafide
  - b) Tenant should have vacated such house property
  - c) Such tenant should not occupy any other house property of same assessee
  - d) Reasonable steps should be taken for recovery of Unrealised Rent

NOTE 2: As per Income Tax Return form (ITR) Unrealised rent deducted from Gross Annual Value (GAV), so alternatively we can reduce Unrealised rent from GAV also.

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Q.7 (Page no. 43)

Mr. Anirudh PY 23-24 AY 24-25

Computation of Income from House Property

Particulars.	₹
↑ Municipal value.	1,30,000
Fair Rent	1,10,000
whichever is higher	1,30,000.
↓ Standard Rent	1,20,000
~~Lucky~~ Expected Rent	1,20,000
Actual Rent Note -1	1,21,000
Gross ~~Actu~~ Annual Value	1,21,000
(-) Municipal taxes Paid.	(13,000)
Net Annual Value	1,08,000
(-) Deduction u/s 24	~~(32,400)~~
a) Standard ded^n 30% of NAV.	(32,400)
b) Interest on loan.	(40,000)
	~~35~~
IFHP.	35,600

Note 1:

Rent Received + Receivable - Unrealised Rent.

= 11000 x 12 + - 11,000

= 132000 - 11000

= 121,000

(Pre-Acquisition Period interest)

i) Pre-Construction Period Interest

It means interest before the year in which construction was completed. It is allowed in 5 equal installments from the year in which construction was completed.

Ex:- Mr. Tanish took a loan from HDFC Bank of ₹20,00,000. on 1st Oct, 2020. @ 9% interest. Construction of house property is ~~compted on~~ completed on 10th Dec. 2023. Calculate interest allowed for PY 23-24.

PY		
20-21	90,000	Pre-Construction Period Interest.
21-22	1,80,000	$\frac{450000}{5yrs} = 90,000.$
22-23	1,80,000	
23-24	1,80,000 + 90,000.	

↳ 2,70,000

Interest for PY 23-24.

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Q.4 (Page no. 43)

PY.	Interest.
~~21-22.~~	~~42,000~~
22-23.	42,000
23-24.	~~84,000~~

Pre Construction Period int.
~~126000~~ / 5 = ~~16800.~~

84,000 + 25200.

Q.5 (Page no. 43).

PY.		Interest.
17-18	10,00,000 × 12% × 10/12	1,00,000
18-19	10,00,000 × 12%	1,20,000
19-20	10,00,000 × 12%	1,20,000
20-21	6,00,000 × 12%	72,000
~~21-22~~	6,00,000 × 12%	72,000 + 82400 ←
~~22-23~~	6,00,000 × 12%	72,000 + 82400
23-24	6,00,000 × 12%	72,000 + 82400 = 1,54,400.

Pre-construction Period interest
402,000 / 5 = 82400
In 5 years

Q.4 (Page no. 43)

PY		Interest
22-23	7,00,000 × 12% × 6/12	42,000
23-24	7,00,000 × 12%	84,000 + 8,400

→ Pre-construction Period interest
42000 / 5 = 8400.

↓

92,400
Interest allowed
For PY 23-24 (AY-24-25)

Q. Mr. Jay has taken a loan from SBI on 1st June, 2019. for ₹20,00,000 @ 6% interest. He made following repayment of principal amount:

01/04/2020	4,00,000.
01/10/2021	2,00,000.
01/12/2022	1,50,000
01/04/2023	2,50,000.

construction completed on 14/2/23. calⁿ of interest to be ~~answered~~ allowed for Rs. 23-24

PY		Interest
19-20	20,00,000 × 6% × 10/12.	1,00,000.
20-21	16,00,000 × 6% × 12/12	96,000.
21-22	16,00,000 × 6% × 8/12.	64,000 + 284,000
22-23	$\boxed{14,50,000 \times 6\% \times 12/12}$	75,000.
23-24	$\boxed{10,00,000 \times 6\% \times 12/12}$	60,000 + 56,000

Pre-Conⁿ Period interest 280,000 / 5 = 56,000

92000

1

1,16,000

21-22 16,00,000 × 6% × 6/12 = 48,000 + 1400000 × 6% × 6/12 = 42,000

90,000.

22-23 14,00,000 × 6% × 8/12 = 56000 + 12,50,000 × 6% × 4/12 = 25,000

81,000.

23-24. 10,00,000 × 6% × 12 = 60,000.

$\frac{286,000}{5} = 57,200$

P.Y.		Interest.
19-20	20,00,000 × 6% × 10/12)	1,00,000.
20-21	16,00,000 × 6% × 12/12.	96,000.
21-22.	16,00,000 × 6% × 6/12. = 48000	90,000.
	14,00,000 × 6% × 6/12 = 42,000.	
22-23	14,00,000 × 6% × 8/12 = 56,000.	81,000
	12,50,000 × 6% × 4/12 = 25,000	
23-24	10,00,000 × 6% × 12/12 =	60,000.

Pre-Construction Period Int.

$\frac{2,86,000}{5} = 57,200.$

Current Year. interest = 60,000 + 57,200

= ₹1,17,200.

~~Q.9 (Page no. 44)~~

Concept of Vacancy



ER XX
AR XX
GAV. XX

ER ≤ AR + VR
↓ ↳ Vacancy Rent
GAV

ER > AR + VR.
↓
GAV

Example 1

ER = 5,20,000
Rent per month = 50,000.
Vacancy = 3 month.

ER AR + VR.
5,20,000 ≤ 4,50,000 + 1,50,000
↓
GAV.

Example 2

ER = 5,20,000
Rent per month = 20,000
Vacancy = 2 month.

ER > AR + VR.
5,20,000 > 2,00,000 + 40,000
↓
GAV.

Example 3

ER = 6,00,000.
Rent per month = 50,000
Vacancy = 3 Month.

ER AR + VR
6,00,000 = 4,50,000 + 1,50,000
↓
GAV.

Partly Let-Out Property
(Area-wise)

→ If some area of House Property is let-out and remaining area is self-occupied then let-out portion is treated as LOP. and self-occupied portion is treated as SOP.

→ In this case, Municipal value, Fair Rent, Standard Rent, Municipal Taxes, Interest on loan should be divided between SOP and LOP. on Area-Basis.

↔ Actual Rent will never be divided because it is always for LOP.

Interest on Loan ×××

LOP ↓ full limit Allowed.

SOP. ↓ Max 30,000/2,00,000 Allowed.

Q.12 (Page no. 45)

Mr. Prem — PY 23-24 AY-24-25.

Computation of Income from House Property.

Particulars	SOP (2/3)	LOP (1/3)
↑ Municipal Value	2,00,000	1,00,000
Fair Rent	1,80,000	90,000
↓ whichever is higher	2,00,000	1,00,000
Standard Rent	2,20,000	1,10,000
↑ Expected Rent	2,00	1,00,000
Actual Rent (8000×12)	–	96,000
Gross Annual Value (GAV)	–	1,00,000
(–) Municipal Taxes Paid	–	(10,000)
Net Annual Value (NAV)	–	90,000
(–) Deduction u/s 24.	–	
a) Standard ded^{n} 30% of NAV.	–	27,000
b) Interest on loan	(80,000)	(40,000)
IFHP	(80,000)	23,000
IFHP	(57,000)	

Interest on loan : 120,000

SOP (2/3) → 80,000

LOP (1/3) → 40,000

Q.8 (page no. 44)

Mr. Ganesh PY 23-24 AY 24-25.

Computation of Income from House Property

Particulars.	LOP
↑ Municipal Value.	2,50,000.
Fair Rent	2,00,000
↓ whichever is higher	2,50,000
Standard Rent	2,10,000
↑ Expected Rent	2,10,000
* Actual Rent (Note 1)	1,80,000
Gross Annual Value (GAV) (Note 2)	1,80,000
(-) Municipal taxes paid	(20,000)
Net Annual Value (NAV)	1,60,000
(-) Deduction u/s 24	
a) Standard ded^{n} 30 % of NAV	(48,000)
b) Interest on loan.	(65,000)
IFHP.	47,000

Note 1:

Actual Rent = Rent received + Receivable - Unrealised Rent.

(20,000 x 10)

= 2,00,000 - 20,000

= 1,80,000.

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Note 2: Vacancy.

ER	AR + VR
2,10,000	180000 + 40,000
2,10,000 <	AR + VR = 2,20,000

↓
GAV.

Date
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8:25 - 9:15.

Test

33/42

10/18

Part - A - MCQ.

Q.1. d) 2,10,000. ✗ 2,00,000

21-22 1,50,000
22-23 1,50,000
23-24 1,50,000

Q.2. b) (i), (v), (vi)

Q.3 b) Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta and Miss Preeti Gupta

Q.4 b) ₹12,67,600

3,60,50,000
36,12,600
3,37,17,600

Q.5 c) ₹5,46,000

Q.6 c) 25,480 b) 22880

Q.7 d) 31,51,200. b) 32,24,00

Q.8 b) ₹2,26,200

Q.9 d) (i), (ii) and (iv)

Part - B Descriptive Questions

Q.1.

Mr. Roy

PY 23-24

AY 24-25.

Computation of Roy's Income from House Property

Particulars.	SOP (3/4)	LOP (1/4)
↑ Municipal Value.	-	112500
fair Rent	-	117,500
↓ (which ever is higher)	-	117,500
Standard Rent	-	125,000
(which ever is lower)	-	117,500
↕ Estimated Rent	-	
↑ Actual Rent (Note 1)	-	108,000.
Gross Annual value (GAV) (Note 2)	-	108,000
less: Municipal Taxes.	-	(11250)
Net Annual Value (NAV)	-	96,750
less: i) Ded^n under 24(a) (30% of NAV)	-	(29,025)
ii) Interest on loan (Note 3)	(1,13,250)	(37,750)
	(1,13,250)	29,975.
		← set off.
Income from house property	(83,275)	

Note 1:

Actual Rent = Rent Received + Receivable - Unrealised Rent.

= (12000×9) + (12000×2) − (12000×2)

= ₹1,08,000

Note 2:

ER ≤ AR + VR.

1,17,500 ≤ 1,08000 + 12,000.

1,17,500 ≤ 1,20,000

∴ GAV = AR.

Note 3

Interest on Loan

SOP	LOP
(3/4)	(1/4)
↓	↓
1,13,250.	37,750

Q.2. Mr. B. PY - 23-24
AY - 24-25.

Computation of tax liability.

Particulars.	Tax Rate.	Amt (₹).
Total income > 2,50,000	—	Nil
> 2,50,000 upto 5,00,000	5%.	12,500
> 5,00,000 upto 10,00,000	20%.	1,00,000
> 10,00,000 upto 1,01,00,000	30%.	2730,000
		28,42,500.
Add: Surcharge	@ 15%.	4,26,375.
		32,68,875
		Marginal Relief 75,125.
Rest. to Tax on ₹1,00,00,000 + (NTI - 1,00,00,000)		
= 30,93,750 + (1,01,00,000 - 1,00,00,000)		
= 30,93,750 + 1,00,000		31,93,750.
= 31,93,750.		
	Add: HEC @4%	1,27,750
	Net tax Payable	33,21,500

Note: Tax on ₹1,00,00,000

TI > 2,50,000	—	—
> 2,50,000 upto 500000	5%	12,500
> 5,00,000 upto 1000000	20%	1,00,000
> 10,00,000 upto 10000000	30%	27,00,000

28,12,500 + 10% Surcharge = 30,93,750

Q.4. Mr. Tony PY - 23-24
AY - 24-25

Computation of ~~taxable~~ total income.

Particulars.	Business Income	Agriculture Income
1) Manufacture of Rubber.	1,75,000	3,25,000
2) Manufacture of Coffee grown & cured.	87,500	2,62,500
3) Manufacture of Tea.	2,80,000	4,20,000
4) Sale of Plant from Nursery.		1,00,000
Total -	5,42,500.	11,07,500

Mr. Tony's taxable income would only be his business income which is ₹5,42,500.

Date
Page

Q.5. Mr. Charan PY - 23-24
AY 24-25.

1) Computation of Agriculture Income

Income from paddy (40%) sold		
Selling Price	18,50,000	
Less: Cost of Cultivation	(9,00,000)	9,50,000
		9,50,000
Income from Paddy (60%) used in mill		
FMV of Paddy used in mill	28,60,000	
Less: cost of cultivation	(14,40,000)	14,20,000
		14,20,000

Total Agricultural Income is ₹ ~~14,20,000~~ ~~2370~~ 23,70,000.

2) computation of Business Income

Selling price of Paddy (60%) used.	38,00,000
Less: FMV of Paddy used in mill	(28,60,000)
Less: Cost of Manufacturing	(3,60,000)
	5,80,000

Total Business Income of Mr. Charan is ₹5,80,000.

Q.3. Yes, the Assessing Officer have the power to send the notice to Mr. X to tax his income of AY 24-25 during AY 2023-24 itself.

(3)

This is because Mr. X wishes to wind-up the business. This is allowed to Assessing Officer to send the notice to assessee for his income earned in previous year in previous year itself.

Yes, there are few exception to the general rule "Income of the previous year is assessed in the assessment year following the previous year." Few of them are:

1) Non-Resident carrying shipping Business
2) When the person ~~who~~ wishes to wind his business up.
3) When the person ~~who~~ wishes to leave India.

PARTLY LET-OUT PROPERTY

(TIME-WISE)

→ IF Property is let-out for some period of time and self-occupied for remaining period of time then such property is treated as let-out Property only.

→ If Property is let-out even for one day, then also property is treated as LOP.

Q.10 (Page no. 44)

Smt. Rajalakshmi . PY. 23-24.
AY. 24-25.

Computation of Income from House Property 'LOP'

Particulars	₹
↑ Municipal Value	5,00,000
fair Rent	4,20,000
↓ (whichever is higher)	5,00,000
Standard Rent	4,80,000
↑ Expected Rent	4,80,000
Actual Rent	3,50,000
Gross Annual Value (GAV)	4,80,000
Less: Municipal taxes paid	(60,000)
Net Annual Value (NA)	4,20,000
(-) Deduction U/S 24.	
a) Standard ded^n 30% of NAV.	(1,26,000)
b) Interest on loan	(25,000)
IFHP	2,69,000

Note 1:

Actual Rent = Rent received + Receivable − Unrealised Rent

50,000 × 9 months.
(1/4/23 to 31/12/23)

= 450,000 − 1,00,000

= 3,50,000

NOTE: In the Present Question, Unrealised Rent is reduced while calculating Actual Rent. As per ITR-~~form~~, Alternatively we can reduce unrealised Rent from gross Annual Value (GAV)

→ If we reduce from GAV, then answer will change. and Net Income is ₹1,99,000.

Date
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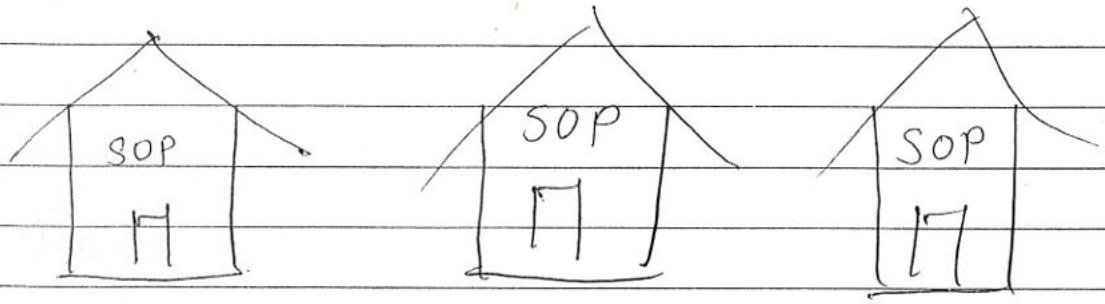
ASSESSE OWN MORE THAN 2 SOP.

* Mr. Umar *



Andheri Bandra Vasai

Option I	SOP	SOP	DLOP
II	SOP	DLOP	SOP
III	DLOP	SOP	SOP.

Q.11 (Page no. 45)

Mr. Ganesh PY 23-24 AY 24-25.

Option I. : HP1 and HP2 treated as SOP & HP3 treated as DLOP.

Computation of Income from House Property.

Particulars.	HP1 & HP2 SOP	HP3 DLOP.
↑ Municipal ~~Taxes~~. Rent	–	3,30,000
Fair Rent	–	3,80,000
↓ (whichever is higher)	–	3,80,000
Standard Rent	–	3,75,00
↑ Estimated Rent	–	3,75,000
Actual Rent	–	–
Gross Annual Value (GAV)	–	3,75,000
(–) Municipal Taxes	–	(19,800
Net Annual Value (NAV)	–	3,55,200
(–) Deduction u/s 24.		
a) 30% of NAV	–	(1,06,56
b) Interest on loan.	(30,000)	(1,75,000
	(30,000)	73,64

IFHP = 43,640.

Date
Page

Option II : H1 & H3 treated as SOP & HP2 is treated as DLOP.

Particulars.	H1 & H3 SOP	H2 DLOP.
↑ Municipal Value	–	3,60,000
fair Rent	–	2,75,000
↓ (whichever is higher)	–	3,60,000
↓ Standard Rent	–	3,70,000
↑ Expected Rent	–	3,60,000
Actual Rent.	–	–
Gross Annual value (GAV)	–	3,60,000
(-) Municipal taxes paid	–	(28,800)
Net Annual Value (NAV)	–	3,31,200
(-) Deductions U/s 24		
a) 30% of NAV.	–	(99,360)
b) Interest on Loan.	(1,75,000)	(55,000)
	(1,75,000)	1,76,840

IFHP = 1840.

Option III : H2 & H3 are treated as SOP & H1 is treated as DLOP.

Particulars.	H2 & H3	H1
	SOP	DLOP
↑ Municipal ~~Law~~ Value	-	3,00,000
Fair Rent	-	3,75,000
↓ (whichever is higher)	-	3,75,000
↓ Standard Rent	-	3,50,000
↑ Expected Rent	-	3,50,000
Actual Rent	-	-
Gross Annual Value (GAV)	-	3,50,000
(-) Municipal taxes paid	-	(36,000)
Net Annual Value (NAV)		3,14,000.
(-) Deduction u/s 24.		
a) 30% of NAV		(94,200)
b) Interest on loan. (Note 1)	(2,05000)	~~2,19,800~~
	(2,00,000)	2,19,800.

IFHP = ₹ 19,800

Note 1:

Interest on Loan

	₹
HP2 - Interest on loan taken for Repair	55,000
Max. Allowed (A)	30,000
HP3 Interest on loan taken For pur. of HP.	1,75,000
Max Limit	2,00,000.
(B)	1,75,000

Max Interest Allowed (A+B) restricted to ₹ 2,00,000

Date
Page

Conclusion: Since Income from House Property is lower in Option II that is ₹1840, so Mr. Ganesh should opt House Property I and House Property III as SOP and House Property II as DLOP

JOINT OWNERSHIP
(CO-OWNERSHIP)

It means House Property is owned by more than 1 owner. In this case, income from House Property is calculated normally & thereafter it should be divided between co-owners in their ownership ratio.

Q.15 (Page no. 47) PY 23-24 AY 24-25.

Computation of Income from House Property

~~Computation~~ Particulars	₹
↑ Municipal Value	160,000
Fair Rent	150,000
↓ (whichever is higher)	160,000
Standard Rent	170,000
↑ Expected Rent	160,000
Actual Rent (15000 × 12)	180,000
Gross Annual Value (GAV)	180,000
(-) Municipal Taxes Paid	-
Net Annual Value (NAV)	180,000
(-) Deduction u/s 24	
a) 30% of NAV	(54,000)
b) Interest on Loan. (25000 + 5000)	(30000)
IFHP	₹ 96,000

Mr. Raman	Mr. Brother
₹ 48,000	₹ 48,000

Note

1) Interest allowed on due basis so total interest of ₹25,000 shall be allowed as Deduction even actual interest paid is ₹21,000.
2) Interest on interest (Penal interest) not allowed as deduction.
3) If any fresh loan is taken for repayment of earlier loan & earlier

loan was taken for the purpose of house property, then interest on fresh loan is allowed as deduction.
In the present que., interest of ₹5,000 is also allowed as deduction.

4) Municipal pd taxes paid by owner is allowed as deduction. In the present case, since municipal taxes are paid by tenant. so, it is not allowed as deduction.

Q.16 (Page no. 47)

Mr. X

PY - 23-24
AY - 24-25.

Computation of Income from House Property

Particulars.	SOP.	LOP.
↑ Municipal Value.	–	95,000
fair Rent	–	92,500
↓ (Whichever is higher)	–	95,000
Standard Rent	–	81,000
↑ Estimated Rent	–	81,000
↓ Actual Rent	–	80,000
Gross Annual Value	–	80,000
(–) Municipal taxes Paid	–	(14,250)
Net Annual Value.	–	65,750
(–) Deductions u/s 24		
a) Standard ded^{n} 30% of NAV	–	(19,725)
b) Interest on Loan.	(9,000)	(9,000)
	(9,000)	37,025

IFHP = 28,025

Note 1:

Actual Rent = Rent received + receivable - Unrealised Rent.

Actual Rent = 80000. (~~120~~ 15 8000 × 10)

Note 2:

ER ≤ AR + VR.

81000. ≤ 80000 + 16000.

↓

GAV.

Arrears of Rent

It means rent under ~~dispose~~ dispute.

Section 25A:

Recovery of unrealised Rent & Arrears of Rent.

1) Recovery is taxable in the year in which it is recovered under the head ~~not~~ income from house property, whether the assessee is the owner of property or not in the year of recovery.
2) Any expenses incurred for recovery shall be ignored.
3) Taxable amount = Recovery × 70% (30% standard deduction)

MEANING OF SOP:

It means property self-occupied for residence purpose throughout the year or unoccupied due to business or profession or employment at any other place.

Q.17 (Page no. 47)

Mr. Vikas — PY 23-24
AY 24-25.

Computation of income from House Property

Particulars	SOP (2/3)	LOP (1/3)
↑ Municipal Value	-	32,000
fair Rent	-	42,000
↓ (whichever is higher)	-	42,000
Standard Rent	-	36,000
↑ Expected Rent	-	36,000.
Actual Rent	-	60,000
Gross Annual Value (GAV)	-	60,000
(-) Municipal Taxes	-	(3,520)
Net Annual value (NAV)	-	56,480.
(-) Deductions U/s ~~24~~ Sec. 24		
a) Standard Ded^n @ 30% NAV	-	(16,944)
b) Interest on Loan. (Note 1)	(12,400)	(6,200)
	(12,400)	33,336

IFHP = ₹20,936.

Note 1: Interest on Loan for 2023-24.

		₹	
16-17	1,00,000 × 12% × 9/12.	9000	Pre-Cons^n Period interest 33000/5 = ₹6600
17-18	1,00,000 × 12%.	12000	
18-19	1,00,000 × 12%.	12000	
19-20	1,00,000 × 12%.	12000 + 6600	
20-21	1,00,000 × 12%.	12000 + 6600	

Date
Page

21-22	1,00,000 x 12%.	12000 +6600
22-23	1,00,000 x 12%.	12000 +6600
23-24.	1,00,000 x 12%.	12000. +6600

18,600.

1/3 2/3

6,200 12,400.

rest
600

Q.14. (Page no. 46)

Calculation of Tax deduction to Ms. Dimple.

Particulars.	₹.
Interest on loan of Dimple's share.	
$\frac{50,00,000}{2}$ x 10% = ₹2,50,000	2,50,000.
Max. Restriction allowed.	₹2,00,000
	2,00,000

∴ Deduction allowed u/s 24 (b) to Ms. Dimple is ₹2,00,000.

Calculation of Tax deduction to Mr. Aparna.

Particulars.	₹
1) Interest on loan of Aparna's share taken for acquisition.	
$\frac{50,00,000}{2}$ x 10% = ₹2,50,000	2,50,000
Max. Restriction allowed.	2,00,000
	2,00,000.
2) Interest on loan for repairs of this flat.	
3,00,000 x 12% = 36,000.	36,000.
Max. Restricted allowed	30,000
	30,000.

Total Interest	2,30,000.
Max. Restriction allowed	2,00,000.

∴ Deduction allowed u/s 24(b) to Ms. Aparna is ₹2,00,000

Q.36 (Page no. 43)

Mr. Manas — PY 23-24 AY 24-25.

Computation of deduction u/s 24(b)

Particulars	₹.
1) Interest on loan of ₹30 lakhs 30,00,000 x 10%.	3,00,000
Max. Restriction	2,00,000 2,00,000
2) Interest on loan of ₹5 lakhs 5,00,000 x 11%.	55,000
Max. Restriction	30,000 30,000
Total Interest.	2,30,000
Max. Restriction allowed	2,00,000 2,00,000.

∴ Deduction allowed u/s 24(b) to Mr. Manas is ₹2,00,000

Q. 13 (Page no. 45).

=) Yes, the arrears of the rent received by Mr. Anand and the recovery of unrealised rent of ₹10,000, ~~There can be~~ is taxable in the PY-23-24 and AY 24-25 ie. when it is received.

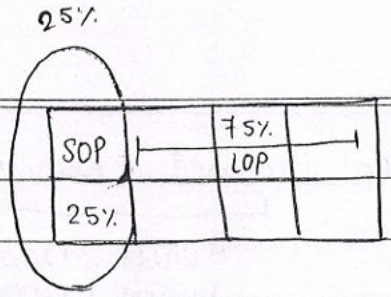
Taxable Amount = Recovery × 70%.

$$= (10,000 + 69,000) \times \frac{70}{100}$$

$$= 79,000 \times \frac{70}{100}$$

$$= ₹55,300$$

Q.19 (Page no. 49)



Computation of Income from House Property.

Particulars.	SOP (25%)	LOP (75%)
↑ Municipal value	–	6,75,000
fair Rent	–	–
↓ (whichever is higher)	–	6,75,000
Standard Rent	–	–
↑ Expected Rent	–	6,75,000
Actual Rent	–	8,16,000
Gross Annual Value	–	8,16,000
(–) Municipal taxes paid	–	(1,35,000)
Net Annual Value.	–	6,81,000
(–) Deduction u/s 24		
a) Standard ded^{n} 30% of NAV	–	(20,430)
b) Interest on Loan	(60,000)	(225000)
	(60,000)	2,51,700
IFHP.	19,1700.	
Net HP Income.		

Note 1: Interest on Loan. 3,00,000

SOP (25%)	LOP (75%)
75,000	2,25,000

Max. 30,000 per Co-owner
× 2 Coowner
Max. 60,000 allowed

Note 2 : Actual Rent : Rent received + Receivable − Unrealised Rent

5 units × 12000 × 12 months =	720,000
1 units × 12000 × 1 month =	96,000
AR.	8,16,000

Note 3 :

ER < AR + VR.

6,75,000 < 8,16,000 + 48000 (12000 × 4 months)

↓

GAV.

Computation of Total Income	Arun	Bimal.
House Property	95,850	95,850
Other Income.	2,90,000.	1,80,000
Total Income.	3,85,850	2,75,850

Q. 20. MRS. Daya. PY 23-24 AY 24-25.

Computation of Income from House Property

Particulars	Amt. (₹)
↑ Municipal ~~tx~~ Value.	8,50,000
Fair Rent	7,30,000
↓ (whichever is higher)	8,50,000
Standar Rent	8,20,000
↑ Expected Rent.	8,20,000
Actual Rent (~~&~~ Note 1)	7,65,000
Gross Annual Value (GAV)	8,20,000
(-) Municipal taxes.	(1,02,000)
Net Annual Value (NAV)	7,18,000
(-) Deductions u/s Sec 24.	
a) Standard ded^{n} 30% of NAV.	(2,15,400)
b) Interest on Loan.	(50,000)
IFHP.	4,52,600

Note 1:

Actual Rent = Rent Received + Receivable (Unrealised not because no legal proceedings was instituted)

= 85000 × 9

= ₹ 7,65,000

Q.21 Mr. Pihu PY 23-24 AY 24-25

Computation of Income from house property.

Option I: HP1 & HP2 are treated as SOP and HP3 is treated as DLOP

Particulars	HP1 & HP2 SOP	HP3 DLOP
↑ Municipal Value	–	1,20,000
Fair Rent	–	1,45,000
↓ (whichever is higher)	–	1,45,000
Standard Rent	–	1,30,000
↑ Estimated Rent	–	1,30,000
Actual Rent	–	–
Gross Annual Value (GAV)	–	1,30,000
(–) Municipal Taxes	–	(12,000)
Net Annual Value (NAV)	–	1,18,000
(–) Deductions u/s Sec 24		
a) Standard ded^{n} 30% of NAV	–	(35,400)
b) Interest of Borrowings.	(80,000)	–
	(30,000)	82,600

IFHP → 52,600

Option II: HP1 & HP3 are treated as SOP & HP2 is treated as DLOP.

Particulars	HP1 & HP3	HP2
	SOP	DLOP.
↑ Municipal Value.	–	1,20,000
Fair Rent	–	1,85,000
↓ (whichever is higher)	–	1,85,000
↓ Standard Rent	–	1,90,000
↑ Estimated Rent	–	1,89,000
Actual Rent	–	–
Gross Annual Value (GAV)	–	1,85,000
(–) Municipal Taxes.	–	(10,800)
Net Annual Value (NAV)	=	1,74,200
(–) Ded^n u/s Sec 24.		
a) Standard ded^n 30% of NAV.	–	(52,260)
b) Interest on Loan.	–	(75,000)
IFHP.		46,940

Option III : H2 & H3 is treated as SOP & H1 is treated as D2OP.

Particulars	H2 & H3 SOP.	H1. D2OP
↑ Municipal Value	–	130,000
fair Rent	–	110,000
↓ (whichever is higher)	–	1,30,000
Standard Rent	–	1,00,000
↑ Estimated Rent	–	1,00,000
Actual Rent	–	–
Gross Annual Value (GAV)	–	1,00,000
(–) Municipal Taxes.	–	(15,600)
Net annual value (NAV)	–	84,400
(–) Deductions u/s 24		
a) Standard ded^{n} @30% of NAV.	–	(30,000)
b) Interest on Loan.	(30000)	–
	(30,000)	70,000

IFHP=40,000

Q.22

1) In hands of Naveen — PY 23-24 AY 24-25

Computation of Income from house property

Particulars		(₹)
Net Annual value.		Nil
(-) Ded^n u/s 24		
a) 30% standard deduction of NAV		Nil
b) Interest on loan. (Note 1)		(2,00,000)
	IFHP	(2,00,000)

Note: 1 Interest on loan

PY 21-22	~~1,50,000 × 12%~~	15,00,000 × 12%	Pre-constn interest 1,80,000
PY 22-23			1,80,000
PY 23-24			1,80,000
			+72000
			2,52,000
		Max.	2,00,000 (Income of SOP)

NOTE If any property is ~~acquired~~ acquired in between the year or construction completed in between the year, then municipal value, fair rent, standard rent considered only from the date, the assessee became owner.

→ Municipal Taxes is allowed on Payment Basis. So whatever taxes already paid are allowed as deduction.

Part B : Income of Vikram

Computation of Income from the House Property.

	GR Floor	First Floor
↑ Municipal value (₹2000/2) (1/10 p.s to 31/3/21)	–	36,000.
fair Rent	–	50,000
↓ (whichever is higher)	–	50,000
Standard Rent	–	–
↑ Expected Rent	–	50,000
Actual Rent	–	60,000
Gross annual value	–	60,000
(–) Municipal taxes paid.	–	(4,000)
Net Annual value.	–	56,000
(–) Ded^n under sec. 24		
a) Standard ded^n 30% of NAV	–	(16,800)
b) Interest on loan.	(67,500)	(67,500)
	(67,500)	(28,300)
IFHP.	(95800)	

Note : Interest on Loan.

Interest Loan.

PY 21-22	1000,000 × 10% × 9/12	= 75,000	Pre-Con^{n} Period Int
PY 22-23	10,00,000 × 10%	= 1,00,000	175000 = 3500
PY 23-24.	10,00,000 × 10%	= 1,00,000 + 35000	5

~~3,75,000~~

135,000.

67,500 SOP

LOP 67,500.

Note 2 : Actual Rent = Rent Received + Receivable - Unrealised Rent

20,000 × 3 months (1/10/23 to 31/12/

= 60,000.

* If any person is Resident & ordinarily resident in India, then whole world's income is taxable for him. But if any person is Non-Resident (NR) ~~and~~ or R but NOR, then only Indian income is taxable for him.

Will discuss it in detail in Residential Status Topic.

Q.23 MR. ROXX PY-23-24 AY-24-25

Computation of Income from House Property.

Particulars	Delhi (HP) (SOP)	Bangalore (HP) (LOP)
↑ Municipal Value	–	3,58,000
Fair Rent.	–	4,58,000
↓ (Whichever is higher)	–	4,58,000
Standard Rent	–	4,20,000
↑ Estimated Rent	–	4,20,000
Actual Rent (40,000 × 12)	–	4,80,000
Gross Annual Value (GAV)	–	4,80,000.
(-) Municipal taxes.	–	(5,400)
Net Annual Value (NAV)	–	4,74,600
(-) Ded^n u/s 24		
a) Standard ded^n @ 30% of NAV.	–	(1,42,380)
b) Interest on Loan.	(2,00,000)	(2,50,000)
	(2,00,000)	82,220
		IFHP 1,17,780

W/N 2: Interest on Loan.

2,50,000 × 10% = 2,50,000

It is assumed that TDS on Interest paid outside India is deducted so interest allowed as Deduction

25 W.N.1. Interest on loan.

~~2,50,000 × 10% = 2,50,000~~

PY 21-22	1,80,000	× 9.5% × 8/12.	= 114000.	Pre-Acq. period int.
22-23	1,80,000	× 9.5%	= 171000	2,85,000 / 5
23-24.	1,80,000.	× 9.5%.	= 171000	= 57,000

57000

2,28,000.

Max. int case of SOP 2,00,000

Composite Rent

(Rent of HP + Rent of other assets)

↓ Agreement is separable

↓ Rent of HP.

↓ Taxable under IFHP.

↓ Rent of other assets

↓ Taxable under PGBP/IFOS.

↓ Agreement is not separable.

↓ Total Rent taxable under PGBP / IFOS.

Agr business nhi hai ise hi bhade pe diya hai to ismai aayega.

NOTE:

If let-out of property is not possible without other asset, then total rent is taxable under the head PGBP or IFOS, whether agreement is separable or not.

Date
Page

SECTION 27 : DEEMED OWNER

1) If any individual transfer house property to his/her spouse for without consideration or inadequate consideration, then such individual is treated as deemed owner of such house property.

Exception : Transfer in connection of live-apart
not divorce but decide to live diff.

2) If any individual transfer any house property to minor child for without consideration or inadequate consideration then such individual is treated as deemed owner.

Exception : Transfer to ~~mare~~ minor married daughter

3) If any person is a member or shareholder of any co-operative society then he is treated as deemed owner of house property in such society.

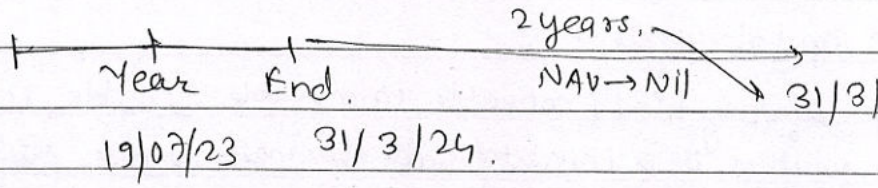
4) In case of immovable property, if possession acquired in part performance of contract, then assignee is treated as deemed owner from the date on which he obtained possession.

5) If any house property is acquired under long-term lease (12 years or more) then ~~acquir~~ acquirer is treated as deemed owner.

6) Holder of Impartiable estate.
It means property which is not legally divisible. The main holder of impartiable estate is treated as deemed owner.

7) Where the house property held as stock in Trade and not let out during previous years the NAV. of such house shall be treated as Nil for the period of two years from the end of the financial year in which construction is completed.

Ex:- Rohan builders completed construction of one house property on 19/07/2023. In this case, if house property is not let out, then NAV of such house property shall be treated as nil till 31st March 2026.
From PY 26-27, this house property is treated as DLOP & will be taxable under house property



NOTES.

→ If assessee opt default taxation regime u/s 115 BAC, Then interest on loan u/s 24(b) in respect of SOP. (30,000 or 2,00,000) not allowed to assessee.

→ SOP ~~over~~ exemption (2 SOP) on available only in the case of Individual & HUF.

→ Municipal taxes paid to foreign municiplities ~~also~~ also allowed as deduction

→ Interest for the year in which property acquired or constructed — full year interest is allowed irrespective of date of acquisition or construction.

→ If Buyer acquired property or enter into agreement with seller to pay consideration in installments, then remaining amt. shall be treated as loan & if any interest is paid on such o/s amt. shall be allowed as ded" under sec 24(b).

CAPITAL GAIN (5-8 Marks)

Sec 45(1) : Charging Section.

→ Any Profit or gain arising from transfer of capital asset shall be taxable under the head Capital Head, in the year in which transfer took place.

→ Capital gain is applicable if :
(1) There should be a capital asset.
(2) There should be transfer
(3) Capital gain ~~are~~ taxable in the year of transfer.

Section 2(14) : Capital Assets

→ It means property of any kind (movable, immovable, tangible, intangible) held by Assessee whether it is connected with business ~~or not~~. profession or not. —

But excludes
1) Stock in Trade (Raw Materials, WIP, finished Goods)
2) Movable personal Assets. (effect)
Except :- 1) Jwellery
2) Drawings
3) Paintings
4) Sculptures
5) Archaeological collections
6) Or any other work of art.

JADA SP

3) Rural Agricultural Land in India.
4) Gold Bonds 1999 or Deposit Certificate issued under Gold Monetisation Scheme 2015.
↳ Interest ~~under~~ also ~~exp~~ exempt u/s (10(15))

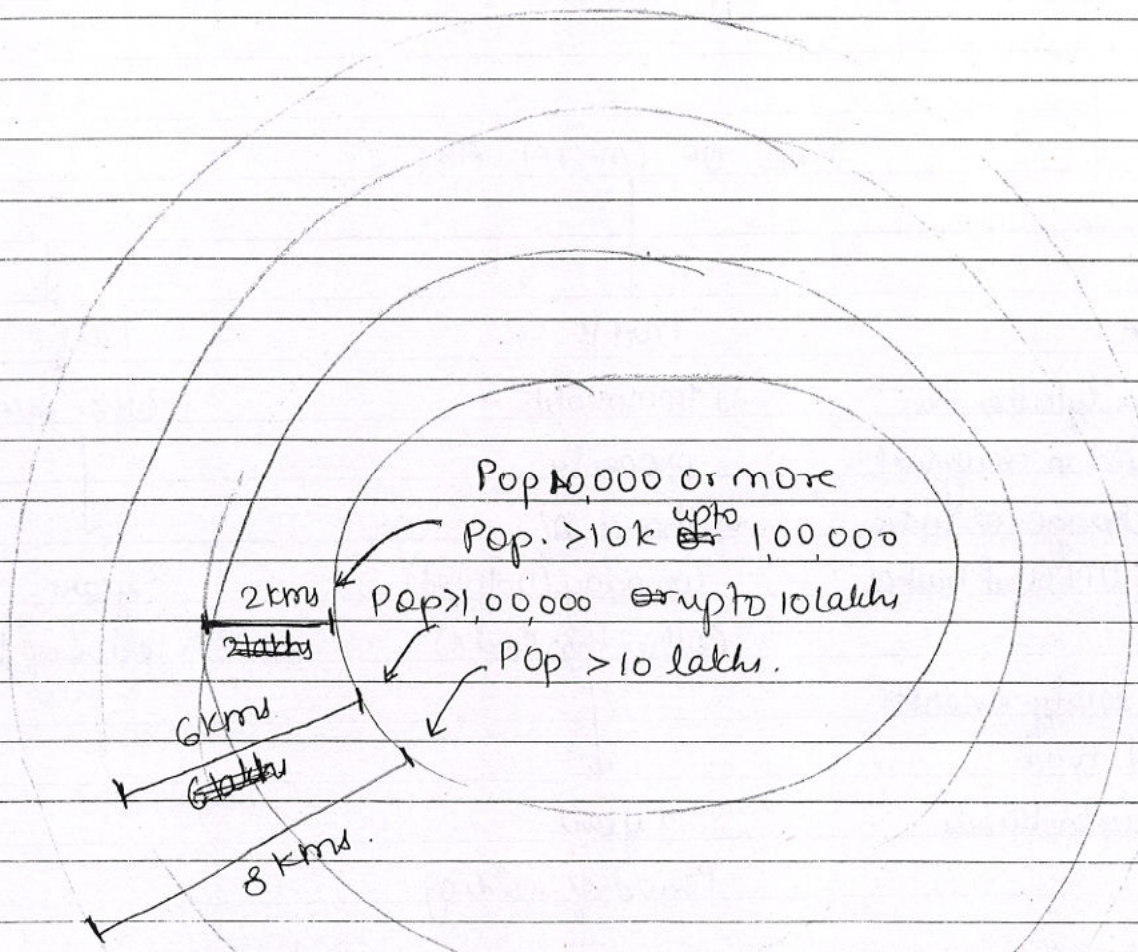
Note: Any security held by FII (foreign institutional investor) is always treated as Capital Asset.

Meaning of Rural Agriculture Land:

→ It means agricultural land located in Rural Area.:

→ Rural Area means a area which is not a Urban Area.

Urban Area.



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Section 2 (47) : Meaning of Transfer

i) Sale of Capital Asset.

ii) Exchange of Capital Asset.

iii) Relinquisment (छोड़ देना / Surrender Krna) of Capital Asset or Extinguishment of Right in Capital Asset.

iv) Compulsory Acquisition of Capital Asset

v) Conversion of Capital Asset into Stock in Trade.

vi) Allowing possession of immovable property.] Deemed Owner.

vii) Transfer of Shares of any Co-operative Society

viii) Redemption of Zero Coupon Bonds.

TYPES OF CAPITAL ASSETS.

Part A

1) Any security (other than unit) listed in recognised stock exchange of India.

2) Unit of UTI (Unit Trust of India)

3) Unit of equity oriented Mutual Fund

4) Zero Coupon Bonds.

↓

1 year
Period of holding

Part B

1) Immovable property

2) Shares of Company (Unlisted) (Other than Part A)

↓

2 years
Period of holding.

Part C

1) Other Assets

↓

3 years
Period of holding

Sec 48: Computation of Capital Gain

In case of STCA.

Full Value of Consideration (FVOC)	XX
(-) Transfer expenses.	(XX)
Net Consideration	XX
(-) Cost of Acquisition (COA)	(XX)
(-) Cost of Improvement (COI)	(XX)
STCG.	XX

In case of LTCG.

	₹
Full Value of Consideration (FVOC)	XX
(-) Transfer expenses	(XX)
Net Consideration	XX
(-) Index Cost of Acquisition (ICOA) (Note 1)	(XX)
(-) Index Cost of Improvement (ICOI) (Note 2)	(XX)
LTCG	XX

Note 1:

Index Cost of Acquisition:

$$\text{Cost of Acquisition} \times \frac{\text{Index of Year of Transfer}}{\text{Index of Year of Acquisition}}$$

Note 2:

Index Cost of Improvement:

$$\text{Cost of Improvement} \times \frac{\text{Index of Year of Transfer}}{\text{Index of Year of Improvement}}$$

Note 3:

If Property Acquired before 01/04/2001.

In case of Immovable Property acquired before 01/04/01:

	₹
i) Cost of Asset	xxx.
ii) a) FMV as on 01/04/01	xx
b) SDV as on 01/04/01	xx

Date
Page

Amendment by FA 2020 Cost of Acquisition

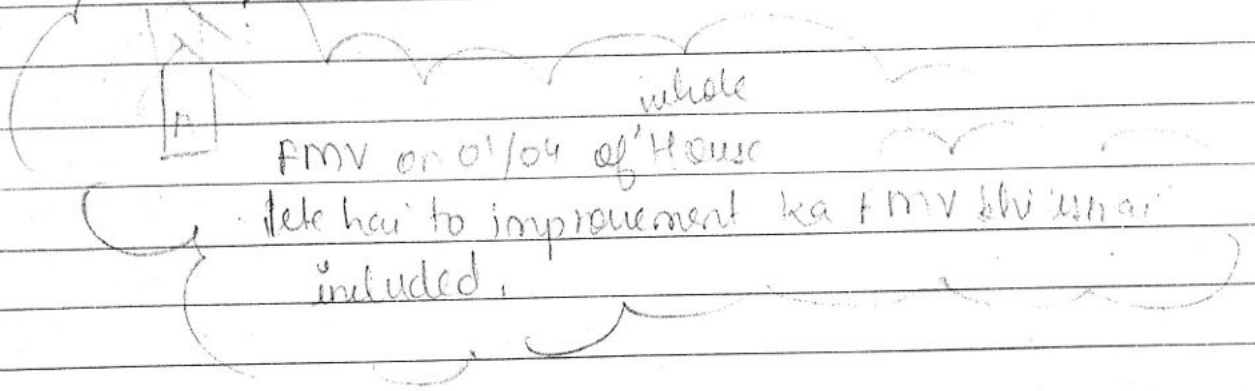
FMV as on 01/04/01 cannot be more than SDV as on 01/04/01 if SDV available as on 01/04/2001

i) Cost of Asset	xxx
ii) FMV as on 01/04/2001	xxx

Whichever is higher

Note 4

Improvement before 01/04/2001 ⟶ IGNORE.



Cost Inflation Index (CII)

FY	CII	FY	CII	FY	CII
2001-02	100	2009-10	148	2017-18	272
2002-03	105	2010-11	167	2018-19	280
2003-04	109	2011-12	184	2019-20	289
2004-05	113	2012-13	200.	2020-21	301
2005-06	117	2013-14	220	2021-22	317
2006-07	122	2014-15	240	2022-23	331
2007-08	129	2015-16.	254	2023.24	348.
2008-09	137	2016-17	264		

Q.2 (Page no.82) Mr. A PY 23-24 AY-24-25

Computation of Capital Gain. [Period of Holding (POH) - 03-04 to 23-24]

		₹
~~FMV of property~~	-	
Full Value of Consideration	-	37,00,000.
(-) Transfer expense		(74,000)
Net Consideration.		36,26,000
(-) ICOA		(11,17,431)
$350,000 \times \frac{348}{109}$		
		25,08,569.
(-) ICOI.		
$200000 \times \frac{348}{113}$		(6,15,929)
	LTCG.	18,92,640

Q.3. (Page no.82) Mr. C PY 23-24 AY 23-24

Computation of Capital Gain (POH - 15/5/1984 - 9/08/23)

		₹
Full Value of Consideration.	-	72,00,000
(-) Transfer expenses		(60,000)
		71,40,000
(-) ICOA		(15,66,000)
i) Cost 106000 ~~1,06,000~~ $\frac{450,000 \times 348}{100}$		
ii) FMV 450,000 On 01/04/01		55,74,000.

(-) ICOI.

$3,10,000 \times \frac{348}{109} = 9,89,725$

$2,50,000 \times \frac{348}{148} = 5,87,838$

		(1,77,563)
	LTCG.	39,96,437

Q. Mr. Gopal acquired a House property for ₹7,00,000 in PY-82-83. and paid stamp duty at the time of Registration of ₹1,50,000. FMV of the property as on 01/04/2001 is ₹16,00,000. He made following improvement on property -

PY 96-97	2,00,000
PY 12-13	4,00,000
PY 22-23	3,50,000

He transferred property on 14 feb 2024. For ₹1,25,00,000. & ~~comm~~ paid Commission at the time of transfer 2%. Compute Capital Gain.

⇒ Mr. Gopal. PY 23-24
AY 24-25.

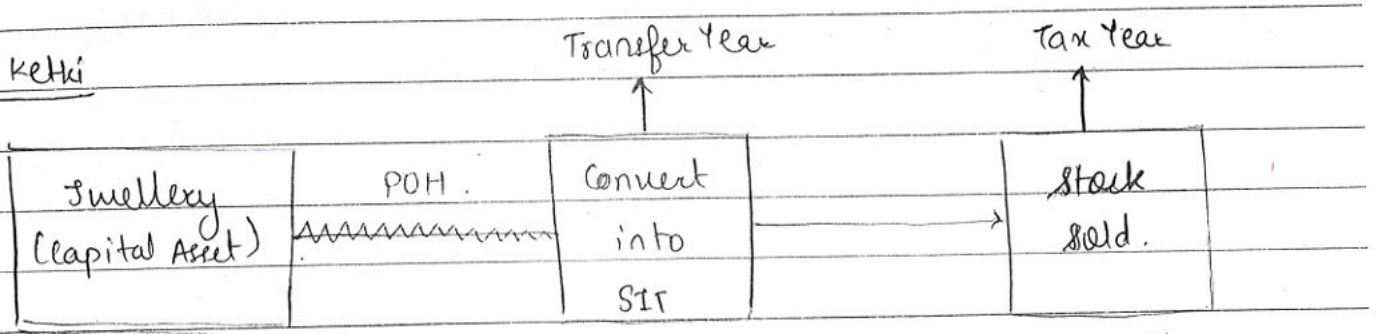
Computation of Capital Gain (POH - 82-83 to 23-24)

		₹
Full value of Consideration		1,25,00,000.
(-) Transfer expenses.		(2,50,000)
		1,22,50,000
(-) ICOA.		
↑ i) Cost Price (7,00,000+150,000)	↓ 8,50,000	
ii) FMV 01/04/01	16,00,000.	
$16,00,000 \times \frac{348}{100}$		(55,68,000)
(-) ICOI.		
i) 12-13.	$400000 \times \frac{348}{200}$	(6,96,000)
ii) 22-23	$350000 \times \frac{348}{331}$	(36,7976)
		~~5,61,8~~
	LTCG.	56,18,024

Section 45(2) : Conversion of Capital Asset into Stock in Trade.

→ Normally, Year of Tax = Year of Transfer.
But, in case of conversion of capital asset into stock in trade, transfer took place in the year of conversion but tax is paid in the year in which stock in trade is sold.

Ms Kelki



	PY 23-24 AY 24-25.		PGBP PY 23-24 AY 24-25.
Computation of Capital Gain	₹	SP of Stock	50,000.
FVOL [FMV as on Date of conversion].	35,000	(-) FMV as on date of conversion	(35,000)
(-) Transfer exp.	—	PGBP.	15,000
Net Consi	35,000		
(-) ICOA			
10,000 × 301 (20-21) / 100 (01-02)	(30,100)		
LTCG.	4,900		

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Q.4 (Page no. 82)

Mr. X. PY 23-24 AY-24-25.

Computation of Capital	₹ (POH 10/06/04 to 10/03/23)
Full value of consideration	5,50,000
(-) Transfer expenses	—
	5,50,000.
(-) ICOA	
$60,000 \times \frac{331\ (22\text{-}23)}{113\ (04\text{-}05)}$	(1,75,752)
LTGG.	3,74,248

PY-23-24 AY-24-25.

Profit & Gain from Business or Profession.

Sell Price of stock	6,00,000
(-) FMV of Capital Asset on date on conversion	(5,50,000)
PGIBP.	50,000

~~Test~~

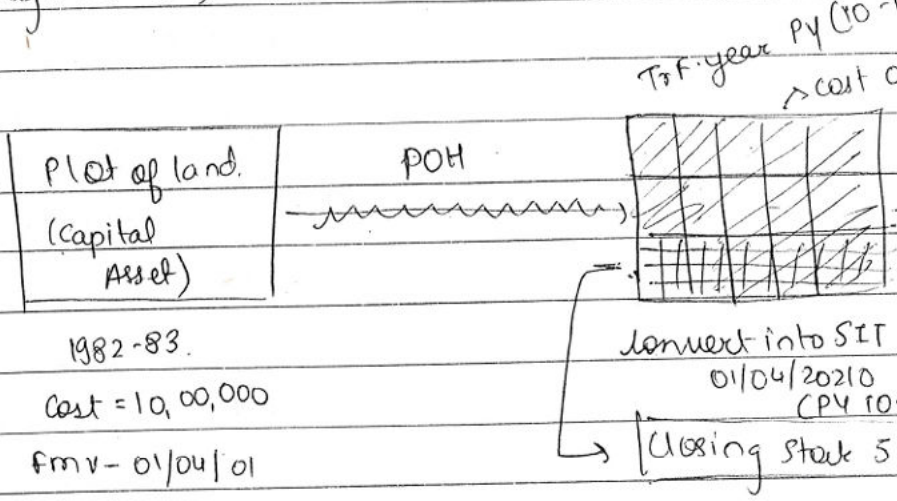
1) b) ~~₹3,000~~ ~~₹63,000~~

3/23

IMP NOTE.

→ If Stock in Trade sold in part then Capital Gain is also taxable in part.

Q. 5 (Page no. 82).



Mrs. Preeti.

Computation of Capital Gain

		₹	
FVOC (FMV as on Conversion)		1,50,00,000	
(–) Trf. Expenses			
	Net Consideration	1,50,00,000	Capital gain taxable in PY 23-24 AY (24-25)
(–) ICOA			
i) Cost	$10,00,000 \times \frac{167\ (10-11)}{100\ (01-02)}$	(16,70,000.)	
ii) FMV on 01/04/01	9,30,000.		
Gross LTCG		1,33,30,000.	13330,000 × 15 flats / 20 flats = ₹99,97,500

~~Test~~

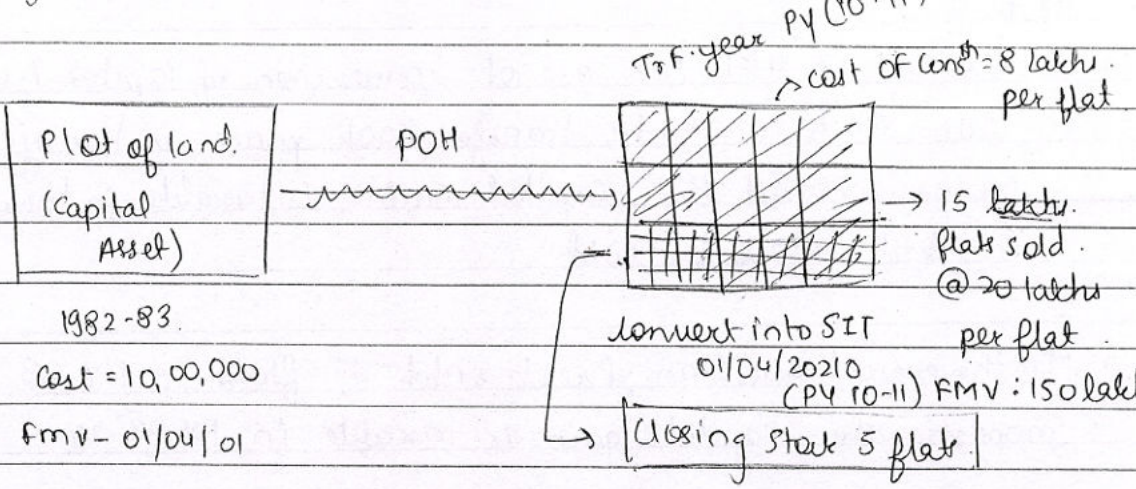
1) b) ~~₹63,000~~ ~~₹63,000~~

(03/23)

IMP NOTE.

→ If Stock in Trade sold in part then Capital Gain is also taxable in part.

Q. 5 (Page no. 82).



Mrs. Preeti.

Computation of capital gain

	₹	
FVOC (FMV as on Conversion)	1,50,00,000	
(–) Trf. Expenses	—	
Net Consideration	1,50,00,000	Capital gain taxable in PY 23-24 AY (24-25)
(–) ICOA		
i) Cost 10,00,000. × 167 (10-11) / 100 (01-02)	(16,70,000.)	
ii) FMV on 01/04/01 9,30,000.		
Gross LTCG	1,33,30,000.	13330,000 × 15 Flats / 20 flats = ₹99,97,500

P&L mai bhi krte to aur ~~to~~ SAME aata

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Computation
Income from Business (PGBP) PY 23-24 AY - 24-25

Sell Price of stock / Flats. (15 Flats × 20 lakhs)	3,00,00,000
(-) Cost on Construction. (15 Flats × 8 lakhs)	(1,20,00,000)
(-) FMV of ~~to~~ land ($150 lakhs \times \frac{15 \text{ Flats}}{20 \text{ Flats}}$)	(1,12,50,000)
	67,50,000

NOTES:

1) As per Section 45(2) in case of conversion of Capital Asset into stock in Trade, transfer took place in the year of conversion. But the capital Gain is taxable in the year in which stock is sold.

→ In the present question, Preeti sold 15 flats in PY 23-24 so proportionate capital gain is taxable in PY 23-24.

2) If any asset is acquired before 01/04/2001, then cost of Acquisition (COA) shall be Actual Cost, FMV as on 01/04/2001, whichever is higher.

Date
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Sec 45(5): Compulsory Acquisition of Capital Asset

→ Normally, Year of tax is equal to Year of transfer but in case of compulsory acquisition of Capital Asset, transfer takes place in the year in which the asset is compulsorily acquired but tax is paid in the year in which compensation is received

PART A: FOR INITIAL COMPENSATION

Computation of Capital Gain

FVOC	:	Initial Compensation
(-) Transfer exps.		xxx
Net Consideration		xxx
(-) COA / ICOA		(xx)
(-) COI / ICOI		(xx)
ST/LTCG		xxx

PART B: FOR ADDITIONAL COMPENSATION FOR ENHANCED COMPENSATION

Computation of Capital Gain

FVOC	: Additional Compensation	xxx
(-) Legal charges / Litigation charges		(xx)
LT/STCG		xxx

Date 12.
Page

Compensation Received in Installment

1) Initial Compensation: If it is received in installment then total initial compensation taxable in the year in which the first installment is received

2) Additional Compensation / Enhanced : If it is received in installment then it is taxable as and when received

JAB MILEGA तब TAXABLE होगा

NOTE: IF Interest received on late compensation, then such interest is taxable under INCOME FROM OTHER SOURCES, in the year in which it is received.

Taxable Amount = Interest Received × 50% [50% Std. ded^n U/s 57]

Q. 6 (Page no. 83)

Mr. Naveen PY - 23-24 AY 24-25

Computation of Capital Gain (Initial Compensation)	₹
Full Value of Compensation	14,00,000
(+) Transfer expenses	—
	14,00,000
(–) ICOA	
$2,00,000 \times \frac{148\ (09\text{-}10)}{100\ (01\text{-}02)}$	(2,96,00)
LTCG	11,04,000

Computation of Capital Gain (Enhanced Compensation) PY 25-26 AY 26-27	₹
Full Value of Consideration	250,000
(–) Legal Charges	(6,000)
LTCG	2,44,000

Note 1%

1) If initial compensation received in installment then total initial compensation taxable in the year in which first installment is received.

⇒ In the present question, 1st installment of ₹10,000 received in Previous year 23-24, so total compensation of ₹14,00,000 taxable in Previous year 23-24

Date
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2) Nature of Capital Gain ~~of~~ On additional compensation depends upon Nature of Capital Gain on Original compensation.

→ If Original Compensation, Capital Gain was long term then Enhance compensation, Capital Gain is also long term.

Q.7 Mr. Shivam. PY 23-24 AY 24-25

Computation of Capital Gain (Initial Compensation) ₹

Full Value of Compensation		20,00,000.
(-) Transfer expenses		30,000
		19,70,00
(-) ICOA		
12,00,000 × 301 (20-21) / 113 (04-05)		(31,96460)
	LTCL	12,26,460

PY 24-25 AY 25-26

Computation of Capital Gain (Enhanced Compensation)

Full Value of consideration		18,00,00,0~~00~~
(-) legal charges		1,00,000
	Gross LTCG	17,00,000.
Less: LTCL OF last year. (PY 23-24 AY 24-25)		(12,26,460)
	Net LTCG	4,73,540

NOTE

→ If any Enhanced Compensation is received due to Interim (temporary order) of any court then such compensation shall be taxable in the year in which final order is made.

Interim Order passed
in PY 20-21 & Award
Compensation of 4,00,000 (Received in PY 20-21)
↓
Final order passed in PY 23-24
& decided compensation of ₹7,00,000

↓ 4,00,000. Already received.
↓
Taxable in PY 23-24.

↓ Remaining 3,00,000
Received in 25-26
↓
Taxable in PY 25-26 ~~23-24~~

NOTE : As per CBDT, if compensation received is exempted as per Sec 96 of the Right to fair compensation & transperancy in the land ~~of~~ acquisition, Rehabilitation & Resettlement Act, 2013. (RFCTLARR) then such compensation is exempted under Income Tax also.

* Sec 45(1A)* Destruction / Damage of Capital Asset

→ Normally, Destruction is not treated as transfer but if destruction or damage of capital Asset due to following four reasons, then it is treated as transfer if assessee received insurance claim :

1) Natural Calamity (Tsunami, Earthquake, Flood)
2) Riot
3) Enemy Attack.
4) Fire Explosion.

In above cases, Asset is transferred in the year of destruction but tax is paid in the year in which, insurance claim is received.

Computation of Capital Gain	₹
FVOC (Insurance claim received) (Money/FMV of Asset received)	xxx
(-) Transfer expenses.	(xx)
Net Consideration	xxx
(-) COA/ICOA	(x)
(-) COI/ICOI.	(x)
ST/LTCG.	xx

Example: Anshika acquired a house property for ₹5,00,000 in PY 12-13. On 12th Nov. 2022, house is destroyed to fire. On 19th July, 2024 she received insurance claim of ₹2 crore. Compute Capital Gain.

Ms Anshika. PY 24-25 AY 25-26.

Or

Computation of Capital Gain	₹
FVOC (Ins. claim received)	2,00,00,000
(–) ICOA (POH 12-13 to PY 22-23)	
$5,00,000 \times \frac{331}{200} \frac{(22-23)}{(12-13)}$	(8,27,500)
LTCG	1,91,72,500

*** Normally, capital Gain is taxable in the year in which Asset is transferred but in the following three cases, capital Gain is taxable in some other year:

Ticket ke case mai capital Gain lagega

Section	Cases	Year of Transfer	Year of Tax.
45(2)	Conversion of Capital Asset into Stock of Trade.	Conversion into SIT	Stock sold.
45(5)	Compulsory Acquisition of Capital Asset	Compulsory Acquisition.	Compensation Received.
45(1A)	Destruction of Capital Asset	Destruction Year.	Insurance claim receive

3616000

Date
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SPECIAL CASE NUMBER 1:

Sec 50(c) : Stamp Duty Value ie. SDV shall be treated as FVOC.

→ In case of Immovable property held as Capital Asset, if Stamp Duty Value is more than 110% of Consideration the such SDV shall be treated as full value of consideration.

	Case I.	II	III.
SP	1,00,000	1,00,000	1,00,000
SDV	1,08,000	1,12,000	1,10,000
FVOC	1,00,000	1,12,000	1,00,000

Q. Mr. BB acquired a house property in PY-93-94 for ₹3,00,000 FMV as on 01/04/2001 is ₹8,00,000. He sold the property to Mr. Kaka on 10th Dec. 2023 for ₹64,00,000. Mr. Kaka paid stamp Duty at the time of Registration ₹5,35,000 ie. 6% of stamp Duty value. Compute Capital Gain in Hands of Mr. BB. Assume BB paid brokerage @ 1% of vat sell vale.

Mr. B B.	PY 23-24 AY 24-25 ₹
Computation of Capital Gain	
Full Value of Consideration (FVOC)	8916666
(-) Brokerage	64,000
	8,85,2666
(-) $800000 \times \frac{348}{100}$	2,784000
	6,068,666

Mr. BB. PY 23-24 AY 24-25.

Computation of capital Gain ₹

FVOC		89,16,667.
i) SP	6,4,00,000.	
ii) SDV [535000 / 6%]	89,16,667.	
(-) Transfer expenses		(64,000)
		88,52,667.
(-) ICOA.		
8,00,000 × 348 (23-24) / 100. (01-02)		27,84,000
	LTCG →	60,68,667

If Assessee is not satisfied with SDV and he think that SDV is more than market value then his case may transfer to valuation offier (VO) by Assessing offier (AO)

→ If value determined by VO is more than SDV then value of VO shall be ignored and SDV shall be treated as full value of consideration (FVOC)

→ If value determined by VO. is less than SDV then ~~SP~~ value of VO shall be treated as FVOC.

* SP 1,00,000] 110% wali cond^n
SDV 1,15,000

VO ~~Off~~ Value 1,07,000. → Yaha 110% wali cond^n nhi lagati.

FVOC = 1,07,000

→ SDV on Date of Registration or Agreement.

Normally, SDV is considered on the date of Registration but if date of agreement & registration are not same then assessee can take SDV on date of agreement if he has received consideration or part thereof upto the date of agreement by amount payee cheque, amount payee demand draft or any other mode of electronic clearing system through Bank A/c.

Electronic Mode = Credit Card, Debit Card, Net Banking, RTGS, NEFT, IMPS, BHIM UPI, QR Code.

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SPECIAL CASE NUMBER - 2.

Section 51 : Advance Money forfeited (Token Money)

If any advance money forfeited before 01/04/2014 then it shall be reduced from:

i) Cost of Asset (If asset acquired on or after 01/04/01)
ii) FMV as on 01/04/01 (If Asset acquired before 01/04/01)
iii) WDV (in case of Depreciable Asset)

Note:

1. Advance money reduced before indexation.
2. Advance money forfeited by previous owner shall not be reduced.

* Section 56(2)(ix) *

If any Advance money forfeited on or after 01/04/2014 then it shall be taxable under Income from other sources (IFOS) in the year of forfeiture.

Eg: Mr. Bablu acquired a house property in PY 01-02 for ₹5 lakh. During the PY 07-08, he entered into agreement for sale of property with Mr. Kaka and received advance of ₹1,20,000. Mr. Kaka didn't remit the balance amount so Mr. Bablu forfeited the advance in PY 07-08.

Again, Mr. Bablu entered into agreement for sale with Mr. Jay on 16/07/2023 and received advance of Rs. 70,000. Mr. Jay didn't remit the Balance amount so Mr. Bablu forfeited the advance.

Finally, Mr. Bablu sold the property to ~~Mr.~~ Mr. Devang ~~Devang~~ For ₹70 lakhs.

Compute Capital Gain and IFOS in the hands of Mr. Bablu.

Mr. Bablu. PY 23-24 AY 24-25.

Computation OF Capital Gain

	₹
full Value of Consideration	70,00,000
(-) Transfer expenses	—
Net Consideration	70,00,000
(-) ICOA	
(5,00,000 - 120,000)	
380,000 X 348 (23-24) / 100 (01-02)	(13,22,400)
LTCG.	56,77,600.

Income from other sources PY 23-24 AY 24-25.

Advance money forfeited	70,000
IFOS.	70,000

Date
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SPECIAL CASE NO. 3

Sec 47: Following Transaction not recorded as Transfer [Exempt Transfer]

Exam

1) Distribution of Capital Asset by HUF to member on partition.
2) Transfer of Capital Asset under gift, will, inheritance

Note: If shares alloted under ESOP, gifted to someone then it is treated as transfer and Capital Gain is applicable.
for computation of Capital Gain, FMV as on date of gift is treated as FVOC (Full value of Consideration)

3) Transfer of Capital Asset by Holding company to 100% Subsidiary company and subsidiary company should be Indian company.
4) Transfer of Capital Asset by 100% subsidiary company to Holding company & Holding company should be Indian company.

IN ABOVE CASE :

i) COA = Cost to Previous Owner [sec 49(1)]
ii) COI = Incurred by Previous Owner and Present Owner shall be considered.
iii) POH = Period of Holding of previous owner and present owner shall be considered.
iv) ICOA = $COA \times \frac{\text{Index of Year of transfer}}{\text{Index of Year in which previous owner acquired such asset.}}$

[Manjula J. Shah (Bom HC)]

v) Benefit of FMV as on 01/04/2001 ⟶ Available.

Q. 37 (Page no. 100)

Mr. A PY 23-24 AY 24-25.

Computation of Capital Gain

			₹
Full value of consideration			2,50,000
(–) Transfer expenses			–
Net Consideration			25,00,000
(–) ICOA [Sec 49(1)]			
(i) Cost of Asset		1,05,000	
(ii) a) FMV as on 01/04/21		1,50,000	
b) SDV as on 01/04/01		1,40,000	1,40,000
			(4,87,200)
140,000 × 348 (23-24) / 100 (01-02)			
(–) 10(1)			
Mr. Rakesh	50,000 × 348 (23-24) / 109 (03-04)		(1,59,633)
Mr. A	1,90,000 × 348 (23-24) / 220 (13-14)		(3,00,545)
		LTCG	15,52,622.

Notes :

1) Improvement done by Rakesh in year 2000-01 shall be ignored because improvement done before 01/04/01 shall not be considered.

2) As per Section 51, Advance money forfeited by Assessee (Present Owner) before 01/04/2014 shall be reduced from cost of Acquisition.
In this case, Advance money forfeited by Mr. Rakesh (Previous owner) shall not be reduced.

3) Advance Money forfeited on or after 01/04/2014 shall be taxable under Income from Other sources U/s 56(2)(ix) in the year of forfeiture.
So, in the present question, advance money forfeited by Mr. A shall be taxable under IFOS. in PY 23-24 in hands of Mr. A.

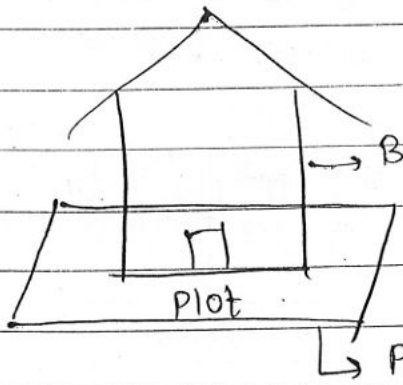
Q.16 (Page no. 86) Mr. Dinesh PY-23-24 AY 24-25.

Computation of Capital Gain

	₹
Full Value of Consideration SP: 55,00,000 SDV: 65,00,000 [As per Sec 50C, since SDV > 110% of Consideration, so SDV is treated as FVOC]	65,00,000.
(-) ICOA	
Plot (Previous owner 7,00,000 × 348 (23-24) / 105 (02-03)	(23,20,000)
Building 15,00,000 × 348 (23-24) / 169 (10-11)	(31,25,748)

(-) ICOI	
5,00,000 × 348 (23-24) / 200 (12-13)	(8,70,000)
LTCG	1,84,252.

EXTRA EXAMPLE



→ Sale
PY 23-24
SP = 35,00,000

→ Building
PY ~~22-23~~
Cost = 9,00,000

→ PY 01-02
5,00,000.

	Plot	Building
FVOC	20,00,000	15,00,000
(-) ICOA (COA)	(17,40,000)	(9,00,000)
Plot 5,00,000 × 348 (2023-24) / 100. (01-02)		
	2,60,000 (LTCG)	6,00,000 (STCG)

Q.17 Page no. 86

Mr. Dee. PY 23-24 AY 24-25

Calculation of Capital Income.

			₹
Full Value of Consideration (FVOC)			22,00,000
(–) Transfer expenses			—
	Net Consideration		22,00,000
(–) ICOA			
Cost of Asset i) FMV as on 01/04/01	2,70,000	65,000	
ii) SDV as on 01/04/01	2,90,000	(2,70,000)	
$2,70,000 \times \frac{348\ (23-24)}{100\ (01-02)}$			(9,39,600)
(–) ICOI			
Mr. Kay $2,35,000 \times \frac{348\ (23-24)}{137\ (08-09)}$			(5,96,934)
		LTCG	6,63,466

Note: 1) As per Section 51, Advance money forfeited by present owner (Assessee) before 01/04/2014 shall be reduced from cost of Acquisition.
In this case, Advance money forfeited by Mr. Kay (Previous owner shall not be reduced)

Q.18 (Page no. 86)

Mr. X PY 23-24 AY 24-25

Calculation of Capital Gains.

			₹
Full value of consideration (FVOC)			58,00,000
(–) Transfer expenses			–
	Net consideration		58,00,000
(–) ICOA			
Cost of Asset		5,25,000	
i) FMV as on 01/04/01		11,90,000	
ii) SDV as on 01/04/01	12,90,000	11,90,000	(11,90,000)
$\frac{11,90,000 - 40,000}{100} \times \frac{348\ (23-24)}{(01-02)}$			(40,02,000)
		LTCG.	17,98,000

Note: 1) Improvement done by Mr. X in March, 1997 shall be ignored because improvement done before 01/04/01 shall not be considered

TEST - HOUSE PROPERTY

Part A : MCQ

Q.1 90,000 × 70% = 63,000

(2) Option [b]

Q.2 [c] 2,00,000

(2)

Q.3 i) [b] Profits & gains of business & profession.

Zero (4)

Q.4 ii) [c] The annual value of both vacant residential & commercial units would be Nil for AY 2024-25. Hence, no income is chargeable for such units under the head "Income from house property" for AY 2024-25.

(2)

Q.4 [b] Two houses, at the option of Mr. Raghav, would be treated as self-occupied. The other house would be deemed to be let-out.

(2)

dered

Q.5.

(2)

		₹
↑	Municipal Value	1,00,000
	Fair Rent	1,20,000
↓	(whichever is high)	1,20,000
	Standard Rent	1,08,000
↑	Estimated Rent	1,08,000
	Actual Rent	80,000
	Gross Annual Value	1,08,000
(−)	Municipal taxes	20,000
	Net Annual Value	[88,000] [b]
(−)	Deductions	
	a) 30%	26,400
	b) Interest on loan	→ 61600 → IFHP

Q.6 [c] Incorrect, as Mr. Agrawal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Income from other sources.

(2)

Part B: Descriptive Question

Q.1. Mr. ~~Ram~~ Lakhan PY 23-24 AY 24-25.

Computation of Income from house property.

	SOP	LOP
↑ Municipal Value	-	36,000
Fair Rent	-	50,000
↓ (whichever is higher)	-	50,000
Standard Rent	-	-
↑ Estimated Rent	-	50,000
Actual Rent (Note 1)	-	90,000
Gross Annual Value	-	90,000
(-) Municipal taxes	-	(8,000)
Net Annual Value.	-	82,000
(-) Deductions		
a) Standard ded^{n} @30%	-	(24,600)
b) Interest on Loan. (Note 2)	(60,000)	(60,000)
	(60,000)	(2,600)
	(82600) → IFHP	

Note 1: Actual Rent = Rent Received + Receivable - Unrealised Rent
= 90,000.

Note 2: Interest on Loan. = 12 lakhs × 10% = 1,20,000.

	SOP	LOP
	60,000	60,000
Max. All.	30,000	~~2,00,00~~ -

Date
Page

Mr. Ram. PY 23-24 AY 24-25.

Computation of Income from House Property.

Net Annual Value	–
(–) Deductions	
a) Standard ded^{n} @ 30%	–
b) Interest on Loan (Note 3)	(2,00,000)
IFHP	(2,00,000)

Note 3: Interest on Loan.

20 Lakhs x 20% = 240,000.

Max. Allowed = 200,000

Pre-Constr Interest

Q.2. Mr. Ajanali PY 23-24 AY 24-25.

Computation of Income from house property

	SOP	LOP
↑ Municipal Value		– 1,00,00
fair Rent		– 80,00
↓ (whichever is higher)		– 1,00,0
Standard Rent		– 1,50,0
↑ Estimated Rent		– 1,00,00
Actual Rent (Note 1)		– 90,00
Gross Annual Value (GAV)		– 1,00,0
(–) Municipal taxes (60% paid by assessee) 1/2 hogi		– (12,00
Net Annual Value (NAV)		– 88,00
(–) Deductions		
a) Standard ded^{n} @ 30%		– (26,40
b) Interest on Loan.	(20,000)	(20,000
IFHP = 21,600	(20,000)	41,600.

Note 1: ~~Interest~~ Actual Rent = Rent received + Receivable - Unpaid Rent
= 90,000

Q.3 Mr. Abdul Hasan PY 23-24 AY 24-25

~~Option-I~~: ~~House I~~ & ~~House II~~ will be ~~treated as SOP & House III as DLOP~~.

Computation of Income from House property (1)

		SOP (H1+H2)	DLOP (H3)
↑ Municipal ~~Taxes~~ Value		–	1,50,000
Fair Rent		–	1,80,000
↓ (whichever is higher)		–	1,80,000
↓ Standard Rent		–	–
↑ Estimated Rent		–	1,80,000
Actual Rent	(10,000 × 10) + (15,000 × 2)	–	1,30,000
Gross Annual Value		–	1,80,000
(–) Municipal taxes		–	15,000
Net Annual value		–	1,65,000
(–) Deductions		–	
a) Standard ded^{n} @ 30%		–	(49,500)
b) Interest on Loan. (Note 1)			(4,40,000)
		IFHP →	(3,24,500)

180,000

21-22 4,00,000

22-23 4,80,000

23-24 3,60,000+80,000

Date
Page

(Note 1) – Interest on Loan.

~~Int~~ Pre-construction period interest.

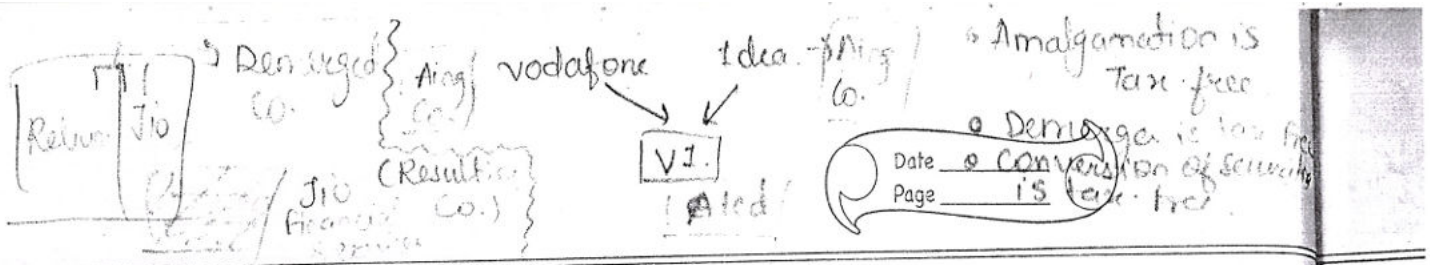
21-22	40,00,000 x 12% x 10/12.	4,00,000
22-23	40,00,000 x 12%	4,80,000
23-24	40,00,000 x 12% x 9/12.	3,60,000 + 80,000.

$\frac{4,00,000}{5} = 80,000.$

Income from house propert (II)

	₹
Net Annual value (NA)	Nil
f) Deductions	
a) Standard ded^n @ 30%	–
b) Interest on loan	–
	Nil

2,00,000



Section 47 (Special case No. 3) 80

.....tobe continued.

5) Capital Asset transfer by Amalgamating Company to Amalgamated Company in the scheme of Amalgamation and Amalgamated company is an Indian Company.

6) Shareholders transfer shares of Amalgamating Company and received shares of Amalgamated company is not treated as Transfer.

7) Capital Assets transferred by Demerged company to Resulting Company in the scheme of Demerger and the Resulting Company should be Indian Company

8) Conversion of Bonds / Debentures / Deposit Certificate into shares / debentures of that company

9) Conversion of Preference Shares into Equity Shares of that company 10)

Example Mr. Ravi purchased 1,000 preference shares of BB Ltd. @ ₹100 per share on 16/07/2002. During the PY 18-19, preference shares were converted into Equity shares and Ravi received 1500 equity shares of Face value of ₹1000. He sold all the equity shares on 10/12/2023 For ₹650 per share. Calculate Capital Gain. 11)

12)

Date _____
Page _____

Sol^n : a) Conversion of Preference Shares into equity shares is not treated as transfer. so in PY 18-19, Capital Gain is not applicable.

b) Computation of Capital Gain on sale of Equity shares.

	₹
FVOC	9,75,000
(-) Transfer exp.	—
Net Consideration	9,75,000
(-) ICOA	
Pref.	
(1000×100)	(3,31,429)
$1,00,000 \times \frac{348}{105} \frac{(23-24)}{(02-03)}$	
LTCG	6,43,571

8 years)

10) Redemption of Sovereign ~~Bonds~~ Gold Bonds issued by RBI in case of Individual Assessee.

11) Transfer of Capital Asset under Reverse Mortgage scheme ~~by~~ of Senior Citizen

Note: Any money received by senior citizen under Reverse Mortgage Scheme is fully exempt u/s 10(43).

12) Transfer of Rupee Denominated Bonds or Government security by one Non-Resident to another non-resident outside India.

Right shares ka right transfer kina is taxable under Capital Gain.

Date _____
Page _____

SPECIAL CASE NO. 4.

Capital Gain in case of Shares and Debentures.

a) Bonus Shares.

- IF Bonus Shares acquired before 01/04/2001
  - COA : Nil
  - FMV as on 01/04/01 XXX
  - COA XXX
- IF Bonus Shares Acquired on or after 01/04/2001
  - COA : Nil
  - POH : from the ~~table~~ date of Allotment till the date of transfer.

b) Right Shares

- Acquired by Shareholder
  - COA : Amt. paid ~~by~~ to Company
  - POH : from the date of Allotment till date of transfer.
- Renouncement of Right (Relinquishment)
  - FVOC : ~~Renouncement~~ Renouncement Price
  - (-) COA Nil
  - STCG XXX
  - POH : Offer date to renouncement date.

* **In hands of Purchaser of Right**

COA = Amt. paid to company + Amt. paid for purchase of Right
POH = from the date of Allotment till date of Transfer.

c) NO(Indexation) Index in case of Debentures and Bonds :

Index Benefit **not** available in case of Debentures and Bonds.

Except: Capital Index Bonds & SGB issued by RBI.

SGB Issued by RBI.

a) Individual → Redemption on Maturity (8 years) → NO Capital Gain due to Sec. 47

→ Transfer before Maturity → Capital Gain (Apply)
(Index Benefit Available)

b) Other Assessee → Capital Gain applicable on transfer on maturity & Index Benefit available.

Q. 9 (Page no. 83)

Ms. Usha PY 23-24 AY 24-25.

Computation of Capital Gain.

	1000 original shares PY 95-96	100 Bonus shares PY 2000-01	1100 Bonus shares PY 05-06
Full value of Consideration (200 per share)	2,00,000	20,000	2,20,000
(-) Brokerage. (2%)	(4,000)	(400)	(4,400)
Net consideration	196,000	19,600	2,15,600
(-) ICOA	(2,78,400)		
a) 1000 Org. Shares (95-96)			
↑ Cost 30,300			
FMV 01/04/01 80,000 × 348 (23-24) / 100 (01-02)			
b) 100 Bonus shares (2000-01)			
↑ Cost Nil			
FMV 01/04/01 8000 × 348 / 100.		(27,840)	
c) 1100 Bonus Shares			Nil
	(82,400)	(8,240)	2,15,600
LTCG -		124960	

Q.10 (Page no. 84)

Mr. R PY 23-24 AY 24-25.

Computation of Capital Gain.

	1000 Original Shares	200 Right Shares	200 Rights
FVOC	3,00,000 (300 x 1000)	60,000 (300x200)	6,000 (30x200)
(-) Transfer expenses	—	—	—
Net Consideration	3,00,000	60000	6,000
(-) COA/ICOA			
i) 1000 Org. Shares $75,000 \times \frac{348\ (23\text{-}24)}{100\ (01\text{-}02)}$	(2,61,000)		
ii) 200 Right Shares (200 x 160)		(32,000)	—
	39,000 LTCG.	28,000 STCG	6,000 STCG.

Mr. Q PY 23-24 AY 24-25.

Computation of Capital Gain	₹
FVOC (200x280)	56,000
(-) COA [200 x (160+30)]	(38,000)
STCG-	18,000

Q.11 (Page no. 84)

Any Capital Asset is transferred by HUF to member on partition is not treated as transfer and Capital Gain is not applicable in PY 06-07.

Computation of Capital Gain on sale of Plot by Mr. A.

	PY 23-24 AY 24-25
	₹
FVOC	15,00,000
(-) Transfer expenses	(20,000)
	14,80,000.
(-) ICOA (Cost of HUF)	
$1,20,000 \times \frac{348\ (23\text{-}24)}{105\ (02\text{-}03)}$	(3,97,714)
(-) ICOI	
$2,35,000 \times \frac{348\ (23\text{-}24)}{129\ (07\text{-}08)}$	(6,33,953)
LTCG -	4,48,333

Q.12 · i) Since when a asset is gifted, it is not considered as transfer and so no Capital Gain. So Capital gains tax liability does not arise in this situation.

ii) HUF partition is not considered as transfer of capital asset. So capital Gain tax liability does not arise in this situation.

iii) Conversion of shares and debentures is not considered as tranefer of Capital asset. So Capital Gain tax liability does not arise in this situation.

Q. 13. Transfer of Asset under a notified reverse mortgage scheme by a senior citizen is not considered as transfer for the purpose of Capital Gain.

Any money received by senior citizen under reverse mortgage scheme is fully ~~exempt~~ exempt u/s 10(43)
So, transfer of house by Mr. Abhishek and the gain from it will not be taxable under Capital Gain.

Q.14 i) False.

Transfer of asset in reverse mortgage scheme made & notified by CG is not treated as transfer for purpose of Capital Gains.

ii) True

Period of Holding of zero Coupon Bonds is 1 year. If they are held for more than one year it is treated as long-term capital asset.

iii) True

Zero Coupon Bonds means a bond on which no payment & benefits are received or receivable before maturity or redemption.

Depreciable asset mai COA hamesha WDV ke

Date
Page

Q.8 (Page no. 83)

→ As per section 45(1A), if any asset is destroyed due to fire and Assessee received insurance claim, then it is treated as transfer and Capital Gain is applicable in the year in which insurance claim is received.

PY 23-24 AY 24-25.

Computation of Capital Gain

	₹
FVOC (Insurance claim)	6,00,000
(-) Transfer expenses	-
Net Consideration	6,00,000
(-) COA (WDV)	(2,08,800)
STCG	3,91,200

Lumpsum = Slump.

Date
Page

SPECIAL CASE NO.5.

Sec 50B : Slump Sale

→ Slump Sale means transfer of undertaking, unit, business for lumpsum consideration without assigning value of individual asset and liabilities.

Computation of Capital Gain

	₹
FVOC ₹	FMV as per Rule 11UAE (given)
(-) Transfer expenses.	xx
Net Consideration.	xx
(-) COA (Networth) (Note 1) (Index not)	xx
ST/LTCG	xx

Note 1 : Networth

Assets	₹
Depreciable Assets	WDV as per IT Act.
Other Asset	Book Value.
	xx
(-) Liabilities	Book Value
Net worth.	xx

FMV as per Rule 11UAE : ↑ FMV 1 : FMV of Unit Transferred
FMV 2 : FMV of consideration received.
(whichever is Higher)

Note: No indexation

1) Revaluation of Asset shall be ignored.
2) If undertaking held for more than 3 years - LTCG.
3) If undertaking held for 3 years or less - STCG
4) For Networth calculation, value of self-generated goodwill shall be taken as Nil.
5) for Networth Calculation, value OF Asset on which Deduction U/S 35AD claimed is taken as Nil.
6) No Profit under PGBP shall arise if stock is transffered under Slump Sale.

Q.15 (Page no. 85)

Mr. A

Computation of Capital Gain.

Particulars	₹
FVOC (FMV as on Rule 11UAE)	30,00,000
(-) Transfer expenses.	(28,000)
Net Consideration	29,72,000
(-) COA (Networth) (Note no. 1)	(12,50,625)
LTCG	17,21,375

** Agar Networth negative
aa jaye to take (CA as NIL

Date
Page

Note No.1 : Networth Calculation

Assets	₹
i) Building (12,00,000 - 3,00,000) Revaluation Reserve	9,00,000
ii) Machinery	3,00,000
iii) Debtors.	1,00,000
iv) Other Assets (exclude Patents)	1,00,000
v) Patent (WDV as per IT Act) (Note 2)	28,125
(-) Liabilities.	
Bank Loan. (2,00,000 x 70%)	(1,40,000)
Creditors (1,50,000 x 25%)	(37,500)
Net Worth.	12,50,625

Note NO. 2 : Patent

	₹
Cost	50,000
(-) Depreciation. @25% (PY 21-22)	(12,500)
WDV.	37,500
(-) Depreciation @ 25%. (PY 22-23)	9,375
WDV	28,125.

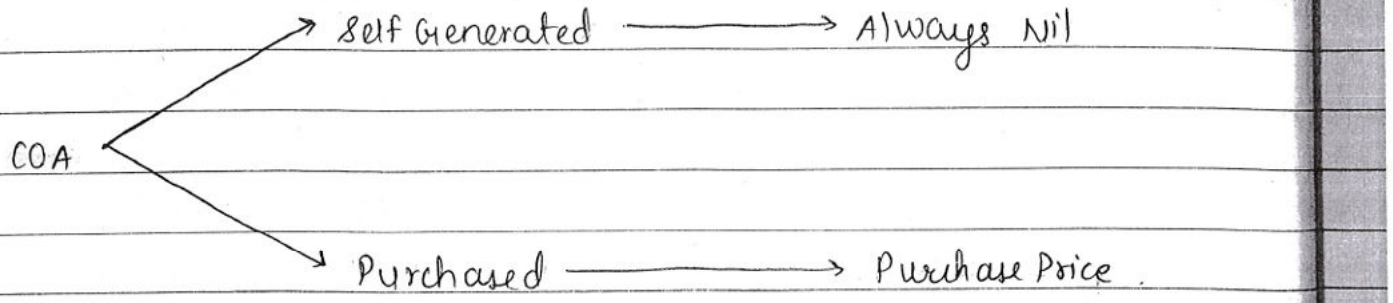
Date
Page

SPECIAL CASE NO.6

Sec 55: Capital Gain in case of Intangible Asset

→ In Case of:

a) Goodwill of Business or Profession or other Intangible Asset.
b) Trademark or Brand Name
c) Right or Copyright.
d) Right to Carry on any business or profession
e) Tenancy Right, Loom hours, Route permits or any other right.



Note: In Above Cases

1) FMV as on 01/04/2001 benefit **NOT AVAILABLE**
2) Index Benefit Available in case of Purchased Intangible Asset

* In Case of Goodwill of Bunisess, Patent, Copyright, Right to Carry on any business or profession, any other intangible asset, **Cost of Improvement (COI) is always treated as NIL.**

Date
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SPECIAL CASE NO. 7

Sec 50CA: Capital Gain in Case of Unquoted Shares.
(Unlisted)

In Case of Transfer of Unlisted Shares, if Sale value is less than fair Market Value (FMV), then such FMV is treated as full value of consideration (FVOC).

Example: Mr. BB acquired 10,000 shares of BB Pvt. Ltd. on 02/07/2003. For ₹ 5 lakhs. On 10th December, 2023 he transfered all the shares to Unacademy For ₹ 200 per share. FMV of shares on the date of transfer is ₹ 500 per share. Calculate Capital Gain.

PY 23-24 AY 24-25.

Computation of Capital Gain.

		₹
FVOC [50A] [500 x 10,000]		50,00,000
(–) ICOA		
5,00,000 x 348 (23-24) / 109 (03-04)		(15,96,330)
	LTCG.	34,03,670

Date
Page

SPECIAL CASE NO. 8

Sec 50 D : Capital Gain if Consideration Not Determinable.

FVOC : FMV OF Asset transferred. (FMV OF JO Asset ja rhi hai)

SPECIAL CASE NO. 9. [Not so relevant for Exam.]

1st Proviso to Sec 48 : Capital Gain in Case of Shares and Debentures transferred by Non-Resident.

If following conditions are satisfied, then we have to calculate Capital Gain in foreign currency and after that reconvert into Indian Currency. :

1) Assessee should be Non-Resident
2) Asset should be Shares & Debentures OF Indian Companies
3) Such Asset is acquired in foreign Currency.

Computation of Capital Gain.	$	
FVCC (Avg. Rate on date of transfer)	XXX	Avg. Rate = TTBR + TTSR / 2
(-) (Avg. Rate on date of transfer) Transfer exp.	(XX)	
Net Consideration	XXX	
(-) COA (Avg. rate on date of Acquisition) [Index not allowed]	(XX)	
ST/LTCG	XXX	

↓

Convert into Indian ₹ by applying TTBR on date of Transfer.

TTBR = Telegraphic Transfer Buying Rate

TTSR = Telegraphic Transfer selling Rate.

TTSR > TTBR

Date
Page

Example : Sunny is a Non-Resident, acquired shares of BB Ltd. (Indian Company) for ₹75,000 on 16/07/2017 in US Dollar. She transferred all the shares on 10/12/2023 for ₹5,00,000. Transfer expense is ₹20,000. Compute Capital Gain.

Date	TTBR (SBI)	TTSR (SBI)
16/07/17	50	52
10/12/23	~~60~~ 63	65

Ms. Sunny — PY 23-24 AY 24-25.

Computation of Capital Gain — ₹

FVOC $\left(\frac{5,00,000}{64}\right)$ → $\frac{63+65}{2}$ — 7812.5

(-) Transfer expenses. $\left(\frac{20,000}{64}\right)$ — (312.5)

Net consideration. — 7500

(-) COA $\left(\frac{75,000}{51}\right)$ → $\frac{50+52}{2}$ — (1,470.59)

LTCG in foreign Currency — 6029.41

R

LTCG in Indian ₹ (6029.41 × 63) = 3,79,853.

EXEMPTIONS.

Date
Page

Section 54 : Exemption For Residential House Property.

a) Eligible Assessee : Individual / HUF

b) Asset transferred : Residential House Property.

c) Capital Gain on transferred Asset. - LTCG

d) Asset to be acquired : One Residential House Property in India

↓

Amendment by finance Act 2019.

→ If LTCG is upto ₹ 2 crore, then Assessee can acquire 2 Residential Property in prescribed time limit.

This Benefit of two house property only ONCE IN THE LIFETIME.

e) Time Limit : New house property should be purchased within one year before the date of transfer. or purchase within 2 years after the date of transfer or constructed within 3 years after the date of transfer. [-1, +2, +3]

f) Capital Gain Account Scheme (CGAS) : Assessee should acquire house property or deposit desired amount in Capital Gain account upto due date of Return Filling.

→ Deposited amount should be utilised for the purpose of house property. If deposited amount is misutilised or utilised, then exemption claim earlier shall be withdrawn.

g) Amount of Exemption :

i) Capital Gain	XX
ii) Cost of New Asset (CNA) / Deposit Amt	XX

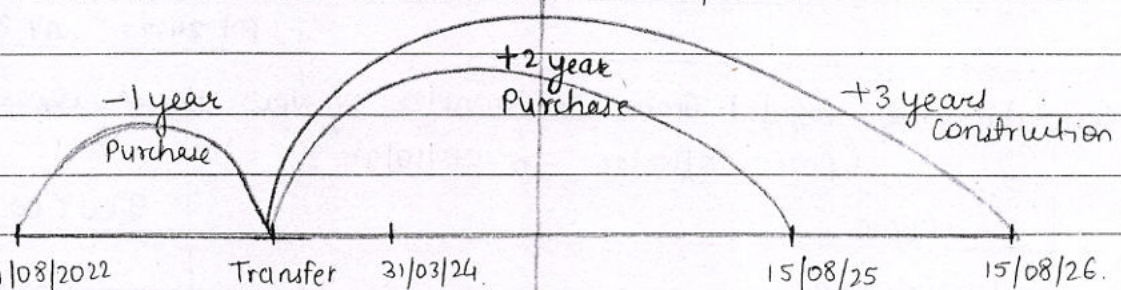
Whichever is lower

Note : Amendment by finance Act, 2023.

→ If cost of New Asset exceed Rs. 10 crore, then amount exceeding Rs. 10 crore shall not be taken into account for the purpose of exemption.
It means under this section, maximum exemption is allowed of ₹ 10 crore.

h) Lock-in Period : New House property should not be transferred within 3 years from the date of its acquisition. If it is transfered within 3 years then exemption claimed earlier shall be withdrawn and it shall be reduced from cost of Acquisition of new house property.

COA = Cost of Acquisition − Exemption claimed earlier.



Acquired OR CGAS	RDI Due Date
	31/07/2024

Q.19 (Page no. 86)

Mr. Ravi — PY 23-24 AY 24-25.

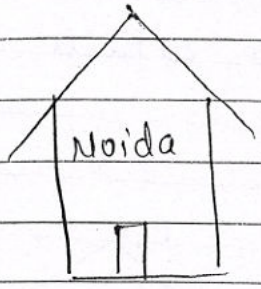
Computation of Capital Gain		₹
Full value of consideration		27,00,000
(–) Transfer expenses		(15,000)
Net Consideration		26,85,000
(–) ICOA		
i) Cost of Asset.	80,000	
ii) a) FMV as on 01/04/01	2,00,000	
b) SDV as on 01/04/01	1,90,000	1,90,000
1,90,000 × 348 (23-24) / 100 (01-02)		(6,61,200)
Gross LTCG.		20,23,800
Less: Exemption U/S 54		
i) Capital Gain	20,23,800	
↓ ii) Cost of New Asset	5,00,000	(5,00,000)
LTCG.		15,23,800

PY 24-25 AY 25-26

Computation of Capital Gain on Transfer of New House Property (POH 15/03/24 to 20/10/24)

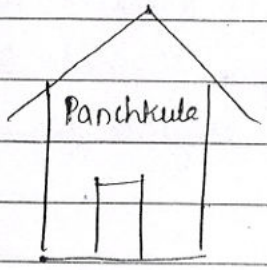
	₹
FVOC	9,00,000.
(–) Trf. exp.	–
Net Consideration	9,00,000
(–) COA	
[Cost b – Exemption claimed earlier] [5,00,000 – 500000]	Nil
STCG	9,00,000

Q.20 (Page no. ~~86~~)



Sale
07/01/2021
(PY 20-21)
SP: 1,57,00,000

PY 10-11
Cost: 30,00,000.



Acquired
20/07/2021
Cost: 2,05,00,000

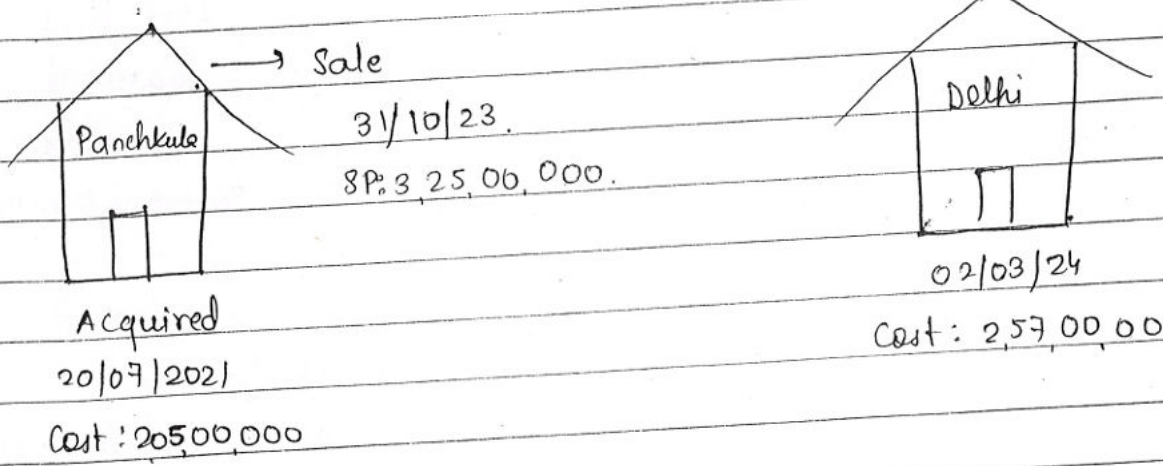
PY 20-21 AY 21-22.

Computation of Capital Gain on Sale of Noida House.
(POH 09/09/10 till 06/01/21)

	₹
FVOC	1,57,00,000
(–) Transfer exp.	—
Net Consideration	1,57,00,000
(–) ICOA	
$30,00,000 \times \frac{301\ (2021)}{167\ (10-11)}$	(54,07,186)
LTCG.	1,02,92,814.
Less: Exemption u/s 54 (Note-1)	
i) Capital Gain 1,02,92,814	
ii) Cost of New Asset (Panchkula) 2,05,00,000	(1,02,92,814)
LTCG	Nil

Note-1 :

Since assessee acquired house property in Panchkula within 2 years from the date of transfer of property at Noida, so he is eligible for exemption u/s 54.



PY 23-24 AY 24-25.

Computation of Capital Gain on sale of Panchkula house property [PDH 20/07/21 till 30/10/23].

FVOC	3,25,00,000
(-) Trf. exp.	-
Net Consideration	3,25,00,000
(-) ICOA (Note 2). [Cost - exemption claimed earlier] [20500000 - 10292814]	
10207186 × 348 (23-24) / 317 (21-22)	(1,12,05,365)
Gross LTCG.	2,12,94,365
Less : Exemption u/s 54 for pur. of Delhi HP. (Note 3)	
i) Capital Gain 2,12,94,365	
ii) Cost of New Asset 2,57,00,000	2,12,94,365
	X

Note 2:

As per section 54, Assessee can not transfer new ₹ House property within the period of three years from the period of ~~its acquisi~~ date of its acquisition.

If it is transferred within 3 years, then exemption claimed earlier shall be reduced from Cost of New House Property while calculating Capital Gain.

In the present case, Assessee transferred Panchkula house within 3 years from the date of its acquisition, so exemption claimed earlier shall be reduced from Cost of Acquisition.

Note 3: There is LTCG on transfer of Panchkula ~~transfer~~ property & Assessee purchased Delhi Property within 2 years from the date of transfer so he can claim exemption U/S 54.

Q. 27 (Page no. 88) Mr. Lee PY 23-24 AY 24-25

Computation of Capital Gain ₹

full Value of Consideration	20,00,000
(-) Trf. exp.	-
Net Consideration	20,00,000
(-) ₹ COA	10,00,000
(-) COI	2,00,000
STCG.	8,00,000

Exemption U/S 54 not available as Capital Gain is Short term.

	LTCG on Trf. on Old House	Cost of Acquisition of New House	Exemption.	Taxable LTCG
1)	7 Cr	8 Cr.	7 Cr.	—
2)	12 Cr	9 Cr.	9 Cr.	3 Cr.
3)	12 Cr.	11 Cr.	10 Cr.	2 Cr.
4)	12 Cr.	15 Cr.	10 Cr.	2 Cr.
5)	9 Cr.	12 Cr.	9 Cr.	—

SECTION 54 B : Exemption for Urban Agriculture Land

a) Eligible Assessee : Individual / HUF.

b) Transfered Asset : Urban Agriculture Land which was used by Assessee or his parents for agriculture purpose for 2 years before the date of transfer.

c) Capital Gain on transfered Asset : STCG / LTCG.

d) Asset to be aquired : Urban / Rural Agricultural land.

e) Time Limit : New Agriculture land should be aquired within 2 years after the date of transfer. (+2)

f) Capital Gain Account Scheme :
g) Amount of Exemption :
h) Lock-in Period :
} SAME AS SEC 54.

No limit on no. of agri. land purchased.
Date
Page
& no limit of ₹10 Cr.

Note:

1) If Assessee acquired new asset as Rural Agricultural land & if he transfered that new asset within the period of 3 years, then also exemption claimed earlier shall not be withdrawn because Rural Agricultural Land is not a Capital Asset.

Q.21 (Page no. 87)

Mr. Suman — PY 23-24 AY 24-25.

Computation of Capital Gain.

	₹
Full Value of Consideration	22,00,000
(-) Transfer expenses	(50,000)
Net Consideration.	21,50,000
(-) ICOA.	
2,00,000 × 348 (23-24) / 117 (05-06)	(5,94,872)
Gross LTCG.	15,55,128.
less: Exemption u/s 54 B	
i) Capital Gain 15,55,128	
ii) Cost of New Asset/Deposit Amt. 12,00,000. (8,00,000 + 4,00,000)	(12,00,000)
LTCG	3,55,128

Date
Page

SECTION 54 D : Exemption for Compulsory Acquisition of Industrial Land & Building.

a) Eligible Assessee : All Assessee.

b) Transferred Asset : Compulsory Acquisition of Industrial Land & Building which was used by Assessee for industrial purpose for 2 years, before the date of transfer.

c) CG on transferred Asset : STCG / LTCG

d) Asset to be acquired : Industrial Land & Building.

e) Time limit : New Industrial land & building should be purchased or construted within 3 years after the date of receipt of ~~acqui~~ compensation.

f) CGAS
g) Amt of Exemption
h) Lock-in Period

} SAME AS SECTION 54.

Q.22 (Page no. 87)

PQR Ltd. PY 23-24 AY 24-25

Computation of Capital Gain

	₹
Full value of consideration	14,00,000
(-) Trf. expenses.	-
Net Consideration.	14,00,000.
(-) ICOA.	
3,50,000 × 348 (23-24) / 113 (04-05)	(10,77,876)
Gross LTCG	3,22,124
(-) Exemption U/s 54D.	
i) Capital Gain 3,22,124	
ii) Cost of New Asset 2,00,000	(2,00,000)
Net LTCG.	1,22,124

SECTION 54EC : Exemption for Immovable Property.

a) Eligible Assessee : All Assessee.
b) Transferred Asset : Immovable Property [Land / Building / Land & Building]
c) CG on transferred Asset : LTCG
d) Asset to be acquired : NHAI / RECL / PFCL / IRFCL Bonds.
NHAI : National Highway Authority of India
RECL : Rural Electrification Corporation Ltd.
PFCL : Power finance Corporation Ltd.
IRFCL : India Railway finance corporation Ltd.
e) Time Limit : Bonds should be acquired within 6 months after the date of transfer (+6 months)

CGAS applicable when time is more but here it is just 6 month.

f) CGAS: Not Applicable

g) Amt. of exemption:

- i) Capital Gain XX
- ii) Cost of Bonds XX

Note: Assessee can claim maximum exemption of **₹ 50 Lakhs** for Bonds acquired within 6 months.

h) Lock-in Period: Assessee cannot transfer bonds or convert it into money within 5 years from the date of its acquisition. If it is transferred/converted into money within the period of 5 years, then exemption claimed earlier shall be withdrawn and it is treated as LTCG in the year in which it is transferred or converted into money

Note: Converted into money means Loan or Advances taken on securities of Bonds

Note: Under this section, time limit of 6 months, calculated from date of transfer but as per CBDT, in case of conversion of capital asset into stock in trade, time limit is calculated from the date on which the stock is sold.

Q.25. (Page no 87) Mr. Rahul PY 23-24 AY 24-25.

Computation of Capital Gain

	₹
full Value of Consideration	1,00,00,000
(–) Transfer expenses	–
Net consideration	1,00,00,000
(–) ICOA	
9,99,300 × 348 (23-24) / 113 (04-05)	30,77,490
Gross LTCG	69,22,510
(–) Exemption u/s 54EC	
i) LTCG 69,22,510	
ii) Cost of Bonds. 70,00,000.	
(Maximum exemption under this section can be claimed is ₹50,00,000)	(50,00,000)
Net LTCG.	19,22,510

Q.24 (Page no. 87) Mr. Selvan PY 23-24 AY 24-25

Computation of Capital Gain

	₹
Full Value of Consideration	
~~(1) Transf~~ i) SP 7500000	75,00000
ii) SDV 8000000	
(Since SDV is not more than 110% of consideration, so SP is treated as FVOC)	
(–) Transfer expenses	–
Net consideration	75,00,000.
(–) ICOA	
10,00,000 × 348 (23-24) / 100 (01-02)	(34,80,000)
(–) ICOI	
2,00,000 × 348 (23-24) / 117 (05-06)	(5,94,872)
Gross LTCG.	34,25,128
(–) Exemption u/s 54.	
i) Capital Grain 34,25,128	
ii) Cost of Assel 25,00,000	(25,00,000)
Net LTCG.	9,25,128

Note: Since bonds of NHAI acquired after 6 months from date of transfer so exemption u/s 54EC is Not Available.

PY 24-25 AY 25-26

Computation of Capital Gain on ₹

New HP (POH Jan 2024 to Mar. 25)	₹
Full Value of Consideration	40,00,000
(-) Transfer expenses	—
Net Consideration	40,00,000
(-) COA (CNA - Exemption claimed earlier) (25,00,000 - 25,00,000)	Nil
STCG.	40,00,000

Date
Page

Section 54 F : Exemption for Any LTCA

a) Eligible Assessee : Individual / HUF.

b) Transferred Asset : Any LTCA (except Residential House Property)

c) Capital Gain on transferred Asset : LTCG.

d) Asset to be acquired : One Residential House property in India.

e) Time Limit : Same as Section 54 (-1, +2, +3)

f) CGAS : Same as Section 54

g) Amount of Exemption :

i) If Net Consideration is fully utilised, then Capital Gain is fully exempt.

ii) If Net Consideration is partly utilised, then Capital Gain is partly exempted as per following formula :-

$$\text{LTCG} \times \frac{\text{Cost of New Asset / Deposit Amt.}}{\text{Net Consideration}}$$

Note: If Cost of New Asset exceeds ₹10 crores, then the amount exceeding ₹10 crores shall not be taken into account for the purposes of exemption. [Added by FA 2023]

h) Lock-in Period : Assessee should not transfer New House Property within 3 years from the date of its acquisition. If it is transfered within 3 years, then exemption ~~claim ear~~ claimed

earlier shall be withdrawn and treated as LTCG in the year in ~~with~~ which new House property transferred.

ADDITIONAL CONDITION.

1) On the date OF transFer OF any LTCA, Assesse should not own more than 1 Residential House (other than acquired under this section)

2) Assessee should not purchase within 2 years or construct within 3 years any other house property.

EXEMPTION

Date
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Section Number	Assessee	Asset Transferred	Capital Gain on Transferred Asset
Section 54	Individual / HUF	Residential House Property	Long term
Section 54B	Individual / HUF	Urban Agricultural Land (Used 2 years for Agri. purpose)	Short term / Long term.
Section 54D	All	Individual L&B ~~Boil~~ Compulsory Acquisition.	Short term / Long term
Section 54EC	All	Immovable Property	Long term
Section 54F	Individual / HUF	Any long term Capital Asset	Long term

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Page

Asset to be acquired	Time Limit	CGAS	Amount of Exemption	Lock-in Period
1 Residential House Property (2RHP if LTCG upto 2Cr)	-1, +2, +3	Yes	i) CG xx ii) CNA/Deposit xx Amt. Max. 10 Cr. (Only 54)	3 Years (Reduced Cost)
Urban/Rural Agricultural Land	+2	Yes	11-11	11-11
Industrial Land & Building	+3	Yes	11-11	11-11
NHAI/RECL/ PFCL/IRFCL Bonds	+6 months	NO	11-11 (Max 50 lakhs)	5 Years.
1 Residential House Property in India	-1, +2, +3	Yes	LTCG × CNA/Deposit / Net Consideration	3 years (full Cost)

D 32 (Page no. 92) Mr. Sarthak PY-23-24 AY24-25 10

Computation of Capital Gains

	₹
Full Value of Consideration	1,70,00,000
(-) Transfer expenses	—
Net Consideration	1,70,00,000
(-) ICOA	
30,00,000 × 348 (23-24) / 100 (01-02)	(1,04,40,000)
Gross LTCG.	65,60,000
(-) Exemption u/s 54.	
i) Capital Gain 65,60,000	
ii) Cost of Asset 55,00,000 (20,00,000 + 35,00,000)	(55,00,000)
Net LTCG.	10,60,000

Q.33 (Page no. 93) Mrs. Yuvika. PY-23-24 AY 24-25.

Computation of Capital Gain

	₹
Full value of Consideration	8,10,00,000
(-) Transfer expenses.	(81,00,000)
Net Consideration.	8,01,90,000
(-) ICOA	
88,00,000 (80,00,000 + 10%) × 348 (2023-24) / 113 (04-05)	(2,71,00,885)
(-) ICOI	
1,00,00,000 × 348 (2023-24) / 122 (06-07)	(2,85,24,590)
~~(-) Advance money forfeited~~	~~(20,00,000)~~
Gross LTCG.	2,45,64,525
(-) Exemptions u/s 54	
i) Capital Gain 2,45,64,525	
ii) Cost of Asset 1,30,00,000 ~~(130L + 50L)~~	(1,30,00,000)
(-) Exemption u/s 54EC.	
i) Capital Gain 2,45,64,525	
ii) Cost of Bonds 90,00,000 (Max. limit 50,00,000)	(50,00,000)
Net LTCG	65,64,525

Q.34 (Page no. 96) Mr. Shiva PY 23-24 AY 24-25.

Computation of Capital Gain

	₹
Full Value of Consideration	39,00,000
(-) Transfer expenses	(30,500)
Net Consideration	38,69,500
(-) ICOA	
i) Cost of asset	3,59,000.
ii) a) FMV as on 01/04/2001	11,85,000
b) SDV as on 01/04/2001	10,70,000
~~10,70,000 × 348 (23-24) / 100 (01-02)~~	~~(37,23,600)~~
(10,70,000 − 1,11,000)	
9,59,000 × 348 (23-24) / 100 (01-02)	(33,37,320)
(-) ICOI	
3,90,000 × 348 (23-24) / 240 (14-15)	(5,65,500)
LTCL.	33,320

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Q.23 (Page no.87)

Mr. D PY 23-24 AY 24-25.

Computation of Capital Gain.

	₹
FVOC	11,50,000
(-) Transfer expenses	(7,000)
Net Consideration	11,43,000
(-) ICOA	
$2,52,000 \times \frac{348\ (23\text{-}24)}{113\ (04\text{-}05)}$	(7,76,070)
Gross LTCG	3,66,930
(-) Exemption U/S 54 F	
~~Cost of New Asset~~	
~~LTCG~~ *	
$LTCG \times \frac{\text{Cost of New Asset}}{\text{Net Consideration}}$	
$366,930 \times \frac{5,00,000}{11,43,000}$	(1,60,512)
Net LTCG.	2,06,418.

Extra Question

Mr. BB purchased gold in PY 12-13 for ₹8 crore. On 16/03/24 he sold such gold for ₹40.05 crores. Transfer expenses is ₹0.05 crore. On 28/06/24 he has purchased a residential house property in Mumbai for ₹28 crores. He does not own more that 1 HP on the date of transfer of Gold. On 30/03/26 he has transferred Mumbai HP for ₹34 crores. Discuss Tax treatment.

Mr. BB. PY 23-24 AY 24-25.

Computation of Capital Gain

	₹.
FVOC	40.05
(-) Transfer expenses.	(0.05)
Net Consideration	40.00
(-) ICOA	
$8 \times \frac{348\ (23\text{-}24)}{200\ (12\text{-}13)}$	(13.92)
Gross LTCG.	26.08
(-) Exemption u/s 54 F.	
$LTCG \times \frac{CNA/10\ Cr.}{NC}$	
$26.08 \times \frac{10}{40.}$	(6.52)
Net LTCG.	19.56.

Computation of Capital Gain on transfer of Mumbai HP.

	₹
FVOC	34
(-) Transfer expenses	-
Net consideration	34
(-) CoA	28
STCG	6
Deemed LTCG as Mumbai property is transferred within 3 years of acquisition	6.52.

Section 10(37): Exemption for Capital Gain on Urban Agricultural Land.

STCG / LTCG on Compulsory Acquisition of Urban Agriculture Land shall be exempt if following conditions are satisfied.

i) Assessee should be Individual / HUF.

ii) Such Agricultural land used by Assessee or his parents for agricultural purpose for 2 years before the date of transfer.

iii) Consideration is determined by RBI / CG.

Q. 26 (Page no. 88)

i) As per Section 10(37), Capital Gain is not applicable.

ii) If Agricultural land is sold them then ~~set~~ exemption u/s 10(37) is not available. If Assesse purchases any agricultural land within the period of two years, after the date of transfer, then he can claim exemption u/s 54B.

iii) Since, Kumar had not used that land for agricultural purpose, then Capital Gain is applicable.

	PY 23-24	AY 24-25.
Computation of Capital Gain	₹	
FVOC	12,00,000	
(-) ICOA		
$6,00,000 \times \frac{264\ (16\text{-}17)}{105\ (02\text{-}03)}$	(15,08,571)	
LTCL.	3,08,571	

Transfer = Sale.

iv) Exemption u/s 10(37) allowed only to individual and HUF and not to company.

TAX RATE UNDER CAPITAL GAIN.

Sec 112 A :-

LTCG on transfer of 1) Equity Shares
2) Equity Oriented units (Mutual Funds)
3) Units of Business Trust

in excess of ₹ 1 lakh shall be taxable @ 10%. if following conditions are satisfied :-

1) STT (Security Transaction Tax) paid on Acquisition & Transfer of Equity Shares.
2) STT paid on Transfer of Equity oriented units & units of Business Trust.

① Example: Total Income of Mr. Hari is ₹7,10,000 & it includes LTCG 112A is ₹2,10,000 & PGBP is ₹5,00,000. Calculate tax liability (IGNORE 115BAC)

Calculation of Total Income.	₹
PGBP	5,00,000
(+) LTCG (112A)	2,10,000
GTI/NTI.	7,10,000

Date
Page

Calculation of Tax Liability

		₹
i) Tax on LTCG u/s 112 @ 10% in excess of 1,00,000 (110,000 x 10%)		11,000
ii) Tax on Balance Income (7,10,000 - 2,50,000)		
Upto 2,50,000.	—	—
> 2,50,000 upto 5,00,000	5%	12,500
		23,500
Add: HEC @ 4%		940
		24,440

Note: Rebate u/s 87A Not Available against tax on LTCG 112A

Example 2: From following information, calculate tax liability of Mr. Hari (Ignore 115BAC)

LTCG 112A	1,50,000
PGBP	2,00,000
IFOS	1,40,000
GTI / NTI	4,90,000

Calculation of Tax Liability

		₹
i) LTCG u/s 112A in excess of ₹ 1,00,000 (50,000 x 10%)		5,000
ii) Tax on Balance income (4,90,000 - 1,50,000) : 3,40,000		
Upto 2,50,000	—	—
> 2,50,000 upto 3,40,000	5%	4,500
		9,500
(-) Rebate u/s 87A		
i) Tax Amt.	4,500	
ii) 12,500	12,500	(4,500)
		5,000
+ HEC @ 4%		200
Net tax payable		5200

112 A mai LTCL
bhi aasakta.

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IMP NOTE:

Index Benefit not available in case of Sec 112A.

Section 55: Cost of Acquisition

If section 112A apply & Asset acquired before 01/02/2018. then cost of Acquisition shall be:- higher of Step 1 & Step 2

Step 1: i) Cost of Acquisition. XXX

Step 2: ii) Lower of

a) FMV as on 31/01/2018 XX

b) Sale Value (FMV) XX

COA XXX

XXX

Calculation of FMV as on 31/01/2018.

1) In case of Listed shares and units on 31/01/2018.

FMV = Highest price quoted on 31/01/2018 in stock exchange.

Note: If there is no trading on 31/01/2018, then highest price of the date immediately before 31/01/2018 when such shares &/units were traded.

2) In case of shares and units not Listed on 31/01/2018.

In Case of unit

FMV: NAV on 31/01/2018.
(Net Asset Value)

In case of Shares

FMV: COA × Index of PY 17-18 (272)
Index of the year of acquisition

Equity Shares listed hone chahiy at the time of sale for 112A & units (2) can ~~be listed or~~ unlisted.

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Section 111A : STCG in Case of Certain Assets.

In case of STCG, on transfer of equity shares or equity oriented units or units of business trust shall be taxable @ 15% if STT paid on sale.

COMMON NOTES FOR 112A & 111A

1) STT not allowed under the head Capital Gains it means if STT paid at the time of sale, then it is not treated as transfer expenses. and if it is paid at the time of purchase, then it is not included in Cost of Acquisition.

2) If Sale transaction took place in the recognised stock exchange located in IFSC [International financial service centre] and consideration received in foreign currency, then benefit of Sec. 112A and 111A is available even if STT is not paid. [STT not applicable in stock Exchange in IFSC]

Q.29 (Page no. 90) Mr. Mithun PY 23-24 AY 24-25.

Computation of Capital Gain.

	100 Original Shares (01/04/06)	100 Bonus Shares (01/12/21)
FVOC (4000 per share)	4,00,000	4,00,000
(-) Trf. expenses 1%.	(4,000)	(4,000)
	3,96,000	3,96,000
(-) COA		
Step 1: Cost	1,00,000	Nil
Step 2: a) FMV 31/01/2018	2,00,000	
b) FVOC 4,00,000 2,00,000	(2,00,000.)	Nil
LTCG u/s 112A	1,96,000	3,96,000.
	5,92,000	

Income from other sources	₹
Dividend. (10×200)	2000.
NTI	5,94,000

Calculation of Tax liability

a) LTCG 112A	(5,92,000 − 2,98,000) (1,94,000×10%.)	19,400.
	(2,94,000 − 1,00,000)	
b) Other Income	(2000 − 2000)	−
		19,400.
	Add'. HEC@ 4%.	776
	Net tax payable	20,176
		i.e. 20180

Note :

1. STT is not allowed in Capital Gain.
2. If Bonus shares are allotted on or after 01/04/2001 then COA is treated as Nil.

If Sec 112A apply & if Bonus shares allotted before 01/02/2018 then FMV of 31/01/2018 is treated as COA.
But in the present question, bonus shares are allotted on or after 01/02/2018, so COA is Nil.

Tax Rates under Capital Gain (Other than 112A & 111A)

- LTCG U/S 112 → Tax Rate @ 20%
- STCG → Normal tax Rate (Slab Rate)

(Exam) Proviso to Sec. 112

In case of LTCG on listed security (other than Unit) & Zero Coupon Bond :-
i) 10% without Index
ii) 20% with Index
whichever is lower.

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Page

Note: LTCG on Unlisted Security in case of Non-Resident or foreign company taxable @ 10% without benefit of Index & first proviso to Sec 48 (Exam)

(Sunny mala)

Notes

1) Deduction u/c VI-A not available against LTCG-112A / LTCG-112 & STCG 111A.

Example

	₹
PGBP	70,000
LTCG	1,00,000
STCG 111A	5,00,000
LTCG 112A.	2,00,000
GTI.	8,70,000
(-) Deduction u/c VI-A	
~~800~~	
80C Life Insurance Premium	(70,000)
(1,20,000) NTI	8,00,000

SPECIAL TAX RATES.

S.NO.	Section	Nature of Income	Tax Rate.
1. ~~112~~	112.	Long term Capital Gain	20%.
2.	112A	LTCG OF Equity Shares, EOMF, Unit of Business	10% in excess of 1,00,000
3.	111A	STCG on Equity Shares, EOMF, Unit of BT	15%
4.	115BB.	Winning from lotteries, Cardgains, Horse Raves etc.	30%.
5.	115BBJ	winning from Online Games (Dream11/Promo etc) (Junglee Rummy)	30%.
6.	115BBE	Deemed income u/s 68/69/69A/69B/ 69C/69D	60%.

Example:

from following information Calculate tax liability of Miss. Ruchi (Age 30 years)
(Ignore 115BAC)

	₹
Income from salary (computed)	7,00,000.
Income from house property (computed)	3,00,000
LTCG u/s 112 (Sale of land)	2,00,000
LTCG u/s 112A (Sale of shares)	40,000
STCG u/s 111A (Sale of Shares)	2,50,000
Winnings from Junglee Rummy (other games)	70,000

Sol^n

Miss Ruchi — PY 23-24 AY 24-25.

Computation of Total Income.

		₹
+) Income from salary		7,00,000
Income from House Property		3,00,000
Income from Capital Gain		
LTCG 112	2,00,000	
LTCG 112A	40,000	
STCG 111A	2,50,000	4,90,000
Income from other sources		
winnings from Online games		70,000
Gross Total Income -		15,60,000
(-) Ded^n u/c VI-A		-
NTI		15,60,000

Calculation of Tax Liability.

SN.	Nature of Income	Tax Rate	Income (₹)	Tax (₹)
1.	LTCG 112	20%.	2,00,000	40,000
2.	LTCG 112A	10%. in excess of ₹1 lakh	40,000	Nil
3.	LTCG 111A.	15%.	2,50,000	37,500
4.	Winning	30%.	70,000	21,000.
5.	Balance NTI	Slab Rate	10,00,000	1,12,500
			15,60,000	2,11,000

Upto 2,50,000	—	—	Add : HEC@4%	8,440
>2,50,000 upto 5,00,000	5%	12,500	Net tax Payable.	2,19,440
>5,00,000 upto 10,00,000	20%	1,00,000.		

Benefit of Basic Exemption against LTCG / LTCG 112A & STCG 111A

In Case of Resident Individual & if Balance Total income (other than special rates income) is less than basic exemption then unutilised basic exemption can be set off against LTCG 112 / LTCG 112A & STCG 111A But NEVER against WINNING OR DEEMED INCOME.

Q. Compute tax liability of Mr. Jay (Age 35 years), Resident from following information. (IGNORE 115BAC)

			₹
Income from House Property			70,000.
PGBP			8,000
Capital Gain			
	LTCG 112	40,000	
	STCG 111A	90,000	
	LTCG 112A	6,50,000	7,80,000
IFOS			
	Winning		90,000
	GTI/NTI.		9,48,000

Computation of Tax Liability

SN	Nature of Income	Tax Rate	Income (₹)	Tax (₹)
1.	LTCG 112	20%	40,000 - 40,000	—
2.	STCG 111A	15%	90,000 - 90,000	—
3.	LTCG 112A	10% in excess of ₹1 lakh	6,50,000 - 1,42,000 = 6,08,000 (5,08,000 x 10%)	50,800
4.	Winning	30%	90,000.	27,000
5.	Balance NTI.	Slab Rate	78,000 + (1,72,000)	—
			9,48,000	77,800
			Add: HEC @ 4%	3,112
			Net Tax Payable.	80,912

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[H.W]

Q.

	Resident Hari (Age: 32 years)	Resident Mr. Jay (Age: 92 years)	Resident Mr. Karan (Age 42 years)	Non-Resident Mr. Lobo (Age 62 years)
Income from Salary (computed)	1,20,000	—	1,40,000	—
Income from House Property (computed)	—	2,70,000	—	1,30,000
LTCG 112A	8,00,000	4,00,000	6,00,000	9,00,000
LTCG 112	5,00,000	90,000	40,000	40,000
STCG 111A	5,50,000	1,00,000	20,000	300,000
Winnings	40,000	50,000	60,000	70,000
	2010,000	9,10,000	8,60,000	14,40,000

Compute tax liability in above cases (IGNORE 115BAC)

(1) Mr. Hari PY 23-24 AY 24-25.

Calculation of Total Income	₹
Income from Salary	1,20,000.
Income from Capital Gain	
LTCG 112A	8,00,000
LTCG 112	5,00,000
STCG 111A	5,50,000
Income from other sources	
Winnings.	40,000
(-) Ded^{n} (Not available) NTI.	20,10,000

Calculation of Tax Liability.

SN	Nature of Income	Tax Rate	Income (₹)	Tax (₹)
1.	LTCG 112	20%.	500000 (500000 - 130,000)	74,000
2.	LTCG 112A	10% in excess of ₹1 lakh	8,00000 (8,00,000 - 1,00,000)	70,000
3.	STCG 111A	15%.	5,50,000	82,500
4.	Winning	30%	40000	12,000
5.	Balance NTI	Slab Rate.	1,20,000 (1,30,000)	—
			20,10,000	2,38,500
			Add: HEC@4%	9,450
		Net tax Payable.		2,48,040

(2) Mr. Jay (Age 92 years) PY 23-24 AY 24-25 (3)

Computation of Total Income		₹
Income from House Property		2,70,000
Income from Capital Gain		
LTCG 112A	4,00,000	
LTCG 112	90,000	
STCG 111A	1,00,000	5,90,000
Income from other sources		
Winnings		50,000
Gross Total Income		7,10,000
(-) Ded^{n} u/c VI-A		—
		710,000

Computation of Tax Liability.

SN	Nature of Income	Tax Rate	Income	Tax
1	LTCG 112	20%	90000 - 90,000 (3,60,000 - 1,00,000)	~~18,000~~ —
2	LTCG 112A	10% in excess of ₹1,00,000	4,00,000	~~30,000~~ 26000
3.	STCG 111A	15%	1,00,000 - 1,00,000	~~15,000~~ —
4.	Winnings	30%	50,000	15,000
5.	Balance NTI.	Slab Rate	2,70,000 (2,70,000 - 3,60,000)	~~1,000~~ —
			7,10,000	~~41,000~~ 41000
			Add: HEC @ 4%	~~1640~~ 1640
				~~42,640~~
				42,640.

(3) Mr. Karan (Age 42 years) PY 23-24 AY 24-25

Computation of Total Income ₹

Income from House Property		1,40,000
Income from Capital Gain		
LTCG 112A	6,00,000	
LTCG 112	40000	
STCG 111A.	20,000	6,60,000
Income from other Sources		
winnings		60,000
Gross Total Income		8,60,000
(-) Ded^n U/C VI-A		—
NTI		8,60,000

Computation of Tax liability.

SN	Nature of Income	Tax Rate	Income	Tax
1.	LTCG 112	20%.	40,000 - 40,000	—
2.	LTCG 112A	10% in excess of ₹1,00,000	6,00,000 - 1,00,000 ₹5,00,000 x 10%	₹50,000
3.	STCG 111A	15%.	20,000 - 20,000	—
4.	winnings	30%	60,000	18,000
5.	Balance NTI.	Slab Rate	1,40,000 +1,40,000	—
				58,000
			HEC @ 4%.	2,320
			Net tax payable	60,320

(2) Mr. Jay (92 years) PY 23-24 AY 24-25

Computation of Total Income			₹
Income from House Property			2,70,000
Income from Capital Gain			
	LTCG 112A	4,00,000	
	LTCG 112	90,000	
	STCG 111A	1,00,000	5,90,000
Income from other sources			
	Winnings		50,000
	Gross Total Income		7,10,000
	(-) Ded^n U/C VI-A		—
	NTI.		7,10,000

Computation of Tax liability

SN	Nature of Income	Tax Rate	Income	Tax.
1	LTCG 112	20%	90,000 - 90,000	
2	LTCG 112A	10% in excess of ₹1,00,000	4,00,000 - 40,000 2,60,000 × 10%	26,000
3	STCG 111A	15%	1,00,000 - 100,000	
4	Winnings	30%	50,000	15,000
5	Balance NTI.	Slab Rate	2,70,000 + 2,30,000	—
			910,000	41,000
			HEC @ 4%	1640
			Net tax payable	42,640

Date
Page

(6) Mr. Lobo (Non-Resident)
Age - 62 years.

Computation of Total Income		₹
Income from House Property		1,30,000
Income from Capital Gain.		
LTCG 112 A	9,00,000	
LTCG 112	40,000	
STCG 111 A	3,00,000	12,40,000
Income from other sources		
Winnings.	₹	70,000
Gross Total Income.		14,40,000
(-) Ded^n U/c VI - A		—
NTI.		14,40,000

Calculation of Tax Liability.

SN	Nature of Income	Tax Rate	Income	Tax.
1	LTCG 112	20%	40,000 - 40,000	—
2	LTCG 112A	10% in excess of ₹1,00,000	9,00,000	80,000
3	LTCG 111A	15%	3,00,000 - 80,000	33,000
4	Winnings	30%	70,000	21,000
5.	Balance NTI.	Slab Rate	1,30,000 +1,20,000	—
				1,34,000
			14,40,000 HEC@4%	5,360
				1,39,360

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Q.36 (Page no. 99)

Mr. Arjun PY – 23-24 AY 24-25.

Computation of Income from Capital Gain

	₹ (Lakhs)
Full Value of Consideration	~~700,00,000~~ 700,00000
(–) transfer expenses	~~(7),00,000~~ (7,00000)
Net Consideration	~~763,00,000~~ 693,00,000
(–) ICOA.	
1) Cost of land. 88 Lakhs. (80L+10%)	
$88,00,000 \times \frac{348 \text{ (23-24)}}{117 \text{ (05-06)}}$	(2,61,74,359) ✓
2) Cost of Building	
$1,00,00,000 \times \frac{348}{129}$ (23-24)	(2,69,76,744) ✓
Gross LTCG	~~2,31,48,897~~ 1,61,48,897
(–) Exemption u/s 54	
i) CG 2,31,48,897	
ii) CVA 1,10,00,000	(1,10,00,000) ✓
(–) Exemption u/s. 54F (Max. 50 lakhs)	(50,00,000) ✓
Net LTCG.	~~71,48,897~~ 1,48,897

1.49 1,48,897

Q.38 Mr. X PY 23-24 AY 24-25

Computation of Capital Gain

	₹
Full Value of Consideration (10,000 × ₹500)	50,00,000
(–) Transfer expenses	–
Net Consideration	50,00,000
(–) ICOA	
a) (50,00 × 200) × 348 (23-24) / 100 (01-02)	(34,80,000)
b) ~~2,000~~ Nil	–
c) (3000 × 350) × 348 (23-24) / 167 (10-11)	(21,88,024)
LTCL.	(66,80,24~~0~~)

Q.39 Mr. Martin PY 23-24 AY 24-25

Computation of Capital Gain	₹ (lakhs)
FVOC	100,00,000
(-) Trf. exp.	(1),00,000
Net Consideration.	99,00,000
(-) ICOA	(55,30,233)
₹) 20,50,000 × 348 (23-24) / 129 (07-08)	~~(6,74,419)~~
Gross LTCG	~~92,25,581~~ 43,69767
(-) Exemption U/S 54	
i) Capital Gain ~~92,25,581~~ 43,69,767	(25,00,000)
ii) Cost of Asset 25,00,000 (15,00,000 + 10,00,000)	~~(25,00,000)~~
	~~(-)~~
	18,69,767
(-) Exemption U/S 54EC	(4,65,938)
~~92,25,581~~ / 43,69,767 × 5,00,000 / ~~99,00,000~~	
Net LTCG.	6,25,9643

Tax Payable

~~62,59,643 × 20% = ₹12,51,929~~

(62,59,643 - 2,50,000) × 20% = ₹12,01,929

Q.30 Mrs. Harshita PY 23-24 AY 24-25

Computation of Capital Gain ₹

FVOC ~~(30L×10)~~	~~300~~ 210,00,000
(–) Transfer exp.	
Net Consideration	21,0,00,000
(–) ICOA	
85,00,000 × ~~301~~ (22-23) / 113 (04-05)	(1,02,52,212)
Gross LTCG	1,07,47,788

Capital Grain taxable in PY 2023-24

1,07,47,788 × 10/15	71,65,192
Less: Exemption u/s 54EC (Max.)	50,00,000
Net LTCG	21,65,192

Computation of Business Income

FVOC. (10 × 30,00,000)	3,00,00,000
(–) COA	
~~10 × 10,00,000~~ (20L × ~~10~~) × 10/15	(1,40,00,000)
(–) Cost of Construction (10 × 10L)	1,00,00,000
PGBP.	60,00,000

Amendment by FA 2023.

Conversion of Gold into Electronic Gold Receipt (EGR) issued by a Vault Manager, or conversion of Electronic Gold Receipt into Gold is not treated as transfer & CG is not applicable on conversion.

COA of current asset (EGR / gold) received on conversion = cost of earlier asset (gold / EGR) which is so converted – Sec 49(10)

POH of earlier asset (gold / EGR) shall also include the period for which the current asset (EGR / gold) held by the assessee. Sec 2(42A)

Example:
Mr. Ravi purchased 10 gm of Gold for ₹9,000 in PY 12-13. On 16th April 2023 he converted such gold into EGR.
On 14th Feb 2024, he sold such EGR for ₹60,000. Discuss tax treatment.

Soln:

On Conversion – It is not treated as transfer, so Capital Gain not applicable on conversion of Gold into EGR.

Capital Gain on Sale of ~~EG~~ EGR.

Computation of Capital Gain		₹
FVOC.		60,000
(–) COA	$9000 \times \frac{348\ (23\text{-}24)}{200\ (12\text{-}13)}$	(15,660)
LTCG.		44,340

Special Case No.10

Sec 50AA: Capital Grain in case of Debt. MF & Market liked Debentures (Added by FA-23 w.e.f. AY-24-25)

In case of unit of a specified Mutual fund acquired on or after 1st April 2023 or a Market Linked Debenture (MLD), the capital gain shall be calculated as follows & it is always STCG.

Computation of Capital Grain	₹
FVOC on transfer, redemption or maturity	xx
Less: Transfer expenses	(x)
Net Consideration	xx
Less: Cost of Acquisition	(x)
STCG.	xx

Notes:

1) STT not allowed while calculating Capital Grain.
2) In this case capital asset deemed to be STCA & CG STCG so index not allowed.
3) "MLD" means a security which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a Market Linked Debenture by the SEBI.
4) "Specified Mutual fund" means a MF where not more than 35% of its total proceeds is invested in the equity shares of domestic companies.

Q. Mr. Raj purchased 100 market linked Debentures on 16/07/2023 for 200 per Debenture. He sold all MLD on 19/12/2026 for 600 per debenture. Compute Capital Gain.

Mr. Raj.	PY-26-27 AY27-28
FVOC (100×600)	60,000.
⊖ COA (100×200)	(20,000)
STCG.	40,000

TAXATION IN CASE OF AMALGAMATION AND DEMERGER.

Sec 2(1B): Meaning of Amalgamation.

Merger of one or more companies with another company
OR
Merger of Two or more companies to form one company that:

i) All Asset & Liabilities of Amalgamating company should transfer to Amalgamated company
ii) Shareholder's holding min. 75% of equity shares in Amalgamating company should become shareholders of Amalgamated company

Taxation in Hands of Amalgamating Co. (Old Co.)

As per sec. 47, Amalgamation is not treated as transfer so Capital Gain NOT Applicable.

In Hands of Amalgamated Company (New Co.)

i) Cost of Acquisition in Hands of A'ed Co. = COA of A'ing Co. (Previous owner)
ii) POH of Asset held by A'ing Co. & A'ed Co. both Consider

In Hands of Shareholder

i) As per sec. 47, when shareholder received share of A'ed Co. in the scheme of Amalgamation then it is not treated as Transfer & Capital Gain NOT Applicable.

ii) COA of share in A'ed Co. = COA of Shares in A'ing Co.

iii) POH of shares held in A'ed Co. & & A'ing Company shall be considered.

Example:

Mr. Hari purchased shares of Sai Ltd. i.e. 1000 shares @ ₹100 each on 10/07/2002. Sai ltd. amalgamated with Shirdi Ltd. on 10/12/2020 & Hari received 1200 shares of Shirdi Ltd. on 10/12/2020

Hari transferred all the shares on ~~to~~ 14/02/2023 for ₹300/sha Calculate Capital Gain.

Soln

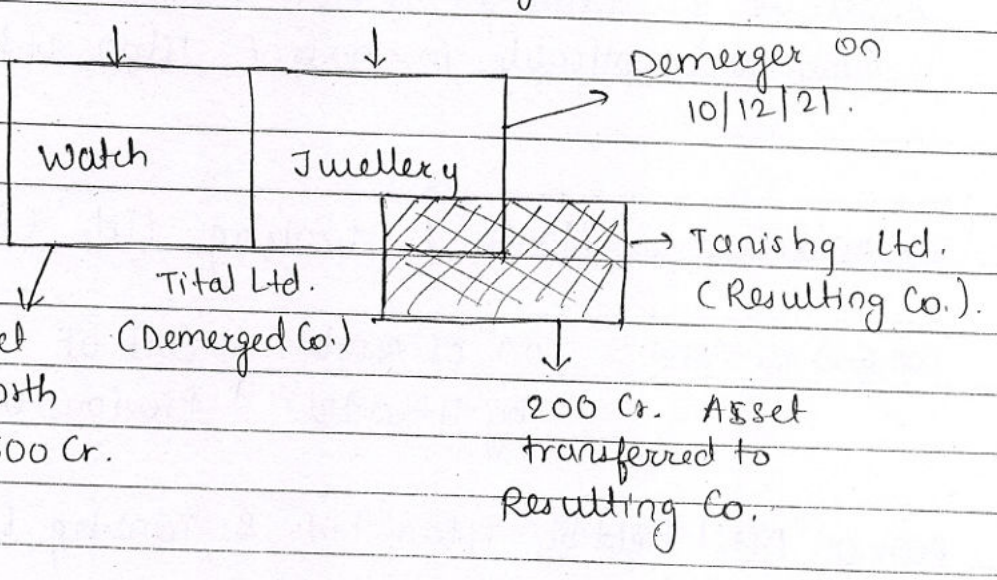
i) When Hari received shares of Shirdi Ltd. in exchange of Sai Ltd. that time Not treated as transfer so Capital Gain not applicable due to Sec. 47.

ii) Computation of CG on sale of shares of Shirdi Ltd.

	PY 23-24 AY 24-25
FVOC (1200 x 300)	3,60,000
(-) ICOA [POH-10/07/02 to 13/02/2023] (1,000 x 100)	
1,00,000 x 348 (23-24) / 105 (02-03)	(3,31,429)
LTCG.	28,571

DEMERGER

Mr. BB purchased shares of Tital Ltd. 1000 shares @ ₹100 per share on 15/07/2002
Cost = ₹1,00,000



Meaning of Demerger

It means undertaking transferred by Demerged company to Resulting Co. & following cond. are satisfied:

i) All assets & liabilities of undertaking should be transferred
ii) It should be transfer ~~of~~ at Book value.
iii) Transfer of undertaking on going concern Basis
iv) Shareholders holding min. 75% of Demerged Co. should become shareholder of Resulting Co.
v) Shareholder of Demerged Co. should receive shares from Resulting Co. on proportionate basis.

Tax Treatment in Hands of Titan Ltd. (Demerged Co.)

As per Sec 47, Demerger is not treated as transfer. So, capital Gain Not applicable in Hands of Titan Ltd.

Tax treatment in Hands of Tanishq Ltd. (Resulting Co.)

COA ~~Cost~~ of Asset = COA of Assets by Titan Ltd. (Cost of Previous Owner)

POH of Asset held by Titan Ltd. & Tanishq Ltd. should be considered

Taxability in Hands of Shareholders

Mr. BB Acquired 1000 shares of Titan Ltd. on 15/07/2002 @ 100/sh
Titan Ltd. demerged the jwellery division & transfer to Tanishq Ltd. on 10/12/2021. Networth as on that date was 500 Cr. & out of that 200 Cr. Asset transferred to Tanishq Ltd.
Tanishq Ltd. issued 300 shares to Mr. BB.
Calculate COA of shares in Tanishq Ltd.

Q.39

Page no. 101 Mr. Martin PY 23-24 AY 24-25

Computation of Capital Gains ₹

FVOC

i) SP 70 Lakhs

ii) SDV 100 Lakhs 1,00,00,000

(Since SDV > 110% consideration so SDV is treated as FVOC)

(–) Transfer expense (1,00,000)

Net Consideration. 99,00,000

(–) ICOA

$20,50,000 \times \frac{348\ (23\text{-}24)}{129\ (07\text{-}08)}$ (55,30,233)

Gross LTCG. 43,69,767

Less : Exemption u/s 54

i) Purchase of HP 15 Lakhs

ii) Deposit in CGAS 10 Lakhs (25,00,000)

18,69,767.

Less : Exemption u/s 54EC.

Investment in NHAI Bonds. (5,00,000)

(within 6 months)

Net LTCG. 13,69,767

13,69,770

Date
Page

Calculation of Tax Liability

LTCG on transfer of HP	13,69,770.
Less: Basic exemption	(2,50,000)
	11,19,770.
Tax @ 20% of 11,19,770.	2,23,954
Add: HEC @ 4%	8,958
	2,32,912

Net tax Payable = ₹ 2,32,910.

INCOME FROM OTHER SOURCES

(5 Marks)

1. IF Salary X
2. HP X
3. BP X
4. CG X
5. IFOS ✓

Any Income which is not taxable under the head Salary, House Property, PGBP or Capital Gain, that income shall be taxable under Income from other sources.

1. Taxation of Gift.

a) If any gift received by employee from employer due to employee - employer relationship is always taxable under Income from Salary

i) Money → Fully taxable

ii) Kind → If FMV is 5000 or more then it is fully taxab

b) Gift/Benefit / Perquisite due to Business or Profession is always taxable under PGBP.

c) Other Gift.

31/3/19

01/10/2009 56(2)(vii) → Ind/HU

01/04/2017 56(2)(x) → All assessee

Date
Page

Gift Received / Asset Acquired by Any Person.

Sec 56(2)(x) → w.e.f. 01/04/2017.

- MR ID HUTLA ITC → Sec 56(2)(x) Not Applicable. (Exempt)
- Otherwise

Money

If Aggregate money > 50,000 p.a.
→ It is fully taxable.

Movable Property

[S, S, J, D, P, S, A, O, B, V] Other Assets not taxable.

- Without Consideration (Gift)
  → If Agg. FMV > 50,000 then it is fully taxable
- Low Consideration
  → If Agg (FMV - Consideration) > 50,000
  → then Diff. is taxable.

Immovable Property

- Without Consideration (Gift)
  → If ~~pro~~ per property SDV > 50,000
  → then it is fully taxable.
- Low Consideration
  → If per property (SDV - Consideration) > 50,000.
  AND SDV > 110% of Consideration
  → Then Diff. is taxable.

MR ID HUTLA ITC.

i) M → On the occassion of Marriage
ii) R → From Relative
iii) I → Inheritance.
iv) D → In contemplation of Death
v) H → from Hospital or Medical Institution
vi) U → From University
vii) T → From or by Trust (NGO)
viii) LA → From Local Authority.
ix) I → From Individual by Trust created by for the benefit of relative of such individual
x) T → By Hospital or Medical institution, university or Trust.
xi) C → Certain transaction not treated as transfer u/s 47. ie. partition of HUF, Holding Company to 100% Subsidiary company, 100% subsidiary to Holding, Amalgamation Demerger.

~~Amendment by FA 22 w.e.f AY 20-21.~~

ASSETS.

S&S → shares & securities
J → Jwellery
D → Drawing
P → Painting
S → Sculptures.
A → Archaelogical collection
O → Any other work of Art
B → Bullion
V → Virtual Digital Asset (VDA)

Date
Page

Amendment by FA -22 w.e.f. AY 2021.

Sec. 56(2)(x) not applicable in the following cases, Money received –

i) By Individual, from any person, for expense actually incurred on treatment of covid-19 related illness of him or any family member.

ii) By family member of deceased person, within 12 months of death (death due to covid-19 illness) –

a) from employer of the deceased person (without any limit); or

b) from any other person or persons upto ₹10 Lakhs.

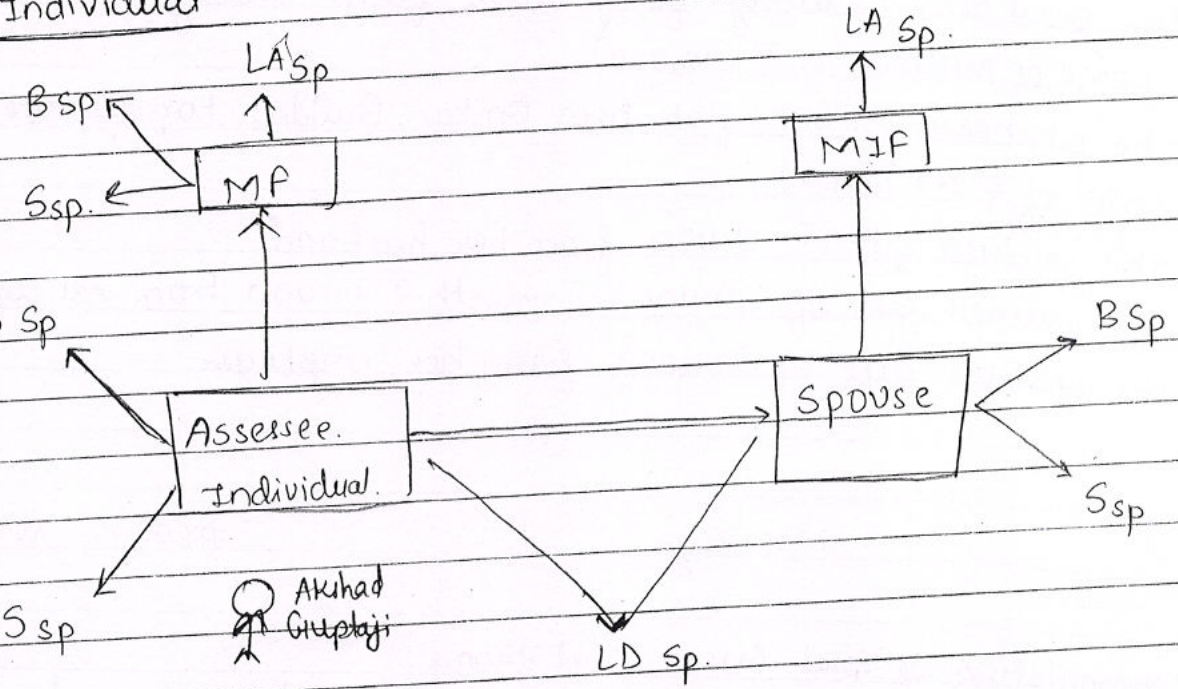
Note-1 : Family means spouse, children and dependent relative (parents, brothers, sister)

Note-2 : Death should be within 6 months from the date of testing covid positive.

Meaning of Relative.

LA : Lineal Ascendent
LD : Lineal Descendent.

1. For Individual



2. For HUF → Ay any member of HUF.
Member ke liye HUF Relative nhi hai

from following information, Calculate Gross Total Income of Riya.

i) Basic Salary : ₹60,000 p.m.
ii) She received gift of ₹30,000 each from her four friends.
iii) She received gift of Gold Chain worth ₹20,000 from her father's friend.
iv) She received gift of BMW car worth ₹40 lakh from her best friend.
v) She received gift of gold ring worth ₹80,000 from her Ex-Boyfriend.
vi) She received gift of 2 BHK flat from her mother's brother SDV is ₹2 Crore.

vii) She received gift of ₹20,000 from her father. (Exempt)

viii) She purchased Jwellery for ₹80,000 from Beauty Jwellers. (FMV of Jwellery is ₹1,10,000).

ix) She purchased 1 BHK flat from Omkar Builders for ₹2 crore (SDV of ₹2.3 Crores)

x) She received gift of ₹420 from her husband. (Exempt)

xi) She received gift of Iphone 14 worth ₹1,00,000 from her Cousin. (Note)

xii) She received gift of ₹50,000 from her employer.

Mrs. Riya. PY 23-24 AY 24-25.

Computation of ~~Total~~ Gross Total Income.

Particulars	₹	₹
Income from Salary		
Basic Salary (60,000 x 12 months)	7,20,000	
Gift from employer	50,000	
	7,70,000	
Less: Standard deduction U/S 16.	(50,000)	7,20,000
Income from other sources		
i) Money		
Gift from friend (30,000 x 4)	1,20,000	
Since Gift of money in Aggregate > 50,000 so it is fully taxable.	1,20,000	1,20,000
ii) Movable Property (S S J D P S A O B V) (Free)		
Gift of Gold Chain from father's ~~chain~~ friend	20,000	
Gift of Gold Ring from Ex. BF.	80,000	
Since Agg. FMV > 50,000 so it is fully taxable.	1,00,000	1,00,000

Particulars	₹	₹
iii) Movable Property (Low Consideration)		
Purchase of Jwellery from Beauty Jwellers		
(FMV - Consideration)		
(110,000 - 80,000)		
30,000		—
Since aggregate difference between FMV & Consideration is not more than 50,000 so it is not taxable.		
iv) Immovable Property (Free)	—	—
v) Immovable Property (Low Consideration)		
Purchase of flat from Omkar Builders.		
(SDV - Consideration)		
~~2.30cr 2cr~~		
(2.3 cr. - 2 cr)		
30,00,000		30,00,000
IF (SDV - Consideration) > 50,000		
AND		
SDV > 110% of Consideration		
then Diff. between SDV &		
Consideration is taxable.		
In this case, both the above conditions satisfy so, Difference taxable under IFOS.		
	GTI.	39,40,000

Date
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Notes:

1) As per Sec 56 (2)(x), any gift received from relative is not taxable.
So, in the present question, gift received from father, husband is not taxable because they are covered in the definition of Relative.
2) BMW Car & Iphone 14, are not covered in definition of property (asset), so it is not taxable.

Q.3 Page no. 103. Mrs. Rashmi PY 23-24 AY 24-25.

Computation of Taxable ~~income~~ gift.

	₹
Gift from Cousin of her mother	18,000.
Gift from elder brother of husband's grandfather	25,000
Gift from friend.	12,000
Total.	55,000

Conclusion: Since gift in money aggregate is more than 50,000 so it is fully taxable.

Note: 1) Cellphone not covered in the property so it is not taxable
2) Gift on the occassion of marriage is not taxable whether it is received from relative or non-relative

Q. 12 Page no. 109

Mr. Karan

PY 23-24 AY 24-25

Computation of Total Income.

		₹
Income from House Property		62,000
IFOS		
Dividend from Indian Company		12,600
Interest on Bank Deposit.		25,000.
Gift		
Gift from friend	10,000	
Gift from mother friend	25,000	
Gift from fiancee	75000	
Gift from Sisters.	Exempt	
	1,10,000	1,10,000.
	GTI/NTI	2,09,600

Since gift in money > 50,000. so it is fully taxable

SECTION 49(4): COST OF ACQUISITION

If any asset acquired/received as gift or for low consideration and Assessee paid taxes under IFOS, on SDV/FMV under section 56(2)(x), then such SDV/FMV shall be considered as cost of Acquisition of such asset.

Example: ① Mr. Doremon purchased a house property for ₹2 lakhs in PY 01-02. Mr. Doremon gifted such house property to his friend Nobita on 14th feb, 2023 and SDV of such property is ₹20 lakhs on that date. Nobita sold such property to Shizuka on 19th July, 2023 for ₹42,00,000. Discuss tax treatment in hands of Doremon & Nobita.

Soln: In hands of Doremon:

As per Section 47, Gift is not treated as transfer, so Capital Gain is not applicable in hands of Doremon.

In hands of Nobita:

i) As per section 56(2)(x), immovable property received as gift & SDV is more than 50,000 then it is fully taxable in hands of receipent under IFOS.

In this case, SDV is ₹2,00,000 ie. more than 50,000, so it is taxable in hands of Nobita under IFOS in PY 22-23.

ii) Capital Gain Applicable on sale of property:

		₹	PY 23-24 AY 24-25.
	FVOC	42,00,000	
	(-) COA	(20,00,000)	
	49(4)		
	STCG.	22,00,000.	

Example (2): Suppose in above example, Doremon & Nobita are relative.

Sol^: In hands of Doremon:
Gift is not treated as transfer so Capital Gain is not applicable.

In hands of Nobita:
i) Since gift received from relative - 56(2)(x) is not applicable
ii) On sale of House property

PY 23-24 AY 24-25

Computation of CG.

	₹
FVOC	42,00,000.
(-) ICOA (POH 01-02 to 18/07/23)	
49(1) Cost of previous owner	
2,00,000 × 348/100 (23-24/01-02)	(6,96,000)
LTCG.	35,04,000

Example (3): Mr. Sachin purchased a house property for ₹2,00,000 in PY 01-02. On 15th Dec. 2022, he sold such property to Mr. Hari for ₹50 lakh & SDV of property on such date is ₹62,00,000. Mr. Hari sold such property to Mr. Krishna on 19th Dec. 2023 for ₹8.4 lakhs. Discuss tax treatment in hands of Sachin & Hari.

Soln: In hands of Sachin.

PY 22-23 AY 23-24

Computation of Capital Gain

	₹
FVOC.	62,00,000
(-) ICOA.	
2,00,000 × 331 (22-23) / 100 (01-02)	(6,62,000)
LTCG	55,38,000

In hands of Hari

i) If any immovable property acquired for low consideration & difference between SDV & consideration is more than 50,000 as well as SDV is more than 110% consideration then such difference is taxable under IFOS. under 56(2)(x).

In this case difference is ₹12,00,000 ie. more than ₹50,000 & SDV is more than 110% of consideration, so difference of ₹12 lakh is taxable under IFOS. in hands of Mr. Hari.

ii) Computation of Capital Gain on sale of Property

		PY 23-24	AY 24-25
	FVOC	84,00,000	
	(-) COA	62,00,000	
	49(4)		
	(POH: 15/12/22 to 19/12/23) STCG.	22,00,000	

24

Q.13 (Page no. 109)

In hands of Y.	Case I	Case II.	Case III.	Case IV.	Case V.
SP	4,00,000	4,00,000	4,00,000	6,00,000	6,00,000
SDV	4,39,000	4,46,000	4,70,000	6,59,000	6,80,000
FVOC (50C)	4,00,000	4,46,000	4,70,000	6,00,000	6,80,000
In hands of X					
(i) (SDV - consideration) > 50,000 and.	NO	NO	Yes	Yes.	Yes
ii) SDV > 110% Consideration	NO	Yes	Yes	NO	Yes
Taxable in Total.	Nil	Nil	70,000	Nil.	80,000
COA of Mr. X. Sec. 49(4)	4,00,000.	4,00,000.	4,70,000	6,00,000.	6,80,000

Date
Page

★ If Assessee is not satisfied with SDV → Case may transfer to Valuation Officer → Same as Sec. 50(c).

★ SDV on Date of Registration or Agreement u/s 56(2)(x) ?

Normally, SDV is considered on the date of Registration but u/s 56(2)(x), if date of agreement and registration are not same. then Assessee ie. (buyer) can take SDV on the date of agreement if he paid any consideration or part thereof upto date of agreement by account payee cheque or account payee demand draft or any other electronic mode.

Q.14 (Page no. 109)

In hands of Y	Case I	Case II	Case III	Case IV	Case 5
SP	3,81,000	3,80,000	4,27,500	4,97,500	7,10,000
SDV	4,00,000	4,70,000	4,50,000	4,90,000	7,80,000
FVOC (50c)	3,81,000	4,70,000	4,27,500	4,90,000	7,10,000
In hands of X					
i) (SDV - Consideration) > 50,000 and	NO.	Yes	NO.	Yes.	Yes.
ii) SDV > 110% Consideration	NO	Yes.	NO.	Yes	NO.
Taxable in Total	Nil.	89000	Nil	62500	Nil
COA of Mr. X Sec 49 (4)	3,81,000.	4,70,000.	4,27,500.	4,90,000	7,10,000

Q.11 (Page no. 108)

Mr. Ganesh — PY 23-24 AY 24-25.

Computation of income from other sources.

Particulars.	₹
i) Gift of cash from Sundar.	51,000.
[Since Agg. money > 50,000, so it is fully taxable].	
ii) Movable Property (S S J D P S A O B V)	
50 Shares Beta Ltd. 60,000	
100 Shares Alpha Ltd. 70,000	
1,30,000	1,30,000
[Since Agg. FMV of Movable property > 50,000 so it is fully taxable].	
iii) Immovable Property [Low consideration]	
Land Acquired from Sister's Mother-in-Law	
(SDV - Consideration) > 50,0000. (7 lakhs - 5 lakhs)	
And	
SDV > 110% Consideration	
SO, ~~Profit~~ Difference of ₹2,00,000 is taxable under IFOS	2,00,000
IFOS.	3,81,000

Computation of Capital Gain on sale of Shares of Alpha Ltd.

	₹
FVOC	1,00,000
(-) COA [49(4)]	(70,000)
STCG.	30,000

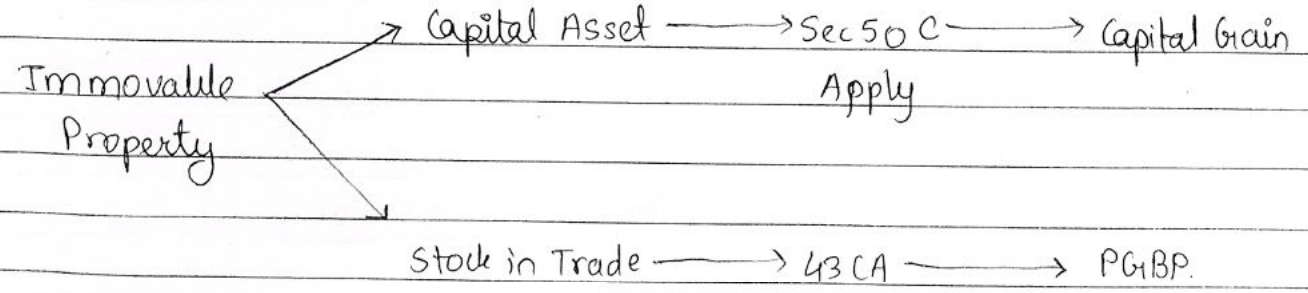
SECTION 43CA

SDV Treated as FVOC in case of Builder.

In Case of Immovable property, held as Stock in Trade, if SDV > 110% of Consideration then such SDV is treated as FVOC for the purpose of computing Business income.

If Assessee is not satisfied with SDV, then his case may transfer to Valuation Officer. — same as Sec 50(c).

Normally, SDV is considered on the date of registration but u/s 43CA if date of agreement and registration are not same then Assessee can consider SDV on date of agreement if he received any consideration or part thereof upto date of agreement by account payee cheque or account payee demand draft or any other electronic mode.



Note: Section 56(2)(x) is not applicable if Asset received as gift or acquired for low consideration is a Stock-in-Trade. It means section 56(2)(x) is applicable only if Asset received is a capital Asset.

Q.7 (Page no. 105)

Mr. A — PY 23-24 AY 24-25.

Computation of Income from other Sources

	₹
i) Gift of Cash from Mr. B. (Since Agg. money > 50,000, so it is fully taxable)	75,000.
ii) Movable Property (S, S, J, D, P, S, A, O, B, V) Gift of Bullion from friend Mr. B. (Since Agg. FMV > 50,000 so it is fully taxable)	60,000.
iii) Immovable Property (without consideration) Gift of plot at Faridabad from Mr. B (since per property SDV > 50,000 so it is Fully taxable)	5,00,000
iv) Immovable Property (Low Consideration) Office Building purchased (SDV - Consideration) >50,000	3,00,000
(23,00,000 - 20,00,000) > 50,000. & ~~SDV > 110% Consideration.~~ (Since SDV > 110% Consideration & Diff. of SDV & consideration > 50,000 so difference is taxable)	
IFOS.	9,35,000

Computation of Capital Gain PY 23-24 AY 24-25.

FVOC.	7,00,000
(-) COA 49(4)	5,00,000
STCG.	2,00,000

Note:

1) Sec. 56(2)(x) is applicable only if assessee received asset as a capital asset.
In the present question, Mr. A is a share dealer & he received shares for low consideration from Mr. C as stock-in-trade, so Sec. 56(2)(x) not applicable.

2. DIVIDEND

From Domestic Company → Taxable under IFOS in hands of Shareholder.

From foreign company. → Taxable under IFOS in hands of Shareholder.

DEEMED DIVIDEND

Sec 2(22)(a): Any distribution of Asset

If any domestic company, distributes its assets to shareholder, then it will be treated as deemed dividend to the extent accumulated profit (capitalised or not) of company and taxable in hands of shareholder as dividend.

BB Pvt Ltd.

B/S

Share Capital (Bonus shares 2,00000)	15,00,000		
		Accumulated Profit :	12,00,000
		Assets	27,00,000
Reserves & Surplus	10,00,000		
Liability	2,00,000		
	27,00,000		27,00,000

Date
Page 20

	B.V. of Asset	FMV of Asset	DD (Deemed Dividend)
(1)	7,00000	13,00,000	12,00000
(2)	7,00,000	9,00,000	9,00,000
(3)	7,00,000	15,00,000	12,00,000
(4)	7,00,000	5,00,000	5,00,000
(5)	7,00,000	10,00,000	10,00,000.

Sec. 2(22)(b): Distribution of Debenture / Deposit Certificate etc.

If any domestic company distribute debenture, debenture stock, deposit certificate to any shareholder or bonus shares to preference shareholder, then it will be treated as deemed dividend to the extent of accumulated profit, (capitalised or not) of company & taxable in hands of shareholder.

Sec. 2(22)(c): Distribution of Asset on Liquidation.

If any domestic company distribute asset to shareholder on its liquidation, then it will be treated as ~~deme~~ deemed dividend, to the extent accumulated profit (capitalised or not) of company & taxable in hands of shareholder.

Sec. 2(22)(d): Reduction in share capital

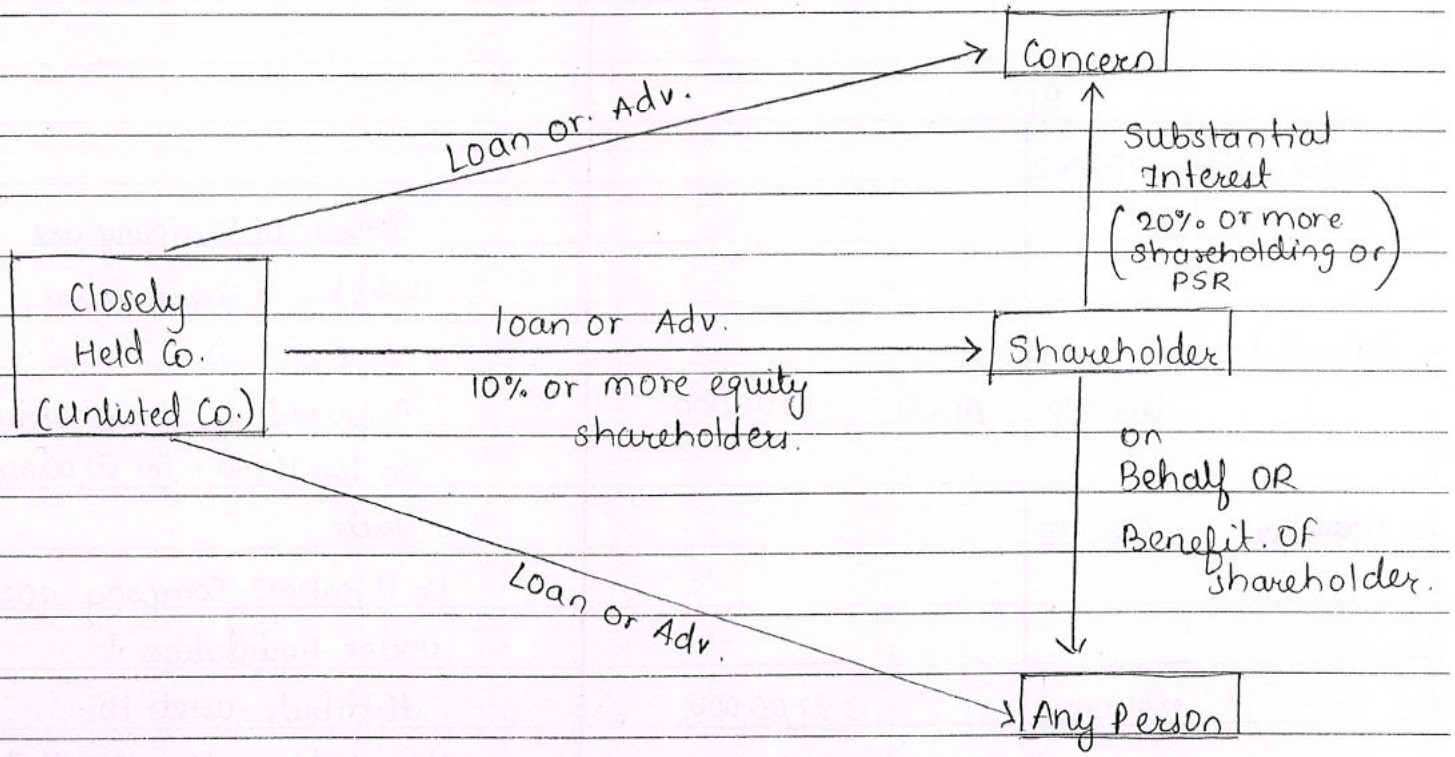
If any domestic company reduce its share capital & distribute asset (money) to shareholder, then it will be treated as deemed dividend to the extent accumulated profit of company (capitalised or not) & taxable in hands of Shareholder.

2(22)(a)(b)(c)(d)
All Companies
Accumulated Profit (Capitalised / not)

2(22)(e)
closely held co. (pvt. ltd)
Accumulated Profit

Date
Page

Sec. 2(22)(e): Loan & Advances by Closely Held Company.



In Above cases, loan or adv. treated as deemed dividend to the extent Accumulated profit of company & taxable in hands of shareholder.

Notes:

1) Loan is repaid or company charge market rate of interest, then also loan is treated as Deemed Dividend.
2) If company is engaged in money lending business and loan is given in ordinary course of business, then it is not treated as Deemed Dividend.
3) If any advance is given for business purpose (trade advance), then it is not treated as Deemed Dividend.
4) If loan was treated as deemed dividend & after some time, if such loan is setoff against actual dividend then, it is not treated as dividend.

TAXATION OF LIQUIDATION.

Katora Pvt. Ltd.

B/S as on date of liquidation 14/04/2023.

B/S.

Share Capital [A:B:C:D:Z]	5,00,000		
Reserves & Surplus	15,00,000	Assets	22,00,000
Liabilities	2,00,000		
	22,00,000		22,00,000

Shares of Company are held by 5 shareholders ie. A, B, C, D, Z & Acquired by Shareholder On 16/07/2007 for ₹1,00,000 each.

On 14/04/2023, Company goes under liquidation & distribute assets to shareholder after liquidation on 10/12/23 as follows.

Cash	2,50,000
Asset (FMV)	4,50,000
	7,00,000 → to each share holder

Part A

1) In this case, Company distributed asset of 35,00,000 ie. (7,00,000 × 5 sh.) and accumulated profit is ₹15,00,000 on date of liquidation, so ₹15,00,000 is treated as deemed dividend under sec. 2(22)(c) & taxable in ~~taxe~~ hands of shareholders. So, ₹3,00,000 is taxable as dividend in hands of each shareholder under IFOS in PY 23-24.

Part B. Computation of Capital Gain in Hands of Shareholder (say M1

PY 23-24 AY 24-25.

FVOC		₹
Cash	2,50,000	
Asset	4,50,000	
	7,00,000	
Less: Deemed dividend. U/S ~~56(2)~~ 2(22)(c)	(3,00,000)	
	FVOC	4,00,000.
(—) ICOA [POH 16/07/2023 to 14/4/23]		
1,00,000 × 348 (23-24) / 129 (07-08)		(2,69,767)
	LTCG.	1,30,233

TAXATION OF BUY BACK.

BY DOMESTIC COMPANY

In hands of Company

As per Sec. 115QA

Buy Back Price − Issue Price

Tax Paid @ 23.296% (20% + 12% + 4%)
SC HEC

by company within 14 days from date of Buyback

In hands of Shareholder

It is exempt u/s 10(34A)

NO Tax treatment

Example: BB Ltd. issued 1 lakh shares @₹70 per share (FV: ₹10 per share) on 16/07/2015. On 10th December 2023, company buy back 1500 shares @₹300 per share. Discuss Tax treatment.

Part A : In hands of Company

(BB Price − Issue Price)

= (300 − 70) × 15,000

= 3,45,000 × 23.296%

= 8,03,712 company required to pay tax.

Part B : In hands of shareholders

It is exempt u/s 10(34A) ⟶ NO tax treatment.

FOLLOWING INCOMES ARE TAXABLE UNDER IFOS:

1. Gift ⟶ Already Done
2. Dividend ⟶ Already Done
3. Income from UTI/Mutual fund ⟶ Taxable
4. ~~Winning~~ Income from winnings (lottery, cross-word, puzzles, game shows, house races, online games) ⟶ Taxable (Tax Rate 30%)
5. ~~Memb~~ Income of MP/MLA/MLC ⟶

Salary ↓ Taxable under IFOS

Daily Allowance OR Constituency Allowance. ↓ Exempt u/s 10(17).

Royalty agr other than whose jinka business hai — Ex. BB Sir

Date
Page

6. Awards

- From Govt. (Bharat Ratna) → Exempt u/s 10(17A)
- From Others → Taxable under IFOS

7. Agricultural Income.

- From land in India → Exempt u/s 10(1)
- From land outside India → Taxable under IFOS

8. Rental Income ⟶ Taxable
   a) Rent of Asset (other than HP)
   b) Composite Rent (If agreement not separable
   c) Rent of subletting of HP.

9. Royalty ⟶ Taxable

10. Director fees for attending board meeting ⟶ Taxable.

11. Paper checking, Paper setting, seminar fees received by Professor from Non-employer organisation. ⟶ Taxable.

Date _____
Page _____

12. Amount from Keyman Insurance Policy

Reliance Industry Ltd. — Mukesh Bhai (Mota Bhai) Keyman.

Amt. received by employer	Amt. received by employee	Amt. received by any other person
↓	↓	↓
Taxable under PGBP	Taxable under Salary	Taxable under IFOS.

Note : 1) Maturity amount of Life Insurance Policy is exempt u/s 10(10D) except Keyman Insurance Policy.

13. Family Pension : ⟶ Taxable

Exemption u/s 57 ~~Recei~~

i) 1/3 of family pension	XX
ii) 15,000 p.a.	XX
	XX

Note : 1) Family pension received by legal heir of member of armed forces including Paramilitary forces shall be exempt where death of such member has occured in the course of operational duties

2) Family pension received by family member of person who was awarded with Vir Chakra, Param Virchakra,

Mahavirchakra shall be exempt.

14. Interest

- Interest received from:
  - a) Gold Bonds 1999
  - b) Deposit Certificate issued under Gold Monetisation Scheme, 2015.
  - c) Public provident fund (PPF)
    - ↓
    - FULLY EXEMPT.
  - d) Interest on Post office Saving A/c
    - ↓
    - Exempt upto 3500 p.a.
    - [In case of Joint A/c 7000 p.a.]
- Interest on late compensation of Compulsory Acquisition of Property.
  - ↓
  - Taxable Amt. = Interest Rate x 50%
  - [50% Std. ded^n u/s 57].
- Other Interest
  - ↓
  - Taxable

15. Advance money forfeited on or after 01/04/2014

As per sec. 56(2)(ix) → Taxable.

HDFC Bank

16. As per Section 56(2)(viib), if any closely held company (unlisted company) issue shares to shareholder on premium, then ~~issue price~~ (Issue Price − FMV of Shares) taxable under IFOS in hands of that company.

17. Compensation received on termination or modification of employment from non-employer organisation.

SEC 57 : Allowability of Expenditure

	Income	Expenses
(1)	Taxable	Allowed
(2)	Exempt	IGNORE
(3)	Winnings	IGNORE
(4)	Interest on late Compensation	IGNORE. [50% std. ded^n]
(5)	Dividend / Income from UTI / MF	Only interest expenses allowed and that too upto 20% of Dividend / Income from UTI / MF.

HDFC Bank

~~Loan~~ 15,00,000 — Interest Rate 3% — 45,000

→ Shares of ITC Ltd. → Dividend 60,000

20% (12,000)

Taxable 48,000

SEC 58 : FOLLOWING EXPENSES NOT ALLOWED.

1. Personal Expenses
2. Any expenses related to casual Income ie. Winnings.
3. Any Payment made to relative to the extent unreasonable.
4. Cash Expenditure more than ₹10,000 in a single day to single person.
5. Interest or Salary paid outside India on which TDS is not deducted or deducted but not paid to Government.
6. Any expenditure paid to Resident & if TDS not deducted or deducted but not paid to Government then 30% of such expenditure is shall be disallowed.

Q. 2 (Page no. 103)

Mr. Gani Bhai — PY 23-24 AY 24-25

Computation of Income from other sources.

Particulars		₹
a. Directors fees from Company		10,000
b. Interest on Bank Deposit		3,000
c. Income from Undisclosed sources		12,000
d. Winnings from Lotteries		
100 ↘ ↙ 50,000		
Net 70 → 35,000		50,000
e. Royalty on Books	9000	
Less: Typing manuscript charges	(1000)	8,000
f. Lectures in Seminars.		5,000
g. Interest on loan to Relative		7,000
h. Interest on Debenture		3,600
i. Interest on Post Office saving Bank A/c.	500	
Less: Exempt upto 3500.	(500)	–
j. Interest on Govt. Securities		2,200
k. Interest on monthly income scheme of post office		33,000
IFOS.		1,33,800

Q.15 (Page no. 110)

Case	FV	IP	FMV	Taxability
Win P Ltd.	300	370	350	Sec. 56(2)(viib) applicable & taxable is ₹20,00,000. (20 x 100,000) in Hands of Company
Gain P Ltd.	300	330	350	sec. 56(2)(viib) applicable but taxable amout is Nil.
Profit P Ltd.	300	290	280	Sec 56(2)(viib) NOt applicable. Since shares issued at discount.
Top P Ltd.	300	310	275	Sec. 56(2)(viib) applicable & taxable amount is ₹1.40 Cr. (35 x 40,000) under IFOS in hands of company.

Date
Page

FOLLOWING INCOMES ARE EXEMPT.

1. Section 10(2)

Share of Income received by Member from HUF.

2. Section 10(2A)

Share of Income received ~~from~~ by partner from partnership firm

3. Section 10(10BB)

Any amount received Bhopal Gas Victims.

4. Section 10 (10BC)

Any Compensation received on account of disaster from Central Government, State Government or Local Authority

5. Section 10(11A)

Payment from Sukanya Samriddhi A/C. (Interest also)

6. Section 10(16)

Educational Scholarship.

7. Section 10(18)

Any pension received by individual who was awarded with Vir Chakra, Maha Virchakra, Param Vir Chakra or other gallantry award.

RESIDENCE & SCOPE OF TOTAL INCOME

Total Income of Assessee cannot be determined without knowing his Residential Status.

If Any Person become resident in India, then his global income is taxable in India. but if any person become non-resident, then only Indian Income is taxable for that person. Residential Status shall be determined every year for assessee.

A] Residential Status of Individual

Basic condition as per Section 6(1)

i) stay in India for 182 days or more in PY.

OR

ii) Stay in India for 60 days or more in PY

AND

365 days or more in last 4 PYs.

Additional condition as per sec. 6(6)

i) Resident for 2 P.Y.s or more in last 10 P.Y.s.

AND

ii) Stay in India for 730 days or more in last 7 P.Y.s

If any individual satisfy any one basic condition (atleast one), then he is treated as Resident in India otherwise Non-Resident in India.

If any Individual become Resident in India, then we have to check that such person is Resident and Ordinarily Resident or (R-OR)

Date
Page

II Resident but not Ordinarily Resident. (R but NOR)

If Assessee satisfied both the additional condition, then he becomes R-OR otherwise R but NOR.

Note:

The day on which he enter into India as well as the day on which he leaves India, shall be considered as stay in India.

Ex.1 Mr. Tarun

Comes in India.	Leave India.
14/02/23	16/7/23
13/02/23	26/1/24
19/02/24	17/03/24
30/03/24	19/05/24

Calculate no. of days stay in India For PY 23-24.

01/04/23	A	M	J	J	A	S	O	N	D	J	F	M	31/03/24
	30	31	30	16	-	-	-	-	19	26	11	17	
												2	
												19	

= 182 days

Ex.2 Mr. Kunal

Comes in India	Leaves in India
16/07/23	19/09/23
23/09/23	27/09/23
12/12/23	29/12/23
31/12/23	14/02/24
28/02/24	17/07/24.

Calculate no. of days stays in India in PY 23-24

01/04/23 | A | M | J | J | A | S | O | N | D | J | F | M | 31/03/24

~~16~~ 16 31 19 − − 18 31 16 31

+5 +1

24 19

= 168 days.

Ex.3 Mr. Jay comes in India for 10/12/23 for 260 days. Calculate no. of days stay ~~comes in India~~ in India for PY 23-24.

~~10/12/23~~

Dec	Jan	Feb	Mar
22	31	29	31

= 113 days.

Q.2 (Page no. 6)

2) a) Mr. Lee PY 23-24 AY 24-25

Part A: He stay in India For 100 days every year.

i)

Determine Residential status

Particulars.	No. of days	Satisfied / Not Satisfied
Basic Conditions as per section 6(1)		
a) Stay in India For 182 day or more in PY (23-24)	100 days	Not satisfied
OR		
b) Stay in India for 60 days ~~no~~ or more in PY (23-24)	100 days	Satisfied
AND		
365 days or more in last 4 P.Y.s.	400 days	
Additional Conditions as per Sec. 6(6)		
i) Resident in India for 2 P.Ys or more in last 10 P.Y.s.	Yes	satisfied
AND		
ii) Stay in India for 730 days or more in last 7 P.Y.s.	700	Not satisfied

Conclusion: Since Lee satisfied basic condition but he does not satisfy both the additional condition, so he will be treated as Resident but not ordinarily resident.

~~PART B : Hest~~

	No. of days		
PY 23-24	100	90	110
22-23	100	90	110
21-22	100	90	110
20-21	100	90	110
19-20	100	90	110
18-19	100	90	110
17-18	100	90	110
16-17	100	90	110
15-16	100	90	110
14-15	100	90	110
13-14	Nil → NR.		

iii) ~~PART B~~ He stay in India for ~~110~~ 190 days every year.

Determine Residential status.

Particulars	No. of days	Satisfied / Not Satisfied
Basic conditions as per sec. 6(1)		
a) Stay in India for 182 days or more in PY (23-24)	190 days	Not Satisfied
OR		
b) Stay in India for 60 days or more in PY (23-24)	190 days.	
AND		~~Not~~ Satisfied
365 days or more in last 4 PY's.	440 ~~410~~ days.	
Additional conditions as per sec. 6(6)		
i) Resident in India for 2 P.Y.s or more in last 10 P.Y.s. AND	Yes.	Satisfied
ii) Stay in India for 730 days or more in last 7 P.Y.s.	770.	Satisfied

Conclusion: Since lee satisfied basic condition along with the additional conditions, so he will be treated as Resident and ordinarily resident for PY 23-24.

PART C : i) Mr. Srinath visited 120 days every year.
ii) If NTI is upto ₹15 Lakh then no need to check 2nd Basic condition — Non-Resident.
iii) If NTI > ₹15 Lakh — 2nd Basic condition satisfied — Treated as Resident but Not Ordinarily Resident

Date
Page

~~PART C~~ ii) He stay in India for 90 days every year.

Determine Residential Status.

Particulars	No. of days	Satisfied / Not Satisfied
Basic conditions as per sec. 6(1)		
a) Stay in India for 182 days or more in PY (23-24)	90 days	Not-satisfied
OR		
b) Stay in India for 60 days or more in PY (23-24) And.	90 days	Not-Satisfied
365 days or more in last 4 PYs.	360 days	

Conclusion : Since Mr. Lee not satisfied any basic condition, so he will be treated as Non-Resident for PY 23-24.

PART B : i) Mr. Srinath (Indian Citizen) comes in India for 100 days every year
ii) 1st Basic condition of 182 days not satisfied.
If total income of Srinath is upto ₹15 Lakh, then no need to check 2nd Basic condition.
iii) If Srinath's net taxable income is more than ₹15 Lakh, then we have to check 2nd condition, then is but instead of 60 days we have to consider 120 day.
In this case, since he has not satisfied 2nd Basic condition then he is treated as Non-Resident

Q.3 (Page no. 7)

Mr. B. PY 23-24 AY 24-25.

Particulars.	No. of days	Satisfied / Not Satisfied
Basic Conditions as per Sec. 6(1)		
a) Stay in India for 182 days or more in PY (23-24)	70 days.	Not-satisfied.
OR		
b) Stay in India for 60 days or more in PY (23-24) AND	70 days	Not-satisfied.
365 days or more in last 4 PYs.	355 days.	

Conclusion: Since Mr. B not satisfied any basic condition, so he will ~~no~~ be treated as Non-Resident for PY 23-24.

	No of days
19-20	55
20-21	60
21-22	90
22-23	150
23-24	70

Employment = Business Profession

Date
Page

EXCEPTION OF 2nd BASIC CONDITION.

In the following cases, we have to check only the 1st Basic condition. [Ignore 2nd Basic Condition].

1) Indian Citizen leave India during the PY for employment outside India.
2) Indian Citizen leave India in PY as a crew member of Indian Ship.
3) ★ Indian citizen or person of Indian Origin engaged outside India in any employment or business or profession and visiting India during the PY. and his total income (excluding foreign source income) is upto ₹15,00,000 in PY.

Note:

Person of Indian Origin means he or either of his parents or either of his Grand parents were born in undivided India.

★ In case of Indian citizen or person of Indian origin having total income more than 15,00,000 then we have to check 2nd basic condition and instead of 60 days in previous year, 120 days shall be considered. In this case, if such individual not satisfy 1st basic condition but he has satisfied 2nd basic condition, then such person is treated as R but NOR. (In this no need to check additional condition).

CBDT Notification

In Case of Indian citizen, being a crew member of foreign bound ship leaving India, for Calculation of NO. of days of Stay in India, following time limit shall be excluded :

* from the date entered continuous Discharge Certificate in respect of joining the ship & ending on the date entered into continuous Discharge certificate in respect of signing off the ship.

Sec 6(1A) DEEMED RESIDENT

If Any individual, being Indian Citizen not satisfied any basic condition as per 6(1), having total income more than ₹15 Lakh, (other than Foreign income) shall be deemed to be Resident in India (R but NOR) if he is not liable to tax in any other country by reason of residence or domicile. He is always treated as R but NOR

Ex :- Mr. Technical Guruji, is an Indian Citizen. Currently he is working in Dubai. During PY 23-24, he has visited 55 days in India. During current PY he is not liable to pay tax in any country due to his residence or domicile.
Determine his Residential status, if his total income other than foreign source income —

a) ₹ 21 lakh

b) ₹ 11 lakh

Soln : ~~a) Total~~

a) Total Income = ₹ 21 Lakhs.
He is deemed Resident (R but NOR)

b) Total Income = ₹ 11 Lakh
He is non-resident.

[B] RESIDENTIAL STATUS OF HUF Sec 6(2)

If Control & Management

- Wholly or Partly in India → Resident
  - If Karta satisfied Both Additional condition as per Sec. 6(6) → R-OR
  - Otherwise → R but NOR
- Wholly Outside India → Non-Resident

Q.4 (Page no. 7)

a) HUF - Business of HUF is fully transacted from Australia. It means it is wholly controlled & Managed from outside India.

So, as per sec 6(2), HUF is treated as Non-Resident in India.

b) Residential status of Mr. E

Particular	No. of days	Satisfied / Not Satisfied
Basic Conditions as per Sec. 6(1)		
a) Stay in India for 182 days or more in PY (23-24)	245 days	Satisfied.
OR		
b) Stay in India for 60 days or more in PY (23-24) AND 365 days or more in last 4 PY's.		Not Applicable OR Not satisfied
Additional Condition as per sec. 6(6)		
i) Resident in India for 2 PY's or more in last 10 PY's. AND	Nil	Not Satisfied
ii) Stay in India for 730 days or more in last 7 PY's.	Nil	Not Satisfied

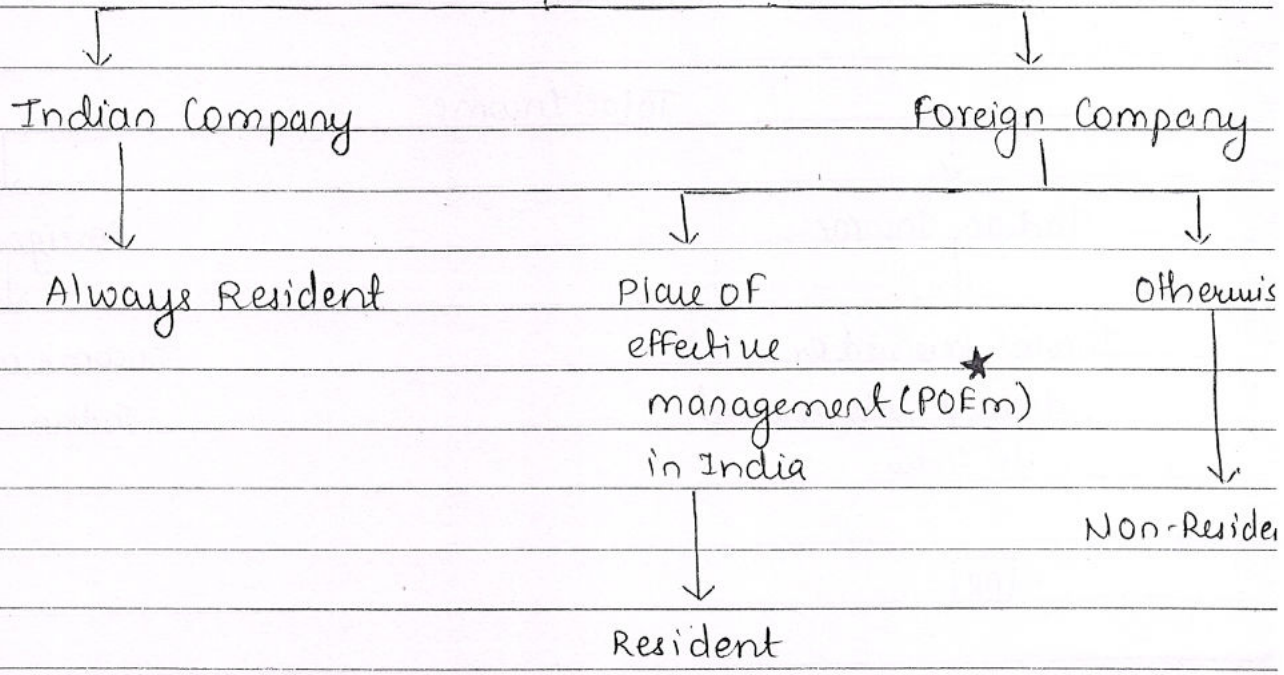
Conclusion : Since Mr. E satisfied basic condition but he could not satisfy both the additional condition, so he will be treated as Resident but not ordinarily Resident (R but NOR) in India for PY 23-24.

C] RESIDENTIAL STATUS OF FIRM / LLP / AOP / BOI / LOCAL AUTHORITY / AJP ~~Sec. 6(2)~~ SEC. 6(2)

IF control & management

- Wholly or Partly in India → Resident
- Wholly outside India → Non-Resident

D] RESIDENTIAL STATUS OF COMPANY
SEC. 6(3)



★ POEM means Place where Key management & commercial Decision are made.

Accrued - when we are working to income accrue hoti hai

Date Arise - Jab uss income

Page Pr hag aa jayega when it will be payable

SCOPE OF TOTAL INCOME.

SEC. 5.

Total Income

- Indian Income
  - Income Received or deemed to be received in India.
  - OR
  - Income accruing or arising or deemed to be accrue or arise in India.
- Foreign Income.
  - Income other than Indian Income

Taxability of Income for Individual & HUF.

S.No	Income	R & OR	R but NOR	NR
1.	Indian Income	Taxable	Taxable	Taxable.
2.	Foreign Income			
	- Income from Buniness / Profession controlled / setup from India.	Taxable	Taxable	Not Taxable
	- Other foreign Income	Taxable	Not Taxable	Not Taxable.

3. Only current PY's income is taxable

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Taxability of Income for Other Assessee

S.NO.	Income	Resident	NR
1	Indian Income	Taxable	Taxable
2	Foreign Income	Taxable	Not Taxable

Notes:

1. Income received means, received for the first time. After receiving income outside India, subsequently if it is remitted into India, it cannot be treated as Receipt of Income.
2. Income may be in Cash or in Kind.
3. Any Income already taxed on accrual basis, consequently remitted to India, is not chargeable to tax at the time of remittance irrespective of the residential status.
4. Income accrual in India means, income generated in India or source of Income situated in India.

Q.7 (Pg.no.8)

Mr. .... PY 23-24 AY 24-25.

Computation of Gross Total Income.

	R-OR	R but NOR	NR.
1. Interest on UK Development			
- 50% Received in India	5,000	5,000	5,000
- 50% Received Outside India.	5,000	-	-
2. Income from Business in Chennai	20,000	20,000	20,000
3. STCG on ~~Stock~~ Sale of Shares of Indian Co.	20,000	20,000	20,000
4. Dividend from British Company	5,000	-	~~5,000~~
5. LTCG on Sale of plant at Germany			
- 50% received in India	20,000	20,000	20,000
- 50% received in ~~India~~ Germany	20,000	-	~~20,000~~
6. Income earned from Business in Germany controlled from Delhi			
- 40,000 received in India	40,000	40,000	40000
- 30,000 received outside India	30,000	30,000	~~30,000~~
7. Profits from a business in Delhi	15,000	15,000	15,000
8. Income from HP in London brought in India	50,000	-	~~50000~~
9. Interest on debentures in Indian Company	12,000	12,000	12,000
10. Fees for technical services rendered in India	8,000	8,000	8,000
11. Profits ~~for~~ from business in Mumbai	26,000	26,000	26,000
12. Income from property in Nepal received there	16,000	-	~~16,000~~
13. Income from agricultural land in Nepal brought to India	18,000	-	~~18,000~~
14. Income from profession in Kenya set up in India.	5,000	5,000	-
15. Interest on saving bank deposit in SBI	12,000	12,000	12,000

	R-OR	R but NOR	NR.
16. Income from business in Russia, controlled from Russia.	20,000	–	~~20,000~~
17. Dividend from Reliance Petroleum Ltd.	5,000	5,000	5,000
Gross Total Income	3,52,000	2,18,000	1,83,000

Note:

1) As per section 56(2)(x), Gift received on the occassion of marriage is exempt from tax.
2) As per section 10(1), Agricultural Income from Land in India is exempt from Tax.
3) Income taxable on Accrual basis so past untaxed profit remittance in India in Current Year is not taxable.

No tax for expert

Business connection ↓ Agent hai

(RPF) = Recognised Provident Fund.

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SEC 7: INCOME DEEMED TO BE RECEIVED IN INDIA.

(i) Employer contribution in excess of 12% to RPF and interest credited in excess of 9.5% in RPF.

(ii) Employer contribution to New Pension Scheme of employee

(iii) Amt. transferred from URPF to RPF (Employer Contribution & Interest)

SEC 9: INCOME DEEMED TO BE ACCRUED/ARISE IN ~~INDIA~~ INDIA

1) Dividend paid by Indian Company outside India

2) Salary received by Indian citizen from Government for service rendered outside India.

Note: As per Sec. 10(7), perquisite or allowances are exempt.

3) Salary income for service rendered in India whether such income before or after service like Gratuity, Pension etc. ✓

4) Income of Non-Resident from Business connection in India.

Business Connection means a person (agent) acting on behalf of Non-Resident:

a) Habitually conclude contract on behalf of NR **OR**

b) Habitually maintain stock from which he regularly delivers on behalf of NR **OR**

Interest ***
↳ exam

Date
Page

c) Habitually secure order in India, mainly or wholly for NR.

In following cases not treated as Business connection:

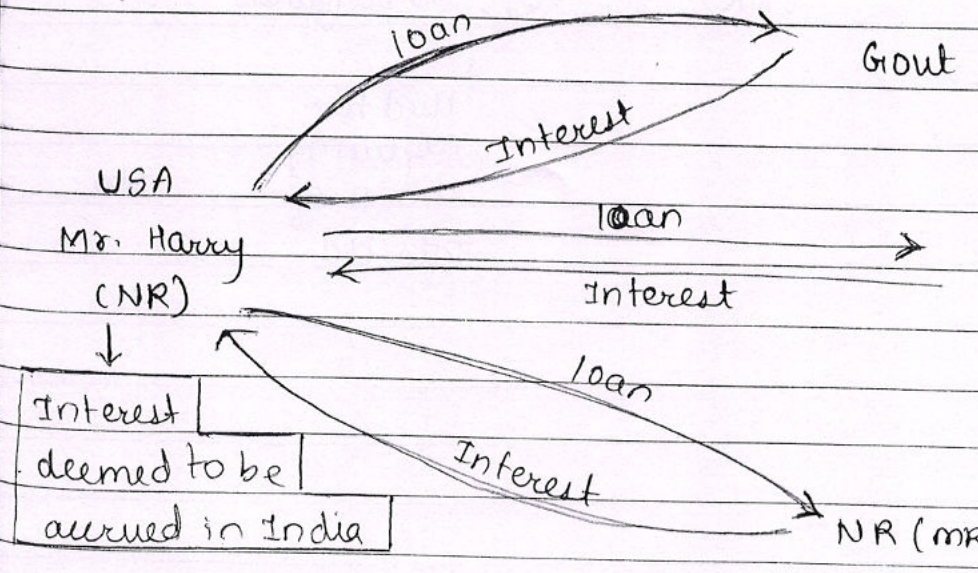
a) Purchase of goods in India for export.

b) Collection of news or views in India for transmission outside India.

c) Shooting of movie/film in India if such NR is individual, who is not a citizen of India [OR] firm which does not have any partner who is citizen of India or who is Resident of India. [OR] a company which does not have any shareholder who is citizen of India or resident of India.

d) Foreign company engaged in mining of diamonds, display ~~of~~ of uncut ~~unsorted~~ unassorted diamond in any special zone.

5) Sec 9(1)(v): Interest



Exception:
Money used in any business profession outside India o for earning any income from any source outside India then not treated as Accrued in India.

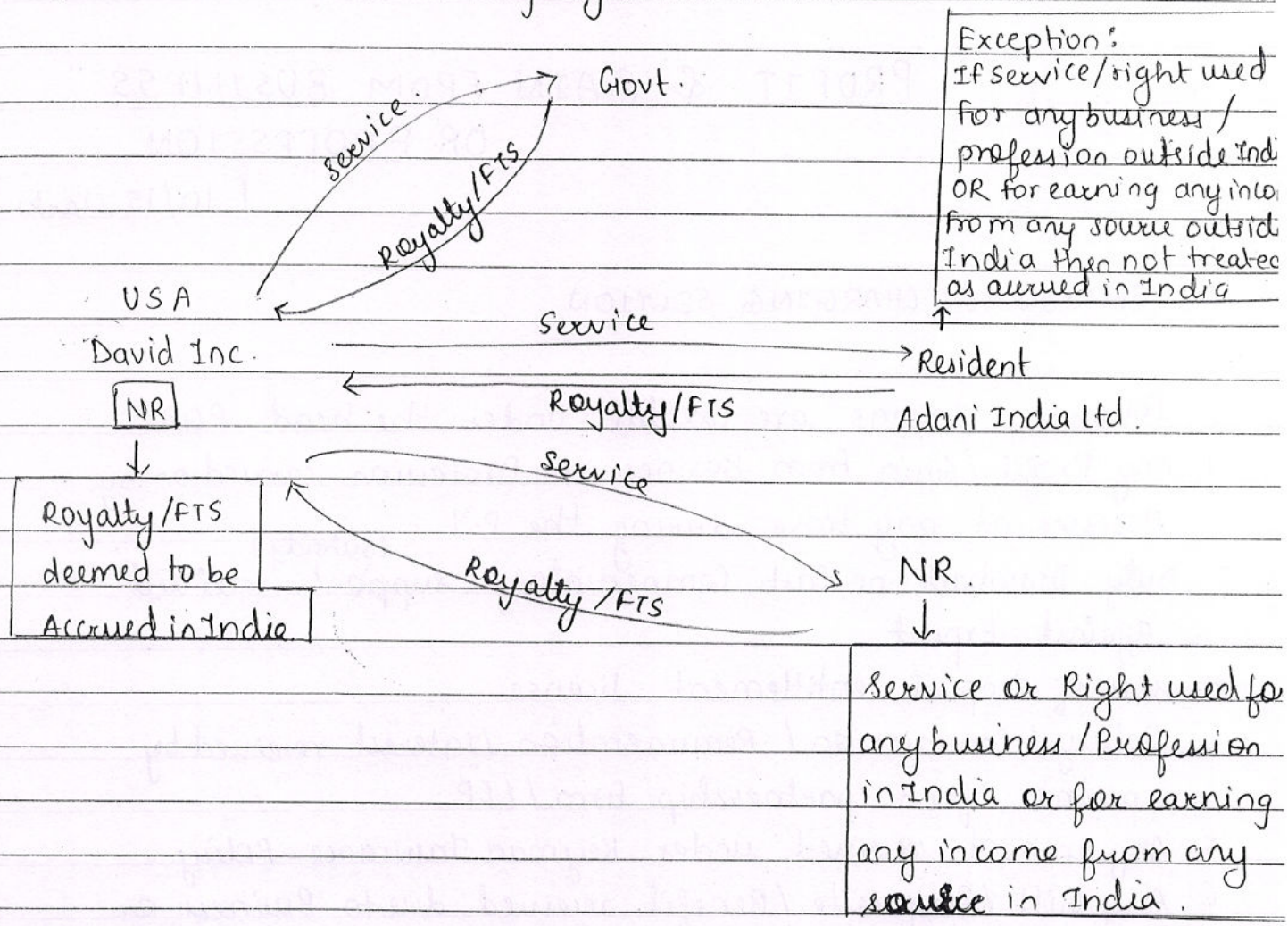
money used in any business or profession carried on by NR in India.

Example :

				Deemed to be Accrued in India
1) NR MR. Hary	loan →	MR. BB (Resident)	Money used → Business in Nepal	NO
			Money used → Business in Mumbai	YES
			Money used → Flat in Dubai	NO
			Money used → Shares of Tata Ltd.	YES

				Deemed to be accrued in India
2) MR. HARRY (NR) (USA)	loan →	MR. Sam Canada (NR)	used → Used for business in Russia	NO
			used → Used for business in Bangalore	YES
			used → Used for acquiring shares of Tata Ltd.	NO.

6) Sec 9(1)(vi)/(vii) : Royalty / Fees for technical service (FTS)



7) Sec 9(1)(viii) : Deemed accrual of gift made to a person outside India.

Gift of any money made by resident to :-

→ NR or foreign company on or after 5th July 2019 or

→ R but NOR on or after 1st April, 2023,

shall be ~~dem~~ deemed to be accrued or arise in India.

Both considered one in Income tax [Vocation - Earn by Skills
Profession - By Degree / Diploma

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~~Profit~~

PROFIT & GAIN FROM BUSINESS OR PROFESSION

[10/15 Marks]

SECTION 28: CHARGING SECTION

Following Income are taxable under the head PGBP

1. Any Profit / Gain from Business or Profession carried on by Assessee at any time during the P.Y.
2. Duty Drawback or Cash Compensatory (subsidy) support received against Export.
3. sale of Import entitlement license.
4. Salary / Commission / Remuneration / Interest received by partner from partnership firm / LLP.
5. Any amount received under Keyman Insurance Policy.
6. Any Gift / Perquisite / Benefit received due to Business or Profession.
7. Non Compete Fees (Not carrying out any Business or profession or not sharing any knowhow, patent, copyright, trademark etc.)
8. FMV of stock in trade converted into Capital Asset
9. Any compensation received on termination or modification of Business contract.

Local Tax → Rates → Municipal Taxes

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Page

SECTION 29 : HOW TO COMPUTE PGIBP ?

PGBP computed as per section 30 to 43 D

SECTION 30 : RENT, RATES, TAXES, INSURANCE & REPAIR OF BUILDING

	Rent	Rates & Taxes	Insurance	Revenue Repair (Current)	Capital Repair
Owner	Not Allowed	Allowed	Allowed	Allowed → Add to Cost of Asset	Not Allowed
Tenant	Allowed	Allowed	Allowed	Allowed → Add to Cost of Asset	Not Allowed

Section 31 : INSURANCE & REPAIR OF PLANT & MACHINERY / FURNITURE

	Rent	Insurance	Rev. Repair	Capital Repair
Owner	Not Allowed	Allowed	Allowed → Add to Cost of Asset.	Not Allowed
Tenant	Allowed (As per Sec. 37)	Allowed	Allowed → Add to Cost of Asset.	Not Allowed

Date
Page

Notes:

1. Expenses u/s 30 & 31 allowed only if asset used for Business or Profession purpose.
2. Capital Repair incurred by Tenant is treated as deemed building & Depreciation allowed to Tenant.

SECTION 32 : DEPRECIATION

a) Condition :-

Depreciation is allowed if 2 conditions are satisfied.

1) Asset should be Owned by Assessee (wholly or Partly)
2) Asset should be used for Business / Profession purpose (Active / Passive)

Note:-

1) Depreciation is allowed if Assessee is a beneficial owner.
2) In case of Hire Purchase, Assessee get ownership only after payment of last installment, but he can claim depreciation from beginning.
3) In case of Lease, depreciation is always claimed by Lessor.
4) Depreciation is allowed from the date on which the asset is actually put to use & not from ready to use.

Accounts → Dep → Ready to Use

Income Tax → Dep → Put to Use

No Dep. on Animals / Tea Bushes

PY 19-20 - Dep. on Goodwill

Date PY 20-21 - No Dep. on Dep.

Page

b) Class of Asset:

- Building
  Class I
  Anything which seems building
  If temple / mosque in factory → Building
  Road → Building
  Water wells
- Furniture
  Class II
  Anything which seems Furniture
  Table, Podium
  Fittings, Wiring
- Plant & Machinery
  Class III
- Intangible Asset (except Goodwill)
  Class IV

Notes:

1. Intangible Assets include knowHow, Patent, Copyright, trademark etc. but other than Goodwill of Business and Profession.

Depreciation on Goodwill is not allowed from PY 20-21.

2. Plant & Machinery includes ships, Aircrafts, vehicles, surgical equipments, Books used for Business & Profession but does not include livestock and tea bushes.

c) Method of Depreciation:

- Business of Power Generation
  OR
  Generation & Distribution of Power
  (Power Units)
  ↓
  SLM OR WDV
- Other Assessee
  ↓
  Always WDV method

~~Electric Device~~.

d) Rate of Depreciation (WDV Method)

Particulars	Rate
1. Building	
→ Residential Building (Dearmed building)	5%.
→ Other Building (Commercial)	10%.
→ Temporary Building	40%.
2. furniture	10%.
3. Intangible Assets	25%.
4. Plant & Machinery	
i) Motor vehicles	
a) Normally	15%.
Acquired & Put to use between 23/08/19 to 31/03/20	30%.
b) Running on Hire	30%.
Acquired & Put to use between 23/08/19 to 31/03/20	45%.
ii) Ships	20%.
iii) Air Craft	40%.
iv) Computer & Computer Software (Printer / Ipad)	40%.
v) Books	40%.
vi) Pollution Control Equipments	40%.
vii) Windmills & Equipments	
a) Installed before 01/04/14	15%.
b) Installed on or after 01/04/14	40%.
viii) Oil wells. (तेल का कुआं)	15%.
ix) Other Plant & Machinery	15%.
x) Electric vehicle (Renewable Energy devices)	40%.

e) System of Depreciation

- SLM method (Power units) → Individual Asset System (Same as Adv. A/c)
- WDV Method → Block of Assets

Block of Assets means Group of Assets having same rate of Depreciation is same class of Asset.

Example

1. Building @ 10%	: 5,00,000
2. furniture @ 10%	: 2,00,000
3. Patent @ 25%	: 30,000
4. Car @ 15%	: 2,00,000
5. Books @ 40%	: 40,000
6. P & L @ 15%	: 40,000
7. Computer @ 40%	: 60,000
8. Pollution Control equipment @ 40%	: 90,000
9. P & m @ 15%	: 50,000
10. P & m @ 15%	: 60,000

Soln: Block I : Building @ 10% : 5,00,000
Block II : furniture @ 10% : 2,00,000
Block III : Intangible Asset @ 25% : 30,000
Block IV : P & M @ 15% : 3,50,000
Block V : P & M @ 40% : 1,90,000

f) Calculation of Depreciation / WDV Method / Block of Asset system

	₹
Opening WDV of Block	XXX
Add: Actual Cost of Asset acquired during P.Y.	
→ Asset acquired & Put to Use 180 days or more	XX
→ Asset acquired & Put to Use less than 180 days	XX
→ Asset acquired but not Put to Use.	XX
	XX
Less: Sales Value (Money Received)	(XX)
WDV for Depreciation*	XX
Less: Depreciation Actually Allowed	(XX)
Closing WDV	XXX

WDV for Depreciation XXX

- Acquired but Not put to Use → No Depreciation
- Acquired & Put to use for less than 180 days → Half Rate
- Balance → full Rate

Leap Year – [Asset Put to Use Upto 4th October → Full Rate
5th October Owards → Half Rate.

Note:

1) If any asset acquired during PY. and put to use for less than 180 days in that previous year, then depreciation is allowed at half Rate.

2) For Non-Leap Year, Dates are 3rd & 4th October.

Example:

Opening WDV of Block : ₹10,00,000
Asset acquired & put to use on 30th Dec, 2013 = ₹4,00,000
Asset sold on 15th NOV. 2023 = ₹3,00,000.
Calculate Depreciation to be allowed. Assume Rate of depreciation 15%.

Soln:	Computation of Depreciation	₹
	Opening WDV of Block	10,00,000
	Add: Actual Cost of Asset acquired	
	Put to ~~use~~ use less than 180 days	4,00,000
		14,00,000
	Less: Money received (Sale Value)	(3,00,000)
	WDV for Depreciation.	11,00,000
	(–) Depreciation Actually Allowed	(1,35,000)
	Closing WDV	9,65,000

WDV for Dep. 11,00,000.

Put to use less than 180 days
4,00,000 × ~~7%~~ 7.5 %
= 30,000

Balance
7,00000 × 15 %
= 105000

Ex.2 : Suppose in above Ex., if sale value of asset is ₹12,50,000 instead of ₹3,00,000. Calculate Depreciation.

Computation of Depreciation	₹
Opening value of WDV of Block	10,00,000
Add: Actual Cost of Asset Acquired Put to use less than 180 days	4,00,000
	14,00,000
Less: Money received (Sale value)	(12,50,000)
WDV for Depreciation	1,50,000
(-) Depreciation actually allowed	(11,250)
Closing WDV	1,38,750

WDV for Depreciation 1,50,000

Put to use less than 180 days	Balance
1,50,000 x 7.5%	x
= 11,250	

Example :

Situation 1

MR BB

Assel Acquired 7,00000. Dep. Rate : 15%.

Acquired on 16/07/2023 Put to Use : 10/12/23

Dep. For PY 23-24 : 7,00,000 × 7·5% = 52,500.

Situation 2

Mr. BB.

Asset Acquired 7,00,000 Dep. Rate : 15%

Acquired on 16/07/2023 Put to Use : 10/12/24

Dep. For PY 23-24 : No Dep.

Dep. For PY 24-25 : 7,00,000 × 15% = 1,05,000

Q.3 (Page no. 54)

Mr. Dhaval PY 23-24 AY 24-25

Computation of Depreciation.

	P&M @ 40%	furniture @ 10%
Opening WDV of Block	–	–
Add: Actual Cost of Asset acquired		
Put to use 180 days or more	60,500	3,00,000
Put to use less than 180 days	51,500	~~3,00,000~~
	1,12,000	3,00,000
Less: Sale Value (Money received)	–	–
WDV for Depreciation	1,12,000	3,00,000
(-) Depreciation actually allowed	(34,500)	(30,000)
Closing WDV.	77,500	2,70,000

WDV for Depreciation 1,12,000.

↓ less than 180 days
51,500 x 20%
= 10,300

↓ Balance
60,500 x 40%
= 24,200

g) Additional Depreciation Sec 32(1)(iia)

1) Eligible Assessee :
Assessee engaged in Manufacturing business, power generation, power distribution, Power Transmission

2) Additional Depreciation @20% allowed on Plant & Machinery except
→ second-hand plant & machinery
→ plant & machinery installed in office or residential accodomations.
→ Ship, Aircraft, vehicles
→ Plant & Machinery on which 100% deduction allowed in a previous year in PGBP.

3) Additional Depreciation is allowed only in the first year in which asset was first put to use.

4) If Asset is put to use for less than 180 days then additional depreciation allowed @10% in current PY & balance 10% in next PY.

5) Additional Depreciation is allowed only if Assessee follows WDV method.

6) Forklift truck used inside the factory is not a vehicle, so eligible for additional depreciation.

7) Printing or Printing and Publishing business is treated as manufacturing.

Note:
Additional Depreciation is not allowed if Assessee opted Sec. 115BAC.

Q.1 (Page no. 54)

Mr. X PY 23-24 AY 24-25.

Computation of Depreciation & Additional Depreciation

	P & M @15%	P & M @40%
Opening WDV of Block	30,00,000	—
Add: Actual Cost of Asset Acquired		
Put to use 180 days or more	20,00,000	
Put to use less than 180 days	8,00,000	3,00,000
	58,00,000	3,00,000
Less: Sale Value (Money Received)	—	—
WDV for Depreciation	58,00,000	3,00,000
(-) Depreciation actuall allowed		(3,00,000 x 20%)
Normal Dep.	(8,10,000)	(60,000)
Additional Dep.	(4,80,000)	—
Closing WDV	45,10,000	2,40,000

WDV for Dep. 58,00,000

↓ less than 180 days
8,00,000 x 15%
= 60,000

↓ Balance
50,00,000 x 15%
= 7,50,000

★ Additional Dep = [(20,00,000 x 20%) + (8,00,000 x 10%)]

Ek ko 8000 cash in One day
Dusre ko 12000 cash in Same day
Asset of 200000 purchased on same day
paid by NEFT
COA 2,08,00

Date
Page

h) Actual Cost [Sec. 43(1)]

	₹
Cost of Asset (Purchase Price)	xxx
Add: → Installation expenses	xxx
→ Transportation expenses	xx
→ Trial Run expenses (Test Run)	xx
→ Taxes / Duties [If ITC not available]	xx
→ Interest on Loan [Upto the date of Asset put to use]	xx
	xx
Less: → Sale of Trial Run Product	(xx)
→ Govt. Grant for acquisition of Asset	(xx)
Actual Cost	xx

Note:

1) If any payment is made in relation to acquisition of Asset more than ₹10,000 by any mode other than Account payee cheque, DD, ECS to a single person in a single day, then such expenditure is not included in actual cost
2) If any building which was used for any other purpose, now brought into business

Actual Cost

Cost of Building	xxx
(-) Notional Dep. at Current Rate	(xxx)
Actual Cost	xxx

3) If Asset gifted ~~as~~ which was used previously for personal purpose then cost to previous owner without dep will be Actual Cost.

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Example :

Mr. BB purchased a building on 19th Dec, 2019 for ₹10 lakh. On 15/07/2023, he brought such building into business use. Calculate Actual Cost.

Soln :

Actual Cost	₹
Cost of Building	10,00,000
(-) National Dep. at Current Rate	
PY 19-20 @ 5%	(50,000)
20-21 @ 10%	(95,000)
21-22 @ 10%	(85,500)
22-23 @ 10%	(76,950)
Actual Cost	6,92,550

~~Note~~ :

→ Above provision is applicable only for building and not for any other Asset. so, if any other asset is brought into business, then actual cost shall be cost at which such asset were acquired.

Note

3) If any Asset acquired by way of gift / will

Actual cost = Cost to Previous owner − Depreciation actually allowed to previous owner.

4) If any ~~asset~~ stock in trade is converted into Capital Asset & such Capital Asset used in Business, then actual cost shall be FMV as on date of conversion.

5) 1 Cr. ka loss-making business 11 Cr. mai

6) A ⌒ B, C

Notional Dep. = Deemed Dep.

Ex: Lodha Builders.

Building SIT → Convert into Capital Asset 16/07/2023. FMV: 12,00,000 → 12,00,000 Added to Block ~~Ass~~ of Asset

Actual cost: 12,00,000

↓

Taxable under PGBP

5) If any asset acquired at higher value to claim depreciation on higher value, then actual cost of such asset shall be determined by Assessing (ITO) Officer with the prior approval of Joint Commissioner. ~~(ITO~~

6) If any Asset transferred by Assessee and after some time, reacquired the same asset by same Assessee then Actual cost shall be:

(i) WDV at the time of original transfer

(ii) ~~Re-Acq~~ Reacquisition cost

7) If Any asset is acquired from any person and leased back to same person, then actual cost shall be WDV of seller.

8) If any asset acquired by Non-Resident outside India and that asset is brought into India and used for business or profession purpose, then actual cost shall be.

Actual Cost	₹
Actual Cost	xxx
(−) Dep. Calculated as if Asset was used in India from date of acquisition	(xxx)
	xxx

Q.30 (Page no. 76)

Lights & Powers Ltd. PY 23-24 AY 24-25

Computation of Depreciation

	P & M @ 40%	P & M @ 15%
Opening Value of WDV of Block	–	5,78,000
Add: Actual Cost of Assets Acquired		
Put to use less than 180 days		5,25,000
Put to use for 180 or more days	2,50,000	11,00,000
	2,50,000	22,03,000
Less: Sale Value (Money received)	–	(3,10,000)
WDV for Depreciation	2,50,000	18,93,000
(–) Depreciation actually allowed		
Normal Dep.	(1,00,000)	(2,46,575)
Additional Dep.	(50,000)	(92,500)
Closing WDV	1,00,000	14,55,925

WDV for Dep. 2,50,000

↓ 180 days or more.

2,50,000 * 40%

= 1,00,000

↓ Balance (X)

* Additional Dep. = (2,50,000 × 20%) = 50,000

Dep. chargeable only when Asset ✓ WDV ✓

When Depreciable Asset is sold then CG and always STCG.

If remaining 3 assets sold in Sitn 3 then entire CG

Date
Page

WDV for Dep. 18,93,000

Put to use less than 180 days.
5,25,000 × 7.5%
= 39375.

Balance
13,68,000 × 15%
= 2,05,200

* Additional Dep. = (3,25,000 × 10%) + (8,00,000 × 20%)
= 32,500 + 1,60,000
= ~~2,42,500~~ 1,92,500

i) Sec 50: Sale of Asset / WDV method / Block of Asset

Block can be Nil
Never Negative.

	Full Block Transfer				Part Block Transfer			
	SP: 11,30,000 ←		SP: 6,90,000 ↖		SP: 8,70,000 ↑		SP: 5,50,000 ↑	
Particular	₹	No.	₹	No.	₹	No.	₹	No.
Opening WDV	6,00,000	5	6,00,000	5	6,00,000	5	6,00,000	5
(+) Actual cost	2,00,000	2	2,00,000	2	2,00,000	2	2,00,000	2
	8,00,000	7	8,00,000	7	8,00,000	7	8,00,000	7
(−) Sale value	*8,00,000	7	6,90,000	7	*8,00,000	4	5,50,000	4
	—	—	1,10,000	—	—	3	2,50,000	3
	Asset ×		Asset ×		Asset ✓		Asset ✓	
	WDV ×		WDV ✓		WDV ×		WDV ✓	
	Dep ×		Dep ×		Dep ×		Dep ✓	
	CG ✓		CG ✓		CG ✓		CG ×	
	↓		↓		↘			

Capital Gain	₹	CG	₹	CG	₹
FVOC	11,30,000	FVOC	6,90,000	FVOC	8,70,000
(−) COA (Op. WDV + Pur)	(8,00,000)	(−) COA	(8,00,000)	(−) COA	(8,00,000)
STCG	3,30,000	STCL	1,10,000	STCG.	70,000

Accounting Profit & Income tax ka profit alag alag hai ↳ Not Real.

1989 se pehle → Depreciation Optional tha
Ab MANDATORY HAI.

DEPRECIATION MANDATORY HAI

Date
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i) Sale of Asset / SLM Method / Individual Asset System / Power Unit.

Cost : 100

Dep @ 10% ~~sum~~ SLM

3rd Year Asset sold

SP a) 72

b) 89

c) 117

	₹
Cost	100
(–) 1st Year Dep.	10
WDV	90
(–) 2nd Year Dep	10
WDV	80

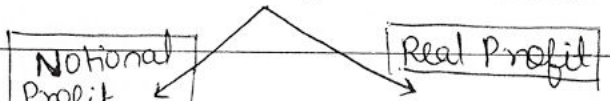
	₹
a) SP	72
(–) WDV	80
	(8)

Terminal Dep. Allowed Dr. to P & L A/c

	₹
b) SP	89
(–) WDV	80
	9

Balancing charge Taxable under PGBP U/S 41(2) P & L Cr. side.

	₹
c) SP	117
WDV	80
	37



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Balancing charge taxable under PGBP

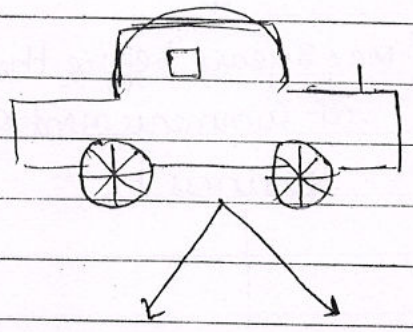
17 (SP > Cost)

STCG U/S 51A

k) Asset Partly used in Business :

If Asset not exclusively used for business, then proportional expenditure towards business is only allowed.

MR. Atharv.



60 %
Business use

40 %
Personal Purpose

	₹
Opening WDV	4,00,000
(+) Pur.	—
(−) Sale.	—
	4,00,000
(−) Dep. allowed	36,000
Closing WDV.	3,64,000

Dep. : 4,00,000 × 15 % = 60,000.

60 %
36,000
Allowed

40 %
24,000
Disallowed

SECTION 35 : SCIENTIFIC RESEARCH.

Part A: Inhouse Research (Research for Assessee's Business)

- Research during the course of Business
  - Revenue 35(1)(i) expenses
    - Perquisite hota to bhi milta
    - 100% Deduction
  - Capital 35(1)(iv) expenses
    - Land → No ded^n
    - Other Capital expenses → 100% Ded^n
- Research before commencement of business
  - [Max 3 years before the date of Commencement of Business]
    - 35(1)(i) Revenue expenses
      - Other Revenue expenses → No Ded^n
      - – Material
      - – Salary (exclude Perquisite) → 100% Ded^n
    - 35(1)(iv) Capital expenses.
      - Land → NO ded^n
      - Other Capital expenses → 100% Ded^n

Part B : Donation / Contribution to Outsiders.

To Approved
RAHUL - Research Association
I - Institute
C - College
U - University

- 35(1)(ii) Scientific Research → 100% Ded^n
- Social & 35(1)(iii) Statistical Research → 100% Ded^n

35(1)(iia) To Approved Indian Company engaged in R&D
Scientific Research → 100% Ded^n

35(2AA) To IIT National Laboratory
Scientific Research → 100% Ded^n

Note :

1) Depreciation is not allowed if Deduction u/s 35 is claimed.
2) If land & Building is purchased together, then cost of land & building shall be bifurcated and deduction not allowed in case of cost of land.
3) The deduction shall not be denied if approval of institution is withdrawn after payment by Assessee
4) If Assessee opted 115BAC, then deduction given in Part B (Donation) above, not allowed.

Q.5 (Page no. 55.)

Mr. Praveen Kumar

A] If Assessee opted default tax Regime u/s 115 BAC.

Cal^n OF Deduction u/s 35.

S.NO.	Particulars	section	Amt. Spent/ Donation.	Deduction Amount
1.	Payment to K Research Ltd.	35(1)(iia)	20,00,000	Not Available as Assessee opted 115BAC
2.	Payment to LMN College	35(1)(ii)	15,00,000	
3.	Payment to OPQ College	–	10,00,000	
4.	Payment to National Laboratory	35(2AA)	8,00,000	
5.	Machinery purchased	35(1)(iv)	25,00,000	25,00,000
6.	Salary to Research staff.	35(1)(i)	12,00,000	12,00,000
			Total ded^n u/s 35	37,00,000

B] If Assessee opted out from 115BAC

Calⁿ of Deduction U/S 35

S.NO.	Particulars	Section	Amt. Spent/ Donation	Deduction Amount.
1.	Payment to K Research Ltd.	35(1)(iia)	20,00,000	20,00,000
2.	Payment to LMN College	35(1)(ii)	15,00,000	15,00,000
3.	Payment to OPQ College	–	10,00,000	–
4.	Payment to National Laboratory	35(2AA)	8,00,000	8,00,000
5.	Machinery purchased	35(1)(iv)	25,00,000	25,00,000
6.	Salary to Research Staff	35(1)(i)	12,00,000	12,00,000
			Tax Deduction U/S 35.	80,00,000

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Q.6 (Page no. 55) Mr. A

A] Mr. A Paying tax under default tax regime u/s 115BAC

Computation of deduction u/s 35 for AY 24-25.

Particulars	₹	Section	Allowability	Amount of Deduction (₹)
Payment for Scientific Research.				
1) Indian Institute of Science, Bangalore	1,00,000	35(1)(ii)	Not allowable under default tax regime	Nil
2) IIT, Delhi	2,50,000	35(2AA)		Nil
3) X Ltd.	4,00,000	35(1)(iia)		Nil
Expenditure incurred on in-house research and development facility				
1) Revenue expenditure	3,00,000	35(1)(i)	Allowable under default tax regime	3,00,000
2) Capital expenditure (excluding cost of acquisition of land ₹5,00,000	2,50,000	35(1)(iv) read with 35(2)(ia)		2,50,000
Deduction allowable u/s 35.				5,50,000

B] Mr. A has exercised option of Shifting out from 115BAC

Computation of deduction sec. 35 for AY 24-25.

Particulars	₹	Section	% of deduction	Amount of deduction (₹
Payment for Scientific Research				
1) Indian institute of Science	1,00,000	35(1)(ii)	100%	1,00,000
2) IIT, Delhi	2,50,000	35(2AA)	100%	2,50,000
3) X Ltd.	4,00,000	35(1)(iiq)	100%	4,00,000
Expenditure incurred on in-house research and development facility				
1) Revenue expenditure	3,00,000	35(1)(i)	100%	3,00,000
2) Capital expenditure (excluding cost of acquisition of land ₹5,00,000)	2,50,000	35(1)(iv) read with 35(2)(ia)	100%	2,50,000
Deduction allowable u/s 35.				13,00,000

Agr. debentureholders ko pay krne ke liye shares issue kiye vo preliminary exp. nhi hai as no expenditure in business

Date
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SEC 35D : PRELIMINARY EXPENSES

1) Preliminary Expenses means —
   a) Preparation of feasibility Study Report./Project Report.
   b) Market survey.
   c) Drafting and Printing of MOA/AOA
   d) Engineering Service
   e) Legal Charges.
   f) Expenses on Public issue of Shares and Debentures.

2) Preliminary Expenses are allowed only to RESIDENT person who incurrs such expenses before commencement of business or after commencement for extension or for setting up a new unit.

3) Limit

Indian Company		Other Resident Assessee.	
(i) Eligible Preliminary Exp.	xxx	i) Eligible Preliminary expenses	xxx
(ii) COP / CE x 5%	xxx	ii) COP x 5%	xxx

COP : Cost OF Project
CE : Capital Employed

→ It is allowed in 5 equal Installments

* Because Co. & Co. Society ka every year compulsory audit hota hi hai

Date
Page

→ Cost of Project = Amt. invested in fixed assets of new project or extension or new unit as per books of accounts on the last date of previous year.

→ Capital Employed = Share Capital + Debenture + Long term borrowing for new project or for extension or new unit.
(Reserves & surplus is not covered in Capital employed)

4) Audit is mandatory for the year in which ~~is~~ expenses are incurred (other than company and cooperative society) *

Q.10 (Page no.57) First flight Ltd.

Calculation of deduction admissible u/s 35D for AY 24-25.

	₹
i) Eligible Preliminary expense	
a) Preparation of project Report	4,00,000
b) Market Survey	3,00,000
c) Legal & Other charges	2,00,000
Total	9,00,000
ii) COP/CE × 5%.	
Capital Employed = 35,00,000 × 5%	1,75,000
Cost of Project = 30,00,000	
Deduction admissible (whichever is lower)	1,75,000
Deduction admissible in AY 24-25 $\left(1,75,000 \times \frac{1}{5}\right)$ 35,000 per year from PY 23-24	35,000

Q.4 (Page no.55)

Mr. Gamma	
Computation of Depreciation	₹ (in Crores)
Total Cost of Plant & Machinery	120
(-) Machinery acquired for Scientific Research (100% ded^{n} allowed u/s 35(1)(ii))	15
	105
(-) Depreciation actually allowed	
Normal Depreciation	(15.75)
Additional Depreciation	(17.00)
Closing WDV.	72.25

WDV for Dep. $105 \times 15\% = 15.75$ Cr.

Second Hand Machinery	Balance
↓ 20 Cr.	85 Cr.
No Additional Dep.	$85 \times 20\% = 17$ Cr.

∴ Total Depreciation allowed = 17 + 15.75
= 32.75 Cr.

Note:

1) Machinery purchased for Scientific Research shall not be depreciation as 100% deduction is allowed U/s 35(iv).
2) Since, Mr. Gramma opted out of default tax regime, he is eligible for Additional depreciation since he is engaged in the business of manufacturing.
Only ~~machi~~ second hand machinery, additional depreciation cannot be claimed.

Cross country means across/within whole country

VRS - Voluntary Retirement Scheme

Date
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SEC 35 DDA : EXPENDITURE ON VRS COMPENSATION

→ This deduction is allowed to all Assessee

→ Deduction allowed in 5 equal installment.

Note for Sec 35D ~~AND~~ AND 35DAA

→ If there is Amalgamation or demerger, then remaining deduction is allowed to Amalgamated Company or Resulting Company

SEC 35AD : SPECIFIED BUSINESSES

NO.	Business	Commencement on or after.
	Under this section deduction @ 100% allowed for capital expenses and this section is optional for Assessee.	
1.	setting up & Operating a Cold Chain Facility	01/04/2009
2.	setting up & Operating a warehousing facility for agri. Produce	01/04/2009
3.	Laying & Operating cross country pipeline for distribution of petroleum, oil, natural gas	Nat. Gas 01/04/07 Petro. 01/04/09
4.	Building & Operating a Hotel of 2 star or above	01/04/2010
5.	Building & Operating a Hospital with min. 100 patient beds	01/04/2010
6.	Developing & Building a Housing Project under Slum Development scheme	01/04/2010
7.	Developing & Building a Housing Project under affordable housing scheme	01/04/2011

No.	Business	Commencement On or after
8.	Production of fertilisers in India	01/04/2011
9.	Setting up & Operating inland container depot or container freight station	01/04/2012
10.	Beekeeping and production of bee's Honey & Wax	01/04/2012
11.	Setting up & Operating a warehousing faility for Sugar	01/04/2012
12.	Laying & Operating a ~~warehou~~ slurry pipeline for transportation of Iron Ore	01/04/2014
13.	Setting up & Operating a Semi-Conductor wafer fabrication manufacturing unit	01/04/2014
14.	Developing or maintaining and operating or developing, maintaining and operating a New Infrastructure facility	01/04/2017

Notes And Conditions:

1) Above business should be new, It should not be Split up or Reconstruction of Existing business.
2) Plant & Machinery required should be new, except:
   a) 20% of Total Plant & Machinery can be 2nd hand
   b) Imported 2nd hand Plant & Machinery, treated as new only for this section.
3) Under this section 100% deduction is allowed for all Capital Expenditure. except:
   a) Land

Financial instrument → Coal/Oil ka business ke liye ONGIC ke shares purchase krke padta to uspe dedn nhi milega

b) Goodwill

c) financial instrument

4) Deduction is allowed only if more than ₹10,000 in single day to single person paid by account payee cheque or account payee demand draft or electronic clearing system

5) Depreciation is not allowed if deduction is claimed under this section.

6) Expenditure incurred before commencement of business is allowed as deduction in the year in which business is commenced.

7) Losses from specified business can be set off only against profit from specified business & remaining losses can be carried forward for an unlimited period.

8) If any asset is sold (on which deduction claimed under section 35AD), then selling price of such asset is taxable under PGBP.

9) In case of hotel, Operation is transferred to any other person, then also deduction is allowed u/s 35AD. - Baaki business khud ko chalana padega

10) Petroleum & Natural Gas Pipeline business and New Infrastructure Business should be owned by Indian Company or group of Indian Company & it should be approved from prescribed authority.

11) New Infrastructure facility means Road, Toll Road, Bridge, Rail System, Highway Project, Water Supply Project, Water Treatment system, Irrigation system, Sanitation System, solid waste management, port or Airport.

12) Deduction under this section not available if Assessee opted 115BAC.

Q.7 (Page no. 56)

Mr. A — PY 23-24 AY 24-25.

Computation of PGBP (Specified Business)

	Warehousing facility for food grains	Warehousing facility for Sugar.
Net Profit before deduction u/s 35AD (A)	16,00,000	14,00,000
(–) Deduction u/s 35AD		
Building	30,00,000 (80-50)	20,00,000 (60-40)
(+) Extension of Building	20,00,000	15,00,000
	50,00,000	35,00,000
x Deduction @ 100%	100%	100%
Total Deduction u/s 35AD (B)	50,00,000	35,00,000
PGBP (A-B)	34,00,000	21,00,000

PGBP of Warehousing Business of Edible Oil.

		₹
Net Profit		31,00,000
(–) Depreciation as per Sec. 32		
Building (50-30)	20,00,000	
(+) Extension	10,00,000	
	30,00,000	
~~Deduction~~ Depreciation allowed @ 10%		3,00,000
	PGBP.	28,00,000

Note

1) Loss from specified business of ₹55,00,000 cannot be set off against profit from warehousing facility of edible oil. (Non-Specified business). So it will be carried forward.

Note:

1) Loss of Specified Business can be set off against income ~~fro~~ of any other specified business irrespective of whether the latter is eligible for deduction u/s 35AD.

~~If Any Asset~~

If Any Asset acquired for Specified Business should not be transferred to Non-Specified Business within 8 years from year of Acquisition.

If it is transferred within 8 years, then following shall be taxable under PGBP.
↓
the head.

	₹
Amt. of deduction claimed u/s 35AD earlier	xxx
Less: Depreciation allowable if Sec 35AD not ~~ex~~ there	(xxx)
PGBP	xx

for Non-Specified business, following shall be added to block of asset (Actual cost)

	₹
Cost of Asset	xx
Less: Depreciation allowable if such asset used for Non-specified business from acquisition	(xx)
Actual Cost	xx

Q.9 (Page no. 57)

Mr. Arnav PY 23-24 AY 24-25

Computation of PGBP

	₹
Deduction claimed u/s 35AD	50,00,000
Less: Dep. allowable if Sec 35AD not there in PY (22-23) [50,00,000 × 10%]	(5,00,000)
PGBP.	45,00,000

* If Non-Specified Business (Actual Cost)

	₹
Cost of Asset	50,00,000
(-) Dep. allowable if Asset used for Non-specified business from its acquisition PY 22-23. (50,00,000 × 10%)	(5,00,000)
Actual Cost [Add to Block of Assets]	45,00,000

Note:

If Asset transferred to Non-Specified ~~business~~ after 8 years or Asset acquired under gift, Amalgamation, Demerger & previous owner already claimed deduction u/s 35AD, then actual cost of such Asset is nil

ost)

Section 36 : Certain Deduction u/s 36(1)

1. Insurance Premium for Stock in Trade → Allowed

2. Health Insurance Premium for employees → It is allowed if premium paid by any mode other than cash.

3. Bonus and commission to Employees → Allowed
As per Sec 43B it is allowed only if it is actually paid upto due date of return filing.

4. Employer Contribution

→ Statutory Provident fund (SPF)
→ Recognised Provident fund (RPF)
→ Approved Gratuity fund (AGF)
→ Approved Super Annuation (ASF)
→ Any other fund as per law
↓
Allowed
(As per sec 43B, it is allowed only if it is Actually paid upto due date of Return filing)

URPF
UAGF
UASF
↓
Not Allowed

5. Employer Contribution to Pension scheme u/s 80CCD
(New Pension Scheme / National Pension Scheme / CG Pension Scheme)

Deduction Allowed

i) Actual Contribution	XXX
ii) 10% of Salary [Basic + DA(T)]	XXX
	XXX

As per Sec 43B it is Allowed only if it is Actually paid upto due date of Return filing.

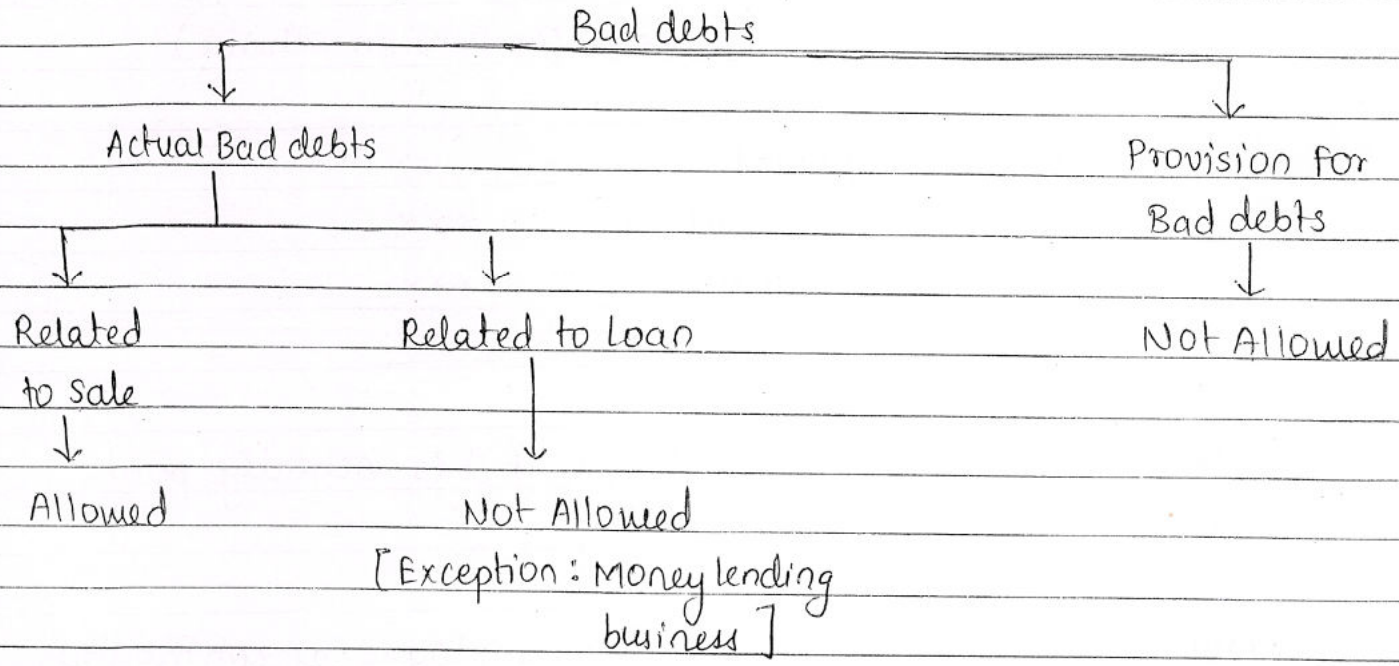
6. Any Sum received by employer from employee as contribution to PF, Super Annuation, ESI etc. has to be deposited by employer upto due date of such fund otherwise it will be treated as PGBP income of employer.

Note: ~~If~~ PF due date is 15th of next month

7. Animals used in Business (Other than SIT)
Deduction is allowed in the year in which such animal died or become permanent useless.

Amt of Deduction = Cost of Animal − Scrap value.

8. Bad debts Sec. 36 (1) (vii)



Notes:

1) There is no need to prove that debt is bad
2) for Claiming bad debts, Assessee should write off Debtors

Section 41(4) Recovery of Bad debts

If deduction of bad debts is already allowed, then recovery of bad debts will be taxable in the year in which it is recovered even if the Assessee not doing the same business.

Note: Recovery is taxable only if Assessee who claimed bad debts and recovered is same.

Kyuki 1,90,000 pr already tax pay kiya hai to additional 1,60,000 pr hi bhanna padega

Date
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PY 19-20 Sales to Aarti 5,00,000 → Bad debts

↓ ↓

Allowed by AO 3,10,000 | Disallowed 1,90,000

* Recovery in PY 23-24 = 3,50,000

Taxable Amt. ?

Taxable Amt. = Recovery − Disallowed earlier

= 3,50,000 − 1,90,000

= 1,60,000

9. Interest on Loan

↓ ↓

Loan for Business or Profession Purpose → Loan for personal purpose → Not Allowed

↓ ↓

Loan from Scheduled Bank (Include Co-operative Bank), Public financial institution, State financial corp., State Industrial Investment Corp., NBFC → Allowed

(As per sec 43B it is allowed only if it is actually paid upto due date of Return Filing.)

Loan from others → Paid / O/s → Allowed

10. Discount on zero Coupon Bonds.

It is allowed as deduction on pro-rata basis over the life of bonds (Calender month)

Ex: Reliance Industries Ltd. 1,00,000 zero coupon bonds @ ₹80 on 01/11/2023. FV of Bond = ₹100. Zero coupon bonds are redeemable after 12 months. Calculate discount allowed in PY 23-24.

Total Discount = ₹20,00,000.
Monthly Discount = ₹1,66,667
Discount allowed in PY 23-24 = ₹1,66,667 x 5 months
= ₹8,33,335.

11. family planning expenditure of employees

Deduction allowed to Company

- Revenue Expenditure → 100% Deduction
- Capital Expenditure → 5 equal installment deduction

12. Security transaction tax (STT), commodity transaction tax (CTT)

It is allowed as deduction if Assessee engaged in shares / commodity trading business.

SEC 37: GENERAL DEDUCTION

Any expenditure not covered u/s 30 to 36 shall be allowed as deduction u/s 37 if following conditions are satisfied:

1. Expenditure should be wholly and exclusively for business or professional purpose.
2. Expenditure should be Revenue in nature.
3. Expenditure should be legal.

Note:
Following expenditure are treated as illegal and not allowed
a) for any purpose which is an offence or prohibited by any law in India or outside India.
b) To provide any benefit / perquisite to any person and aueptance of such benefit by such person is a violation of any law, rule, regulation, guidelines.
c) To compound an offence under any law.

Examples

1) Salary

a) Salary to Employee	Allowed
b) Salary to Working Partner	Allowed
c) Salary to Sleeping Partner	Not Allowed
d) Salary to Director	Allowed

2) Advertisement — Allowed

Note:

IF Advertisement in the newspaper, pamphlets, brochure of any political party → then not ~~at~~ allowed.

3) Taxes

	Taxes	Interest	Penalty
Direct Tax (I.T.)	Not Allowed	Not Allowed	Not Allowed
Indirect Tax (GST)	Allowed	Allowed	Not Allowed

As per sec 43B, it is allowed only if it is actually paid upto due date of Return filing

Note

Penalty for Breach of law : Not Allowed.

Penalty for Breach of Contract : Allowed

4)	Diwali Puja Expenses / New Office Opening Expenses	Allowed
5)	Gift to Employee / Customer	Allowed
6)	Premium paid for Keyman insurance ~~premium~~ policy	Allowed
7)	Free Samples / free bees provided by Pharma Company to Doctors	Not Allowed as it is Illegal
8)	Corporate social Responsibility expenditure (CSR expenditure)	Not Allowed
9)	Other Expenses	

Telephone expenses
Printing & Stationary
Electricity expenses
Audit fees
Sundry expenses etc

} Allowed if it is incurred for Business / Professional purpose.

Baaki agr next ya uske baad ke saal mai TDS govt. ko diya to us year mai deduction milega ya year mai jana karaya.

Date
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***

SEC 40: AMOUNT SPECIALLY NOT ALLOWED / NOT DISALLOWED

Sec 40(a)(i): Payment made to Non-Resident or Foreign Company

Amount paid/credited to NR/Foreign company shall be disallowed (100%) if:

a) TDS not deducted in P.Y [OR]

b) TDS ~~dic~~ deducted in P.Y but not paid to Govt. upto due date of return filing.

Sec 40(a)(ia): Payment made to Resident

Amount paid/credited to Resident shall be 30% disallowed if:-

a) TDS not Deducted in P.Y [OR]

b) TDS deducted but not paid to govt. upto due date of return filing.

Note:

i) IF TDS deducted in subsequent year or deducted in previous year but deposited to Govt. after due date of return filing then such sum (100% or 30%) shall be allowed in PY in ~~with~~ which such TDS has paid to Govt.

Exceptions of Above sections

IF any amount paid / credited and TDS not deducted, but payee —

a) taken into account such amount in total income
b) [and] has paid the taxes to government on total income
c) [and] file his return of income
d) and payer has furnished report from CA (form No. 26A)

then ~~wat~~ whatever amount (30% or 100%) disallowed earlier shall be allowed in P.Y in which payee furnishes his Return of Income.

Ex :- BB Virtuals paid ₹15 Lakhs on 15/07/2023 as professional fees to Mr. Keswani without deducting TDS. Mr. Keswani considered this amount in his income. He paid taxes to government. He filed his return of income on 19/09/2024. BB Virtuals obtained a certificate from a CA.

Sol^n :- ₹4,50,000 expenses disallowed in PY 23-24.
₹4,50,000 expenses allowed in PY 24-25 (year in which ~~Keshav~~ Mr. Keswani file his Return of income)

Sec 40(a)(iii) : TDS on salary payment outside India or to a NR.

Any salary paid outside India or to NR in India and if:

a) TDS not deducted OR

b) TDS deducted in PY but not paid to govt. upto due date of TDS payment

then such salary shall be disallowed.

Note:

1) If TDS deposited late even by 1 day, then also salary not allowed.

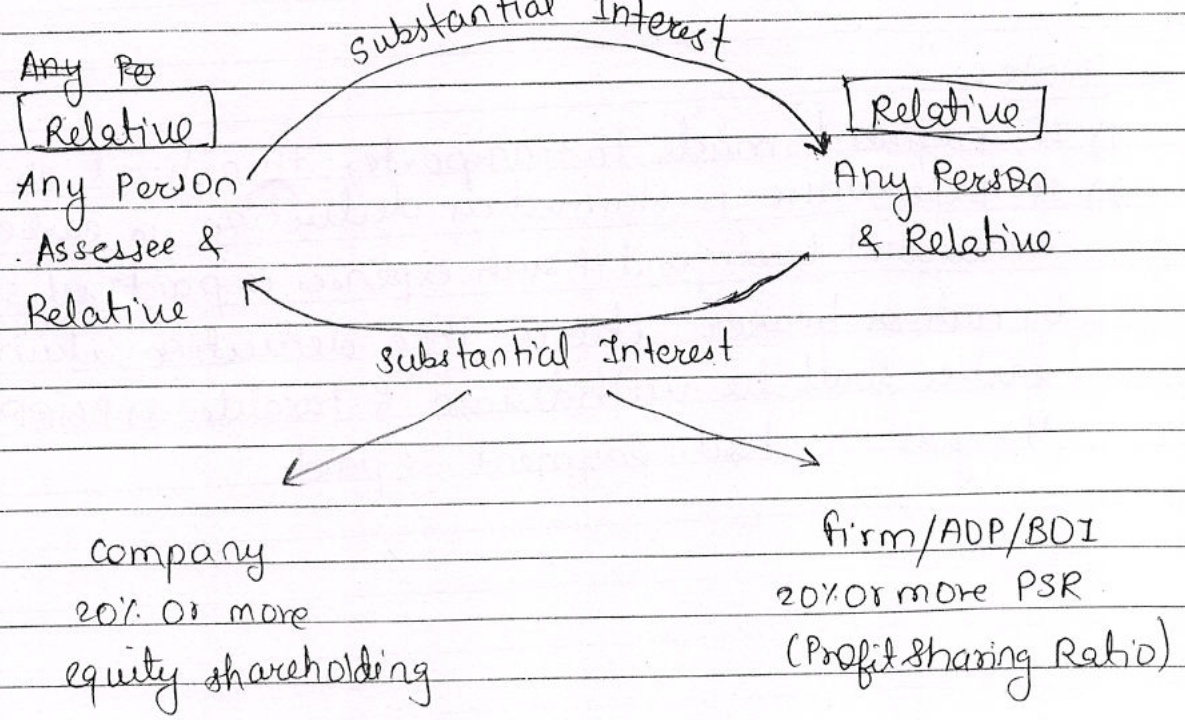
Sec 40(a)(v) : Tax on Non-monetary perquisite.

If any tax on Non-monetary perquisite ~~on~~ of employee is paid by employer from own pocket, then such tax not allowed to employer.

Sec 40A(2): Payment to Relative (Specified Person)

If any payment made to Relative, then A.O. can disallow excessive or ~~dis~~ unreasonable amount

Assessee	Relative
1) Individual	S, M, F, B, S, LA, LD
2) HUF / AOP / BOI	Members & their relatives
~~3) Partnership firm & LLP~~	Partners & their relatives
3) Partnership firm & LLP	Directors & their relatives
4) Company	
5)	



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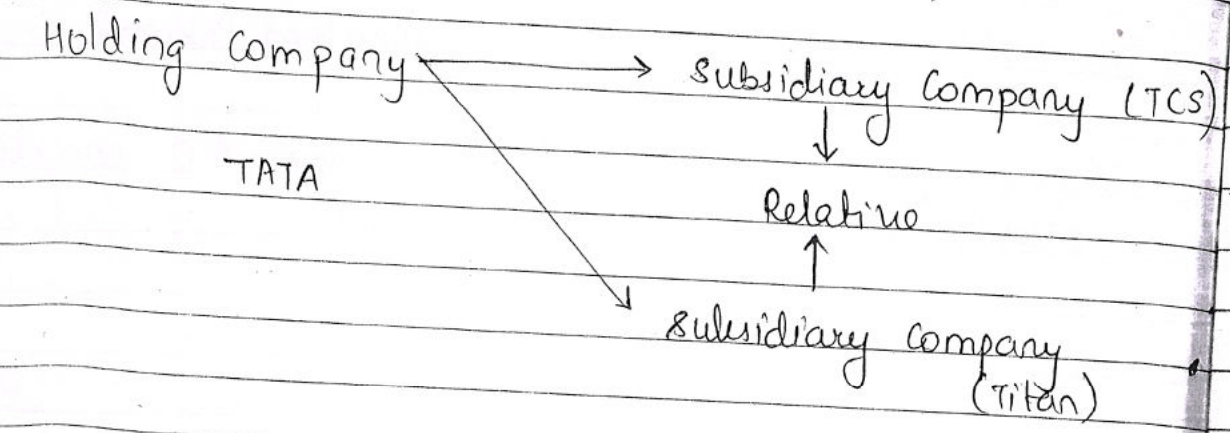

Sec 40A(3) : Cash Payment more than ₹10,000 to a single person in a single day

IF Assessee makes payment for any expenditure to single person in a single day more than ₹10,000 by any mode other than account payee cheque, account payee demand draft or ECS, then such expenditure ~~₹~~ shall be disallowed.

Note :

1) If payment made to transporter then limit is ₹35,000.
2) If Expenditure is claimed as deduction in earlier year on accrual basis, and if such expenses is paid ~~sd~~ subsequently by cash or bearer cheque then deduction claimed earlier shall be withdrawn & taxable as PGBP in the year in which payment is paid

Exception of Sec. 40A(3) [Rule 6DD]

In following cases, cash payment is allowed

1) Payment made to Government, Bank, RBI, LIC
2) Payment to Producer of Agriculture product, fish product, forest product, poultry product, livestock.
3) Payment by Book entry (Adjustment)
4) Payment of Retirement Benefit upto ₹50,000.
5) Payment made where Bank faility not available.
6) Salary payment to employee who is posted at any other place or ship for 15 days or more & there banking faility is not available.
7) Payment made by Authorised dealer or money changer for purchase of foreign currency.
8) Payment made to Agent who is required to make payment in Cash for goods or services on behalf of Assessee.
9) Payment for product manufactured without aid of power in Cottage industry

Sec. 40A(7): Provision for Gratuity

DISALLOWED

Note: 1) Only payment of actual gratuity or contribution to approved ~~actual~~ gratuity fund shall be allowed.

SEC 43B: EXPENSES ALLOWED ON PAYMENT BASIS

Following expenses are allowed only if it is actually paid upto due date of return filing as per Sec. 139(1):

1) Any tax, Duties, Cess, fees (IDT)
2) Bonus & Commission to Employee
3) Employer's Contribution towards SPF, RPF, ASF, AGF, New Pension Scheme, any fund as per law.
4) Leave Salary (Encashment of unutilised leave)
5) Interest on loan taken from Scheduled Bank (Including Co-operative Bank), Public Financial Institution, State Financial Corporate, NBFC, State Industrial Investment Corporation.
6) Any sum payable to Indian Railway for use of Railway Asset.

Note:

1) If above payment is made after due date then expenditure is allowed in the year in which actual payment is made
2) If Interest payable is converted into loan/debenture, then it is not treated as actual payment
3) Interest shall be allowable as deduction in the year in which such installments are paid.

Suppose in Above example 1, there is no agreement about the time of payment — in this case, due date of payment is 17th March, 2024.

Present Case, all payment is made after due date, so expenditure allowed on payment basis is ₹2,00,000 allowed in PY 23-24 and remaining payment of ₹13,00,000 will be allowed in PY 24-25.

HOW TO SOLVE PGBP Questions ?

Direct Method
(Receipt & Payment A/c Given)

PGBP	₹
Income as per Sec. 28/41	XXX
less: Sec 30	(X)
31	(X)
32	(X)
35	(X)
35 D	(X)
35 DDA	(X)
35 AD	(X)
36	(X)
37	(X)
PGBP	XX

Indirect Method
(Profits & Loss A/c given)

PGBP	₹
Net Profit as per P & L A/c	XXX
Add: Disallowed / Items considered separately	XXX
less: Allowed / Items considered separately	(XXX)
PGBP	XXX

Q. 28 Page no. 74.

Mr. Raju PY 23-24 AY 24-25

Computation of Total Income / Net taxable income

Particulars	Amt. (₹)	Amt. (₹)
Income from House Property (SOP)	—	
Net Annual Value		
(-) Deduction u/s 24		
a) 30% of Std. deduction	-	
b) Interest on Loan.	(23,000)	(23,000)
Profit and Gain from Business or Profession		
Net Profit as per P & L A/c	~~5,00,0~~	5,00,000
Add: Disallowed / Items considered separately		
i) SGST Penalty	5,000	
ii) Dep. as per Books of A/c	2,00,000	
iii) Commission to Brothers (Note 2)	10,000	
iv) Interest on Bank Loan (Note 3)	40,000	2,55,000
		7,55,000
less: Allowed / Items Consider separately		
i) Divided	(15,000)	
ii) Agriculture Income	(1,80,000)	
iii) Dep. as per Sec. 32 of I.T. Act (Note-1)	(2,23,500)	
iv) Salary paid to staff (4000 x 12m)	(48,000)	(4,66,500)
PGIBP		2,88,500

Particulars	Amt. (₹)	Amt. (₹)
Income from Other Sources		
Dividend from Domestic Co.	15,000	
Agriculture Income	1,80,000	
(-) Exempt U/S 10(1)	1,80,000	15,000
Gross Total income (GTI)		2,80,500
Less: Deduction U/C VI-A.		
80C Principal repayment of Housing Loan.		(50,000)
Total Income / Net taxable Income		2,30,500

Note:- 1) **Calculation of Dep.**

	₹.
WDV as on 31/03/23.	1,40,0000
(-) Dep. allowed for PY 22-23	(210,000)
Opening WDV.	11,90,000
Add: Actual Cost of Asset Acquired	
→ Put to used 180 days or more.	2,00,000
→ Put to use less than 180 days	2,00,000
	15,90,000
Less: Dep. allowed actually	(2,23,500)
Closing WDV.	13,66,500

WDV for Dep. 15,90,000

less than 180 days.

200,000 × 7.5% = 15,000 → 2,23,500

Balance

13,90,000 × 15% → 2,08,500

Date
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Note 2: As per Sec 40A(2), any payment made to relative shall be disallowed to the extent unreasonable.
In the present case, commission to Brother is unreasonable so ₹10,000 disallowed.

Note 3: As per Sec. 43(B), Interest on loan taken from bank is allowed as deduction only if interest is actually paid upto due date of return filing
In the present case, Interest of ₹40,000 paid in Nov. 2024 is not allowed as deduction in PY 23-24.

Note 4: As per Sec. 40A(3), any payment of expenditure of more than ₹10,000 in a single day to a single person shall be disallowed if it is paid by any mode other than amount payee cheque, demand draft or ECS
If payment is made to ~~transfor~~ transporter, then the limit is ₹35,000
In the present question ₹33,000 paid in Cash is fully allowed.

Note 5: Salary of ₹4000 p.m. paid to staff has not been recorded in Books of A/c due to genuine mistake so it will allowed as deduction.

Q.26 (Page no. 72)

Mr. Sivam — PY 23-24 AY 24-25

Computation of income from Business & Profession.

Particulars	₹	₹
Net Profit as per P & L A/c		
Add: Disallowed / Items Considered Separately		
i) Short term Capital loss on sale of Shares	8,100	
ii) Depreciation as per P & L A/c	1,05,000	
iii) Closing stock Omitted	18,000	
iv) Salary to Brother Unreasonable (Note 2)	2,000	
v) Printing & Stationery expenses (Note 3)	23,200	
vi) Donation to Public Charitable Trust	2,000	1,58,300
Less: Allowed / ~~In~~ Items Considered Separately		
i) Income from UTI	2,400	
ii) Depreciation as per Income Tax Act (Note-1)	66,000	
iii) Opening stock Omitted	9,000	77,400
PGBP		1,30,900

Note 1 : Cal^{n} Of Dep. as per Sec. 32

	₹
Opening WDV of Block	42,0000
Add: Actual cost of Asset acquired	70,000
Less: Sales value (money received)	(50,000)
WDV for Dep.	4,40,000
(-) Dep. Actually allowed (4,40,000 x 15%)	(66,000)
	3,74,000

Note 2 : As per Sec. 40A(2), any payment made to relative shall be disallowed to the extent unreasonable
In the present case, salary to brother of ₹2000 shall be disallowed

Note 3 : As per Sec ~~40A(iii)~~ 40A(3), any expenditure paid to a single person in a single day more than ₹10,000 by way of cash shall be disallowed.
In the present case, expenditure of printing & stationery of ₹23,200 shall be disallowed

Note 4 : As per Sec. 43(B), GST is allowed as deduction if it is actually paid upto date of return filing.
In the present question, GST is paid in the previous year itself, so it is allowed as deduction in current Year.

SEC 41 : DEEMED PGBP

Sec 41(1) : Recovery against any deduction already claimed

If Assessee claimed any expenditure or loss or trading liability & subsequently assessee got ~~recovered~~ refund or remission or liability seize to exist, then such refund or remission shall be taxable under PGBP.

Example : 1) GST refund,
2) Waiver of electricity bill
3) Stock destroyed by fire and insurance compensation is received.

* Note:
Waiver of Working Capital Loan (Principal Amt), then Sec 41(1) is applicable and taxable under the head PGBP.
(NOT other loans)

Sec 41(2) : Balancing Charge

Already Covered with Depreciation

Sec 41(3) : Sale of Scientific Research Asset

a) Taxable Amt. PGBP 41(3)

i)	SP	xxx
ii)	Deduction u/s 35	xxx

b) SP > Cost = Capital Gain Applicable.

Sale after use in the Business

i) Add to Block of Assets by NIL Value

ii) Sale – Sec 50 Apply. (Part Block/full Block)

Sec 41(4) : Bad debts Recovery

Already Covered with Sec 36

~~Sec 43CA~~

Sec 43A : Asset acquired from foreign

If any asset acquired from outside India through foreign Currency Loan or foreign supplies Credit, any loss or gain at the time of Actual Payment shall be adjusted with Block of Asset.

Ex:- BB Ltd. acquired a Plant & Machinery for $ 1,00,000 on 16/07/23 on Credit. Payment of $ 50,000 made on 19/02/2024 and remaining $ 50000 on 15/07/2024. Calculate Depreciation for P.Y. 23-24 and PY 24-25.

Exchange Rate	$	₹
16/07/2023	1	60
19/02/2023	1	72
15/07/2024	1	57

Soln:-

Calculation of Depreciation for PY 23-24 AY 24-25

Opening WDV of Block	—
Add: Actual Cost of Asset. ($100,000 x 60)	60,00,000
Add: Loss due to Sec. 43A (5,0000 x 12(72-66))	6,00,000
	66,00,000
(-) Sale Value	—
WDV for Depreciation	66,00,000
(-) Depreciation Actually allowed (6600,000 x 15%)	(9,90,000)
Closing WDV.	56,10,000

GAIN → LESS
PROFIT → Add.

Date
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Calculation of Depreciation for PY 24-25.

Opening WDV.	56,10,000
Less: Gain due to Sec. 43A [50,000 × 3 (60-57)]	(1,50,000)
	54,60,000
(-) Sale value	-
	54,60,000
(-) Depreciation (@ 54,60,000 × 15%)	(8,19,000)
Closing WDV.	46,41,000

Sec 44AA : Compulsory maintainence of Books of Accounts

* PART A : Specified Profession

In this case, Assessee is required to maintain specified books, if gross receipt is more than 1,50,000 in all three years preceeding P.Y (likely to more than 1,50,000 in case of new profession) otherwise assessee is required to maintain normal books of account from which AO can complete the assessment.

M - Medical
A - Accoutancy, ~~Arti~~ Architectural
L - Legal
E - Engineering
F - film artist
I - Interior Decorator & IT Professional
T - Technical Consultancy
Co. - company Secretary.

Other - Authorised Representative.

Specified books means -
→ Cash Book
→ Journal
→ ledger
→ Carbon Copy of Bill more than ₹25.
→ Original bill of expenditure more than ₹50.
→ In case of Medical profession, daily case register and stock register has to be maintained.

Next year banani hai ki nhi uske liye separate dekhenge

Date
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PART B : Other Assessee (Business)

In this case, in any of the last 3 P.Y. PGBP more than ₹1,20,000* or Turnover more than 10,00,000* (Likely to more in case of new business), then assessee is required to maintain Normal books of amounts from which AO can complete the Assessment. In other cases Assessee not required to maintain ~~to~~ normal books of amount.

*In Case of Individual / HUF

PGBP > 2,50,000.

and

T/O > 25,00,000.

As per Sec 270A, if assessee fails to maintain books of amounts then penalty of ₹25,000 may attract.

Audit wala
ka return filing
date 31st Oct. data hai

Sec 44 AB : Compulsory Audit of Books of Account (Tax Audit)

1) In Case of Business, Audit is compulsory if Turnover is more than ₹ 1 Crore

Note: Turnover limit is ₹10 Crore if :

i) *Cash Receipts out of total receipts is upto 5% in P.Y. [AND]

ii) *Cash Payment out of total payment is upto 5% in PY

* : Cross Cheque or Bearer cheque is treated as Cash.

2) In Case of Profession, Audit is required if Gross Receipt of Profession is more than ₹50 Lakhs.

3) Audit can be done only by a CA holding COP.

4) Due date of Audit is 1 month before the due date of Return filing.
(30th September of Assessment Year)

5) If Assessee fails to get account audited ~~u/s 271B is~~ then penalty u/s 271B is applicable.

↓ i) 0.5% OF T/O / GR

↓ 2) 1,50,000

whichever is lower

Always take GVW & if not available, ULW

3 din bhi agr of month use kiya hai tobhi pure month ka lagega

Sirf truck (empty) weight → Unladden weight.

Agr saaman truck + Date harne Page saaman 124 ke baad Gross vehicle weight

Presumptive Taxation

** Sec : 44 AE : Presumptive Taxation for Transporters.

If Assessee is engaged in the business of plying, hiring, leasing of goods carriages vehicles (transporter), then PGBP shall be :

a) *Heavy Goods Vehicle = ₹1,000 per ton of Gross vehicle weight or unladen weight as the case may be for every month or part of months.

b) Other Vehicle = ₹7,500 for every vehicle for every month or part of month

* Gross Vehicle weight is more than 12 tons / 12000 kgs.

Notes :

1) This section is applicable if the assessee own maximum 10 vehicles.

2) If Assessee own more than 10 vehicles at any time during the P.Y., then this section is not applicable.

2) Income calculated even when vehicle not put to use.

* 3) If Gross Vehicle weight not available, then assessee can consider Unladen weight.

4) Assessee can declare higher income in his return of income

5) Assessee opting this section then assessee is not required to maintain books of account & get it audited.

However, if Assessee declare lower income, then he is required to

maintain books of account & get it audited.

6) Deduction u/s 30 to 37, not allowed [Assume it is deemed to be already allowed]

7) Partner Remuneration and Interest u/s 40(b) allowed against income computed under this section.

Q.19 (Page no. 63)

Mr. X

PY 23-24 AY 24-25

Computation of PGBP

S.NO.	Vehicles	Acquired date	Calculation	Income
1.	2	10/4/23.	7500 x 2 vehicles x 12 months	1,80,000
2.	1	15/03/24	7500 x 1 x 1 months	7,500
3.	3	16/07/23	7500 x 3 x 9 months.	2,02,500
4.	1	02/01/2024	7500 x 1 x 3 months	22,500
5.	2	29/08/23	15000 x 2 x 8 months	2,40,000
6.	1	23/02/24	15000 x 1 x 2 months	30,000
			PGBP	6,82,500

2) Not Applicable to Profession also.

Date
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Note: NO, Ans. will not change as income is computed for the months in which vehicle was owen by assessee.

SEC 44AD: PRESUMPTIVE TAXATION FOR BUSINESS

1) Eligible Assessee: Resident Individual
Resident HUF
Resident Firm (exclude LLP)

2) This section is applicable only in case of Business. other than Agency Busines, Commission & Brokerage, 44AE business

3) This Section is applicable only if Turnover / Gross Receipt of such ~~recei~~ business ~~is~~ is upto ₹2 Crore.

Note:
If amount received during PY in cash does not exceed 5% of total turnover of such PY, then limit of turnover is ₹3 crore instead of ₹2 crore. (~~Cash~~ Amt. received by bearer cheque or crossed cheque is treated as Cash)

4) As per this section,

$$PGIBP = T/O \,/\, GR \times 8\% \,/\, 6\%^{*}$$

* If turnover realised by Account payee cheque or Account Payee DD or ECS upto due date of Return filing.

5) Assessee can declare income higher than 8% / 6%. If Assessee declare income as per this section or higher then he is not required to maintain books of accounts & get it audited.

6) If Assessee declare income less than 8% / 6% and his Net taxable income (NTI) is more than basic exemption, then he is required to maintain books of account & get it audited.

7) If Assessee declared income in any PY as per Sec. 44AD and he does not declare as per Sec. 44AD, in any of the 5 consecutive PY, then he shall be not eligible to claim benefit of Sec. 44AD for 5 years subsequent to the year in which assessee didnot declare income as per Sec. 44AD.

Sec 44ADA: PRESUMPTIVE TAXATION FOR PROFESSIONALS

1) Eligible Assessee: Resident Individual
Resident Firm (excluding LLP)

2) This section is applicable only in case of Profession having Gross Receipt upto ₹50,00,000.

Note:

If Amount received during PY in Cash does not exceed 5% of the Gross Receipt of such PY, then limit of ₹75,00,000 apply instead of ₹50,00,000.

3) PGBP = Gross Receipt × 50%.

4) Assessee can declare higher income.

5) If Assessee ~~tax~~ declare lower income & his net taxable income is more than basic exemption, then he is required to maintain books of accounts & get it audited.

Common Points for Sec. 44AD & Sec. 44ADA

1) Deduction u/s 30 to 37 not allowed.
2) Partner Remuneration & interest not allowed to firm

SEC 40(b) : REMUERATION & INTEREST TO PARTNER BY PARTNESHIP FIRM / LLP

40(b)

Interest and Remuneration paid by firm / LLP to partner allowed if ~~Following~~ Following conditions are satisfied :

1) Remuneration paid to only working partner
2) Remuneration & interest should be authorised by deed.
3) Remuneration & interest should relate ~~per~~ to period falling after the date of partnership deed. It means it ~~mean~~ should not be retrospective.
4) Interest on Partner's Capital & loan allowed maximum 12% p.a. simple interest.
5) Remuneration allowed on Book Profit Basis.

BOOK PROFIT

(PGBP just before Remuneration)

Upto 3,00,000

BP x 90% xxx

OR

1,50,000 xxx

xxx

Balance Book Profit x 60% xxx

xxx → Allowable Max. Remuneration

Calculation of Book Profit

	₹
Net Profit as per PGBP	xxx
Add: Remuneration (If Dr. to P&L)	xxx
	xxx
Less: C.Y. Dep. + Unabsorbed Dep.	(xxx)
Book Profit	xxx

Disallowed – P & L Dr. (X) – Firm ne tax bhara.
Allowed – P & L Dr. (✓).

Date
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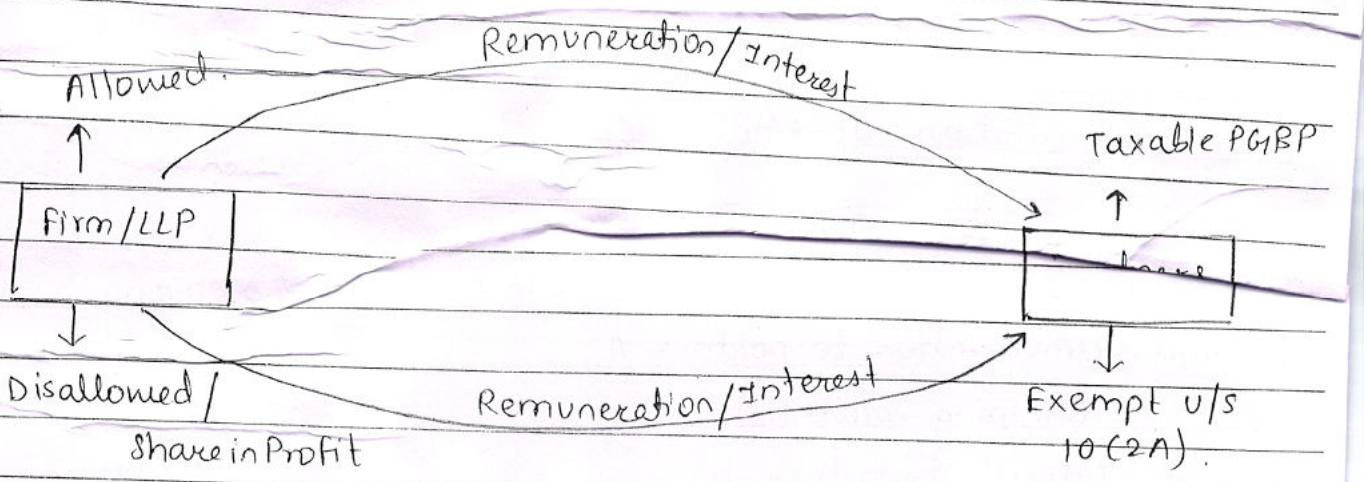

Q.15 (Page no. 60)

Firm — PY 23-24 AY 24-25.

Computation of PGBP.

	₹
Net Profit as per Profit & Loss A/c	2,00,000
Add: i) Remuneration to partner A (sleeping partner)	60,000
~~18~~	
2) Interest to partner D	18,000
$\left(\frac{36,000}{150,000} \times 100\right) = 24\%$	
12% Disallowed.	
	2,78,000
Add: ~~Remuneration~~ to B & C	1,70,000
Book Profit	4,48,000

Book Profit. 4,48,000

Upto 3,00,000.	₹	
BP x 90% OR (3,00,000 x 90%)	2,70,000	1,48,000 x 60%
150000	1,50,000	= 8,88,000
	2,70,000	

Max allowable Remuneration 3,58,800.

5.

Book Profit 4,48,000.

less : Remuneration as per 40(b)

i) Actual Remuneration 1,70,000

ii) Allowable max. 3,58,000 (1,70,000)

PGBP. 2,78,000.

Computation of PGBP of Partners.

Particulars.	A	B	C	D
i) Remuneration	—	80,000	90,000	—
ii) Interest	—	—	—	18,000
	—	80,000	90,000	18,000

Q.14 (Page no. 60)

Computation of PGBP	₹
Net Profit as per P & L A/c	7,00,000
Less: Depreciation as per Sec. 32	(1,50,000)
Interest on partner's Capital. (5,00,000 × 12%)	(60,000)
Book Profit	4,90,000.
Less: Remuneration to partners	
i) Actual Remuneration. (20,000 × 12 m × 2 partners)	4,80,000.
ii) Allowable as per Sec. 40(b)	3,84,000 (3,84,000)
PGBP.	1,06,000.

Book Profit : 4,90,000

Upto 3,00,000

3,00,000 × 90%. 270,000

OR

1,50,000

= 2,70,000

Bal. Book Profit.

1,90,000 × 60%.

= 1,14,000.

Max Allowable Remuneration.

3,84,000.

Partner	Interest Received on	Sec. 40(b) limit
1) Individual Capacity	Individual Capacity	Sec. 40(b) applicable (max 12% interest)
2) Individual Capacity	Representative Capacity	Sec. 40(b) not applicabl full interest Allowed
3) Representative Capacity	Representative Capacity	Sec. 40(b) applicable (max 12% interest)
4) Representative Capacity	Individual Capacity	Sec. 40(b) not applicabl Full interest allowed.

Q.31 (Page no. 78)

Dr. Arjun.

PY 23-24 AY 24-25

Calculation of Depreciation

	₹
Opening WDV of Block	—
Add: Actual Cost of Asset acquired.	19,20,000
less: Sales Value	—
WDV for Depreciation	19,20,000
less: Depreciation actually allowed.	(2,16,000)
Closing WDV	17,04,000

WDV for Depreciation 19,20,000

Put to use less than 180 days (✗)

Balance.

19,20,000 × 15% × 75%

2,16,000

Dr. Arjun. PY 24-25 AY 25-26

Calculation of Depreciation ₹

Opening WDV of Block.	17,04,000
Add: Actual Cost of Asset Acquired.	–
Less: Sale Value	–
WDV for Depreciation	17,04,000
Less: Depreciation Actually allowed	(1,91,700)
Closing WDV	15,12,300

WDV for Depreciation 17,04,000

Use for less than 180 days (×)

Balance.
17,04,000 × 15% × 75%
= 1,91,700

Note:

1) Since the car was used for personal purpose & its usage was 25%, hence only 75% depreciation is allowed under PGBP.

Q 32. (Page no. 78)

Mr. Yogesh PY 23-24 AY 24-25.

Computation of PGBP.

S.NO.	Vehicles	Aquired date	Calculation	Income.
A	1	02/06/22.	7500 x 12 months.	90,000
B	1	15/05/22.	1,000 x 15 x 12 months.	1,80,000
C	1	04/08/22	7500 x 12 months.	90,000
D	1	20/04/23	7500 x 12 months	90,000
E	1	15/05/2023	1,000 x 14 x 11 months.	1,54,000
			PGBP.	6,04,000

Speculative Business - Promises / Future Contracts without actual delivery

Date
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SEC 145(1) : METHOD OF ACCOUNTING

For computing PGBP and IFOS, Assessee can follow Cash or Accrual System of Accounting.

SPECULATIVE BUSINESS

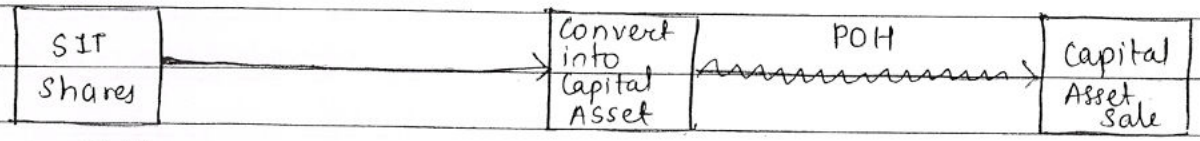
It means transaction in which contract for sale or purchase ultimately settled by otherwise then actual delivery

Following transaction not treated as speculative :
1) Hedging Contract
2) Forward Contract
3) Derivatives (future Options)

Note :
1) Speculative business and normal business are treated as Separate business

CONVESION OF STOCK IN TRADE INTO CAPITAL ASSET

BB Ltd. engaged in trading (share trading)



PY 18-19
Cost = 20 Lakhs

PY 22-23
FMV - 30 Lakhs

PY 23-24
SP = 45,00,000.

10,00,000
PGBP
Taxable PY 22-23.

Capital Gain	PY 23-24 AY 24-25
FVOC	45,00,000
(-) COA (FMV)	(30,00,000)
STCG	15,00,000

Date
Page 135

CLUBBING OF INCOME

Income of Other Person included in Income of Assessee (4 to 6 Marks)

Section 64(1A): Income of Minor Child.

Income of Minor Child taxable in hands of Parents, whose income is more before clubbing minor's income.

Exceptions:
In the following cases, income of minor is taxable in hands of minor only.
1) Income due to manual work.
2) Income due to skill and talent
3) Minor Suffering from Disability.

Notes:
1) If Minor's income is included in hands of parents then exemption under sec 10(32) of ₹1500 p.a. per child is allowed to parents
If Assessee opted 115BAC, then this exemption not available

2) In case of Divorce, income of minor is taxable in hands of parents who maintains the minor child.
3) Once Minor's income is clubbed in hands of one parent then in subsequent year also, income will be clubbed in hands of same parent however AO. may change.
4) Child include step child and legally adopted child.
5) Clubbing provision is applicable in case of Minor Married daughter also.

SEC 64(1)(iv) : ASSET TRANSFER TO SPOUSE

If any individual transfer any asset to his/her spouse without consideration or for low consideration, then income from such asset is received by spouse but tax on such ~~or~~ income is paid by transferor.

Note :
1) Above provision is applicable only if relationship of husband & wife should exist at the time of transfer of asset as well as at the time of generating the income.
2) The Above provision is not applicable if asset transferred in connection of live apart
3) If any house property is transferred to spouse then transferor is treated as deemed owner & section 27 is applicable & not section 64.

SEC 64(1)(vi) : ASSET TRANSFERRED TO SON'S WIFE.

IF any individual transfer any asset to son's wife without consideration or inadequate consideration, then income from such asset is received by son's wife but tax is paid by transferor. (father in law / mother in law)

Note:

1) The above provision is applicable only if relationship of Mother / father-in-law & daughter-in-law exist at the time of transfer of asset as well as at the time of generating the income.

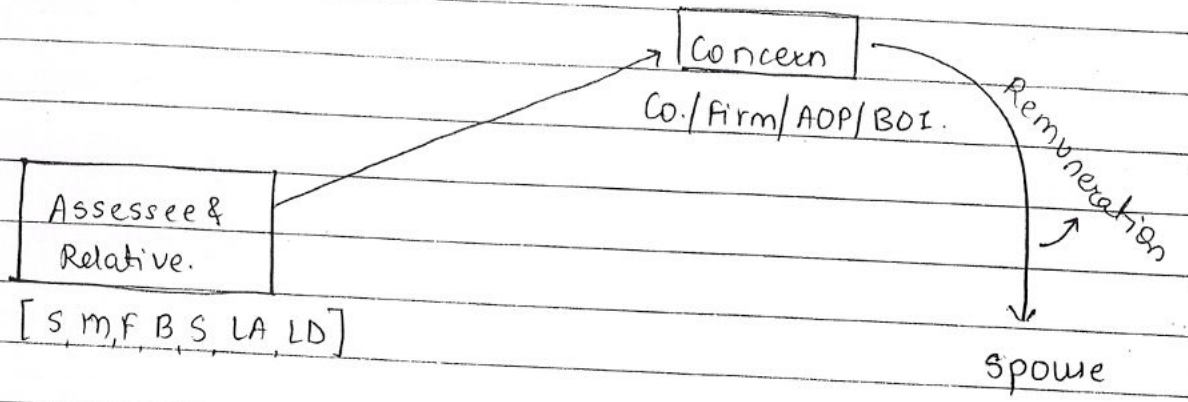
SEC 64(1)(vii) / (viii) : ASSET TRASFERRED TO ANY PERSON FOR THE BENEFIT OF SPOUSE OR SON'S WIFE.

IF Individual transfer any asset to any person without consideration / low consideration for the benefit of Spouse or Son's wife, then income from such asset is received by other person (transferee) but tax on such income is paid by transferor.

SEC (1)(ii) : INCOME OF SPOUSE FROM CONCERN WHERE ASSESSE HAS SUBSTANTIAL INTEREST

Income of Spouse is taxable in the hands of Assessee if the following conditions are satisfied :

1) Income should be in the nature of salary, commission, bonus (remuneration).
2) Such Remuneration should be received from a concern where Assessee is having substantial interest.



Substantial Interest.

- Company → 20% or more equity share holding
- Firm / AOP / BOI → 20% or more PSR.

Exception

If Remuneration is received by spouse due to technical or professional qualification and such remuneration is attributed to such qualification, then above provision not applicable.

Note :

1) Where both husband & wife have substantial interest & both are received remuneration and both are not having any professional, technical qualification, then remuneration shall be clubbed in the hands of that spouse whose total income other than remuneration is higher.
In this case, in subsequent years also, remuneration clubbed in that persons hand only. however AO may change.

SEC 60 : INCOME TRANSFERRED WITHOUT TRANSFER OF ASSET.

If an individual transfer income without transfer of Asset, then such income is taxable in hands of transferor.

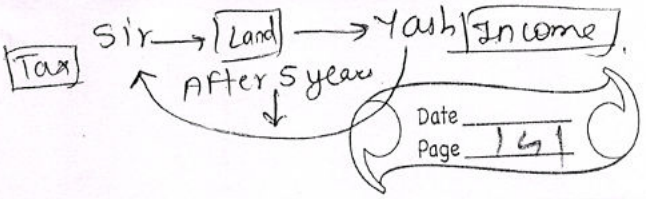
Q.5 (Page no. 112)

Mr. A — PY 23-24 AY 24-25.

Computation of Income to be clubbed	₹
Income of two minor daughters (2000 x 2)	4,000
Less: Exemption u/s 10(32) (1500x2)	(3,000)
	1,000.
Income of Minor son.	1,200.
Less: Exemption u/s 10(32)	(1,200)
	—
Income to be clubbed in hands of Mr. A.	1,000

Mrs. A — PY 23-24 AY 24-25

Computation of Income to be clubbed	₹
Gross Annual Value (10,000 x 12)	1,20,000
Less: Municipal taxes paid	—
Net Annual value	1,20,000.
Less: Deduction u/s 24	
i) 30% standard deduction	(36,000)
Gross total income	84,000



SEC 61: REVOCABLE TRANSFER

In case of revocable transfer, income is received by transferee but tax is paid by transferor.

Exception:
If transfer is revoked after the death of transferee or beneficiary, then above provision is not applicable.

SEC 64 (2): ASSET TRANSFERRED TO HUF.

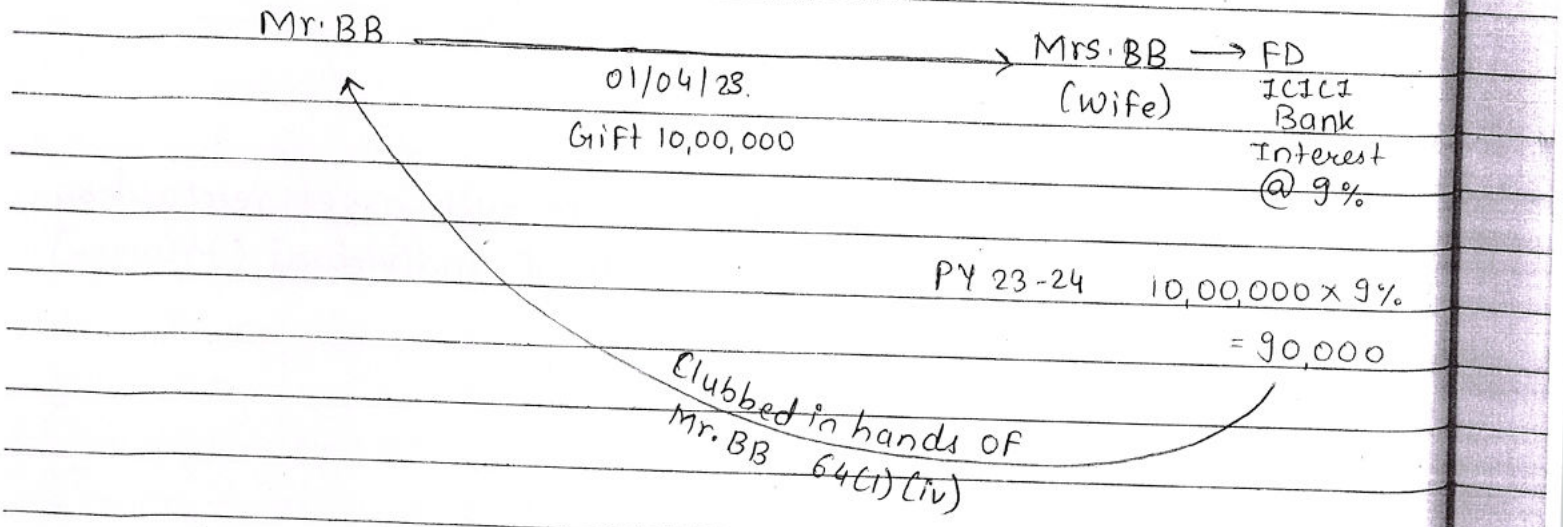
IF any individual transfer any asset to his HUF without consideration or low consideration, then income from such asset is received by HUF but tax on such income is paid by transferor.

25

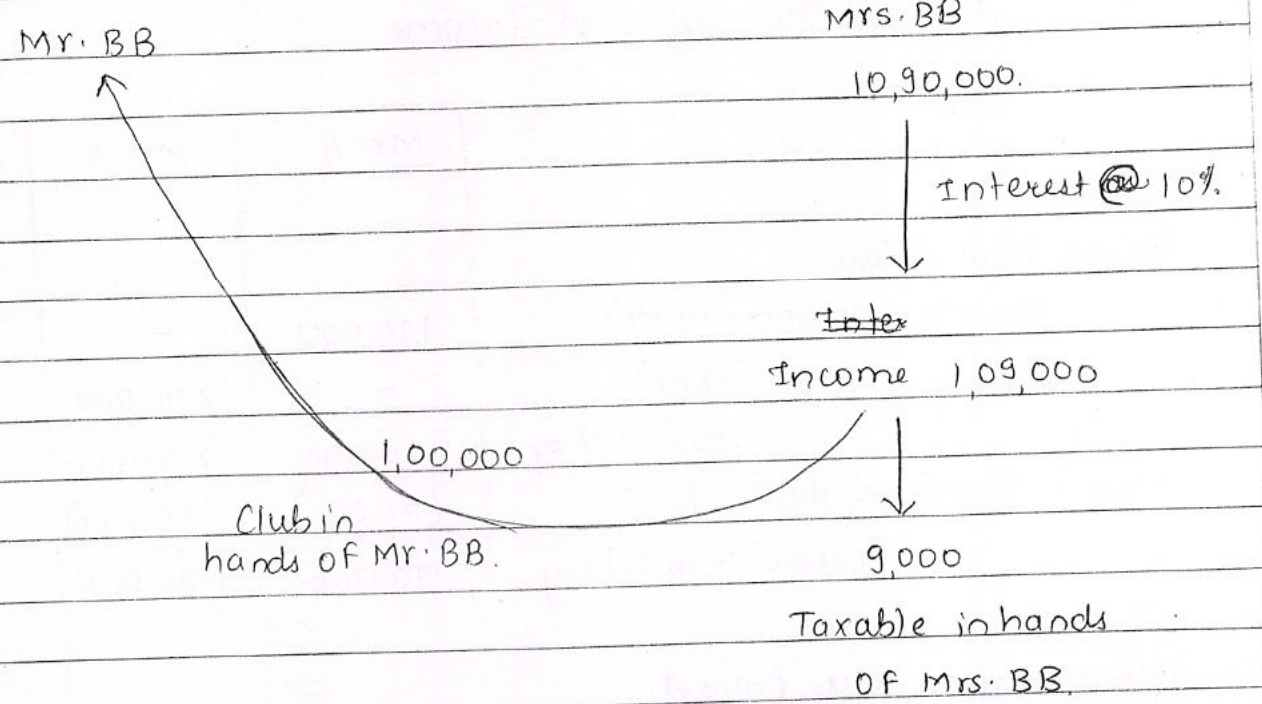
Note:
After partition of HUF, income from such asset received by spouse shall be clubbed in hands of Individual (Member)

IMPORTANT NOTES.

1) Clubbing provision is applicable in case of gift / low consideration. Natural Love & Affection may be a good consideration but it is not a adequate consideration.
2) Income include loss. So if there is loss, then also clubbing is applicable.
3) Where the asset is transferred is converted into other form, income derived from such converted asset shall be clubbed.
4) If an Asset transferred is sold by transferee, then Capital Gain is treated as income and it shall be clubbed.
5) ~~St~~ Clubbing provision is not applicable to second generation income ie. income from accretion of transferred asset.



PY 24-25.


Mr. BB
Mrs. BB
10,90,000.
Interest @ 10%.
Income 1,09,000
1,00,000
Club in hands of Mr. BB.
9,000
Taxable in hands of Mrs. BB.

Q.9 (Page no. 117) PY 23-24 AY 24-25.

Computation of Total income.

	Mr. A	Mrs. A	Minor Child
Income from salary			
Pension (10,000 x 12m)	1,20,000	—	—
Salary (20,000 x 12m)	—	2,40,000	—
Gross Salary	1,20,000	2,40,000	—
Less : Standard ded^n u/s 16	(50,000)	(50,000)	
Income from salary	70,000	1,90,000	
Income from House Property			
Income from gifted flat (Note : 1)	52,000	—	—
Income from other sources			
Interest on FD (5,00,000 x 9%.) (Note 2)	45,000	—	—
Commission of Mrs. A (Note 3)	25,000		
	1,92,000	1,90,000	—
Add : Income of Minor child (20,000 - 1,500) (Note-4)	~~20000~~ 18,500		
Minor income from skill & Talent			20,000.
	2,10,500	1,90,000	20,000

Notes :

1) As per Sec. 27, if any house property is transferred by individual to his/her spouse for without consideration / low consideration, then such individual is treated as deemed owner.
In the present case, Mr. A gifted a flat to Mrs. A, so Mr. A is treated as deemed and income is taxable in hands of Mr. A.

2) As per sec. 60, any income transferred without transfer of asset, then such income is taxable in hands of transferor.
In the present case, interest on bank FD shall be taxable in hands of Mr. A.

3) Any Remuneration is received by spouse from a concern where individual is having substantial interest & spouse is not having any professional or technical qualification, then such remuneration is taxable in hands of Assessee.
In the present case, commission of ₹25,000 received by Mrs. A is taxable in hands of Mr. A.

4) As per sec 64(1A), any income received by minor child shall be taxable in hands of parents whose income is more. In the present question, income of ₹20,000 of minor child shall be taxable in hands of Mr. A. because his income is higher as compared to Mrs. A.
Exemption u/s 10(32) available to Mr. A of ₹1,500. so, only ₹18,500 taxable in hands of Mr. A.
Any income of minor child due to skill & talent shall be taxable in hands of minor child only.
In the present question, income of ₹20,000 received due to skill shall be taxable in hands of minor only.

Q. 11 (Page no. 118)

	₹
Opening Capital as on 01/04/2022	3,00,000
Add: Gifted by Husband on 10/04/2022	2,00,000
	5,00,000
+ Profit of PY 22-23	*1,50,000
Capital on 01/04/2023	6,50,000

Profit of PY 23-24 : 3,90,000.

Income taxable in hands of Husband

Profit × Gifted money / Asset / Opening Capital.

$390,000 \times \frac{2,00,000}{6,50,000} = ₹1,20,000$

Income taxable in hands of Rani

(3,90,000 − 1,20,000)

= 2,70,000

* Profit of PY 22-23 not clubbed in hands of husband because gifted money not included in Opening Capital.

Note:

We have assumed that profit of ~~PY 23-24~~ PY 22-23 of ₹1,50,000 is not withdrawn by Rani from business. If it is withdrawn then capital as on 01/04/2023 shall be taken as ₹5,00,000.

{ Clubbed only & until when gifted amt is included in op. capital }

Date
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Q.3 (Page no. 113)

	₹
Capital as on 01/04/2022	5,00,000
(-) Loss of PY 22-23	(2,00,000)
Capital	3,00,000
Add: Amt. gifted by Vaishaly on 01/04/2023	5,00,000
Capital as on 01/04/2024	8,00,000

Profit for PY 23-24 4,00,000

Income taxable in hands of Vaishaly

Income x Gifted Amount / Opening Capital

4,00,000 x 5,00,000 / 8,00,000

= 2,50,000

Income taxable in hands of Mr. Vaibhav

(4,00,000 - 2,50,000)

= 1,50,000

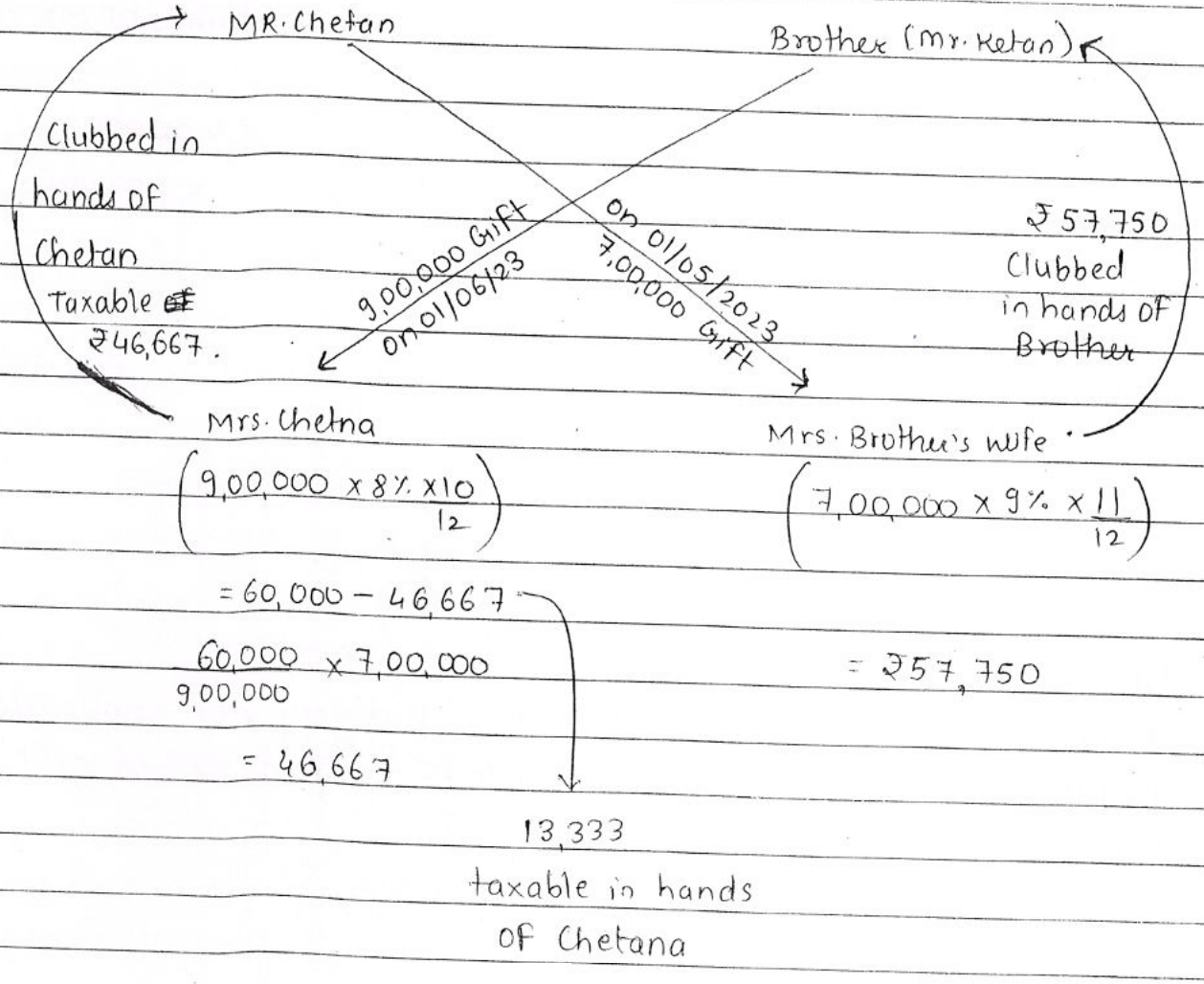
Note:
If Vaishaly gave the amount as loan, then clubbing not applicable because clubbing provision is applicable only in case of gift and low consideration.

CROSS GIFT

If there are two transaction & they are inter-connected and part of same transaction, people are doing this transaction to avoid clubbing provision. So, in this case, clubbing provision is applicable.

In Cross Gift, clubbing provision is applicable only to the extent of income of the matching amount of cross gift.

In the example given below, matching amount is ₹7,00,000



STCL ka set off LTCG se hota but not vice versa ← STCG/L Anil Mukesh Chota Bhai Bada Bhai LTCG/L - Capital Head - Ambani family

Date 14/9
Page

SET OFF AND CARRY FORWARD OF LOSSES.

SEC 70: INTRA HEAD ADJUSTMENT

It means loss from one source of income can be set off against income from another source of income but in the same head of income.

EXCEPTIONS

1) Specified Business Loss (35 AD) can be set off against only specified business income.
2) Speculative business loss can be set off against only speculative business income.
3) Long term capital Loss can be set off only against long term capital gain.
4) Loss ~~on~~ from owning & maintaining race horses can be set off only against owning & maintaining race horses.

Capital Gain ko loss kisi aur
ke gain se set off nhi ho
sakta

Date
Page

Q.12

Sec 71 : Inter Head Adjustment

It means loss under one head of income can be set off against Income from another head but in the same previous year.

Exceptions

1. Specified Business losses (Sec. 35AD) loss can be set off against only Specified Business Income.
2. Speculative Business losses can be set off against only Speculative Business income.
3. LTCL can be setoff only against LTCG
4. Loss from owning & maintaining race horses can be set off only against Income from owning & maintaining race horses.
5. STCL can be set off only against STCG & LTCG
6. Loss from Business cannot be setoff against salary.

specified & speculative business ka gain can set off other heads ka loss

Date
Page

MIND MAP

1. Income from Salary → Loss Not Possible

2. Income from House Property

Loss from HP →
- Intra Head Adj.
- Inter Head Adj (Max. 2,00,000
- Carry forward

3. PGBP

i) Specified Business Losses →
- Set off against Spe specified Business Income
- Carry forward.

ii) Speculative Business Losses →
- set off against speculative Business Income
- Carry forward

iii) Other Business Losses →
- Intra head Adjustment
- Inter head Adj. except Salary
- Carry forward.

4. Capital Grain

i) LTCL →
- Set off against LTCG
- Carry forward.

ii) STCL →
- Set off against STCG / LTCG
- Carry forward.

Date
Page

5. IFOS

i) Loss from owning & maintaining Race Horse → Set off against same income
→ Carry forward

ii) Other Losses OF IFOS → Intra Head Adjustment
→ Inter Head Adjustment
→ Carry forward NOT allowed

NOTE:

1) It is to be remembered that once loss carried forward, it can be set off only against income from same head in subsequent years.
2) The maximum loss from house property can be set off against any other head of income is ₹2,00,000.

CARRY FORWARD (C/F) & SET OFF OF LOSSES

Section	Losses to be C/F	B/F Losses set-off against	Time Limit	Return file on Time.
71 B	Loss from HP	Income from HP	8 years	No
72	Normal Business Loss	Business Income	8 years	Yes
73	Speculative Business Losses	Speculative Business Income	Unlimited	Yes

Lottery etc. ka loss cannot be set off against Lottery etc. ka gain

Date
Page

73 A	Specified Business Losses	Specified Business Income	Unlimited	Yes
74	LTCL	LTCG	8 years	Yes
	STCL	STCG / LTCG	8 years	Yes
74 A	Loss from owning & maintaining Race horses	Income from Owning & maintaining Race Horses	4 years	Yes
32(2)	Unabsorbed Depreciation	Any Income other than salary	Unlimited	NO

	₹	
PGBP (before Dep.)	(4,00,000)	→ PGBP Losses
(-) Depreciation	(7,00,000)	→ Unabsorbed Dep.

NOTE

1) Loss from any lottery, card game, horse races etc. Not eligible to set off & C/F and any other Losses cannot be set off against Income from lottery, card-game etc.
2) B/F losses from Business can be setoff even that Business is Discontinued

3. Any losses cannot be set off against deemed income u/s 68, 69, 69A, 69B, 69C, 69D. (Undisclosed income)

4. Order of setoff

a) Current year depreciation
b) B/F Business losses
c) Unabsorbed Depreciation

5. If there is income under any head & eligible losses under any ~~head~~ other head such losses shall be first setoff against the income before set off b/f losses.

Q.12 (Page no. 130)

Mr. Srivatsan PY 23-24 AY 24-25

Computation of Total Income

Particulars	₹	₹
Income from Salary	2,20,000	
Less: Loss from House property	(1,90,000)	30,000
Income from Speculative Business	30,000	
Less: Loss from Cloth Business (240,000 - 30,000)	(30,000)	—
LTCG on sale of URBAN Land	250,000	
Less: Loss from Cloth Business	(210,000)	40,000
Income from Betting (Gross)		45,000
Gross Total Income		1,15,000
Less: Ded^{n} u/c VI - A		
80C LIC Premium		(30,000)
NTI		85,000

Losses to be c/f to Next AY (AY 25-26)

loss from Specified Business : 20,000

Note 1:

Deduction u/c VI-A not available against Betting Income & LTCG

Q.7 (Page no. 126)

Mr. Sohan — PY 23-24 AY 24-25

Computation of Gross Total Income

	₹	₹
Income from Salary	3,00,000	
Less: Loss from House Property	(40,000)	
	2,60,000	260,000
PGBP		
Income from Sugar Business	50,000	
Less: Losses from Iron Ore Business	50,000	—
Capital Gain		
LTCG	40,000	
Less: short term capital ~~G~~ losses	(40,000)	—
IFOS		
Dividend	5,000	
Income from lottery	50,000	
Income from card Game	6,000	
Bank interest on FD	5,000	66,000
GTI	-	3,26,000

Losses to be c/f to Next PY 24-25 (AY 25-26) ₹

Losses from Iron Ore Business	(120,000 - 50,000)	70,000
STCL	(60,000 - 40,000)	20,000
STCL 111A		10,000

Note :

Agricultural Income is exempt u/s 10(1)

Q. 8 (Page no. 126) Mr. Batra PY 23-24 AY 24-25

Computation of Gross Total Income

	₹	₹
Income from Salary	1,00,000	
Less : Loss from House Property	(40,000)	60,000
Income from Textile Business	50,000	
Less : Loss from Textile Business of AY 2016-17	(50,000)	—
Long term capital gain on Land	30,000	
Less : LTCL on sale of shares	(30,000)	—
Short term Capital Grain	1,40,000	1,40,000
Income from owning & maintaining Business	15,000	
Less : Losses from owning & maintaing Race horses	(15,000)	—
	GTI	2,00,000

Losses to be c/f to Next Year (AY 25-26)	₹
Losses from speculative Business	60,000
LTCL on sale of shares (1,00,000 - 30,000)	70,000
Losses from owning & maintaining Race horses (25,000 - 15,000)	10,000

Notes

1. Business loss can be carry forward for maximum 8 years
2. Loss from textile business incurred in PY 15-16 (AY 16-17) can be carry Forward & set off up to PY 23-24 (AY 24-25) So, remaining loss of ₹10,000 cannot be forward to AY 25-26.
3. Loss from owning & maintaining Race horses can be set off only against income from owning & maintaing Race horses so, in this case ₹15,000 set off in CY & ₹10,000 c/f to next year.
4. Loss from speculative business can be set off only against speculative business income.
   In the present question, there is no speculative Business Income so loss is carry forward.
5. LTCL can be set off only against LTCG
   In the present question, LTCG is only ₹30,000 so remaining ₹70,000 shall be c/f.

Not Medium enterprise.

Date
Page

AMENDMENT IN SEC 43B.

IF any goods purchased or service obtained from Micro or Small enterprise, then payment should be made within time limit given u/s 15 OF Micro, Small and Medium Enterprise Act, 2006., then expenditure allowed in Current Year otherwise expenditure will be allowed in the year in which actual payment is made.

Time Limit as per Sec. 15 OF MSME Act.

Where any person purchases goods or service from Micro/small enterprise, the payment shall be made before the date agreed upon between parties in writing. In no case, the period agreed upon shall be more than 45 days. However, if there is no such agreement then payment shall be made within 15 days of Acceptance OF Goods or Service.

	Micro Ent.	Small Ent.
Manufacturing ~~Ent~~ Bus.	Invt. in P & M* upto 25 Lakhs	> 25 Lakhs upto 5 Cr
Service Provider.	Invt. in Equipment upto 10 Lakhs	> 10 Lakhs upto 2 Cr.

* the cost of pollution control, ~~res~~ research and development, industrial safety devices shall be excluded.

Ex:- BB Ltd. purchased goods from DB Ltd. (a small enterprise) for ₹15,00,000 on 2nd March, 2024. As per agreement payment is to be made upto 30th April, 2024.

However, payment is made as follows:

- 2,00,000 on 30th March, 2024
- 4,00,000 on 6th April, 2024
- 3,00,000 on 15th April, 2024
- 6,00,000 on 6th May, 2024

Soln

In this case, date of acceptance of goods is 2nd March, 2024. As per MSME Act, due date of payment is date agreed between parties or 45 days, whichever is earlier)

In this case, earlier date is 16th April, 2024. so in the present case, if payment is made upto 16th April, 2024, then expenditure allowed in PY 23-24 otherwise expenditure allowed in the year of actual payment.

First 3 payments in total ₹9,00,000 allowed in PY 23-24 and remaining ₹6,00,000 allowed in PY 24-25.

Loss ke case mai Farak nhi padta sry pay kiya hai ya nhi

Khud ke head se HP kitna bhi set off kr sakti hai, but dusre ke sath 2,00,000 hi

Q.10 (Page no. 128) Mr. Aditya PY 23-24 AY 24-25

Computation of Total Income

	₹	₹
Income from Salary	3,00,000	
Less : Loss from House property (Max. 2,00,000 can be set off)	(2,00,000)	1,00,000
Income from speculative business B	5,000	
Less : Loss from speculative Business A	(5,000)	—
Income from trading business	45,000	
Less : Loss from trading Business AY 19-20	(5,000)	40,000
LTCG from sale ~~of~~ of Urban Land	2,00,000	
Less : LTCL on sale of shares	(75,000)	
LTCL on sale of listed shares	(1,02,000)	23,000
GTI / NTI		1,63,000

Losses to be c/f to Next Year (AY 25-26)

	₹
1. Loss from House property (250,000 - 2,00,000)	50,000
2. Loss from speculative Business A (25,000 - 5,000)	20,000
3. Loss from Specified Business u/s 35AD	20,000
4. Loss from owning & maintaining Race horses	2,000

CY dep. can be set off first against Business & then any head except Salary

except salary unabsord dep. from any head

Date
Page

Q.15 (Page no. 133) Mr. P PY 23-24 AY 24-25

Computation of Gross Total Income

	₹	₹
Income from Salary	18,000	18,000
Income from House Property		
NAV.	70,000	
Less: Std^n ded^n 30% of NAV	(21,000)	
	49,000	49,000
Income from Busines	80,000	
Less: Current year Depreciation	(8,000)	
Less: Unabsorbed Depreciation	(9,000)	63,000
Income from speculative Business	12,000	
Less: Loss from Speculative business	(12,000)	—
Long term Capital Gain on sale of land	15,800	
Less: STCL (AY 23-24)	(7,800)	8,000
GTI		1,38,000

Losses to be carry forward to Next Year

1. Loss from maintainence of Race horses	9,000
2. Loss from speculative Business (16,000-12,000)	4,000

Note!

1. Losses from gambling (casual income) Not allowed to be set off & C/F.

Of - Shree
for - Sir.
Date
Page

INCOME FROM SALARY

[7 to 10 Marks]

SEC 15 : CHARGING SECTION.

Income is taxable under the head salary, if there is Employee-Employer Relationship, Master-(Servant ~~Relationship~~ Relationship)

Contract OF Service ⟶ Salary

Contract for Service ⟶ PGBP.

Salary Received by MP/MLA/MLC — taxable under ↳ Income from Other sources.

Salary received by partner from partnership firm → taxable under PGBP

Note

1) Salary is taxable on the basis of due or received, whichever is earlier.
2) Salary is taxable even in case of Part-time Job like employee working with 2 employer.
3) Salary foregone (donated for charitable cause) — It is taxable since it is application of income.
4) If Salary is surrendered to central Govt. → It is not taxable.

5) Any amount received before joining of job or after leaving of job is always taxable under the head salary. (Profit in lieu of salary)

6) In this topic, we have to find out salary income of employee.

Statement of Salary

PY 23-24 AY 24-25

Particulars	Amt. (₹)
Basic salary (Note. 1)	XX
Dearness Allowance (DA) (Note. 2)	XX
Bonus (Note 3)	XX
Commission (Note 4)	XX
Advance Salary (Note 5)	XX
Arrears Salary (Note 6)	XX
Gratuity (Note 7)	XX
Pension (Note 8)	XX
Leave salary (Note 9)	XX
Allowance (Note 10)	XX
Provident fund (Note 11)	XX
Super Annuation fund (Note 12)	XX
Voluntary Retirement Compensation (VRS) (Note. 13)	XX
Retrenchment compensation (Note 14)	XX
Perquisite (Note 15)	XX
Gross Salary	XX
Ded^n u/s 16	
i) Professional tax (Note 16)	(XX)
ii) Entertainment Allowance (Note 17)	(XX)
iii) Std. ded^n ₹50,000 (Note 18)	(XX)
Net Salary	XX

Base - 20,000 → Taxable → Gross
Loan - 3000
installment -
Net BS 17000

Date
Page

NOTE 1: BASIC SALARY.

It is a base salary of employee. It is always fully taxable. If Net Basic salary is given, then we have to convert it into Gross Basic salary

NOTE 2 : DEARNESS ALLOWANCE (DA)

DA is fully taxable whether it is "In terms" or "Not in terms".
DA In terms means, DA which is forming part of Retirement Benefit Calculation.
In all the Retirement Benefit Calculation formulas, DA is considered only if it is in terms.
If nothing is given about DA, then assume it is not in terms.

NOTE 3 : BONUS

It is fully taxable on Receipt basis. If only bonus declared is given, then it should be ignored. If in any question, only bonus is given then assume it is received and it is taxable.

NOTE 4 : COMMISSION

It is fully taxable whether commission is based on turnover or not.

O/S.
~~Not~~ due but not received.

Arrear
disputed & so not due.

Date
Page

NOTE 5: ADVANCE SALARY.

It means salary received in Advance. It is ~~tot~~ taxable on Receipt Basis. If Advance against salary or only advance is given then it should be ignored because it is treated as loan.

Note 6: ARREAR SALARY.

It means salary under dispute or increase of salary ~~retro~~ retrospectively. It is taxable in the year of receipt.

NOTE 7: GRATUITY

- Received during employment
  - It is fully taxable
    - ~~Govt~~ Government Employees
      - fully exempt
    - POGA employee (CEE covered by payment of Gratuity Act, 1972)
      - ↓
    - Non-Poga employee
      - ↓
- Received at the time of Retirement of EE.
  - Exempt u/s 10(10)

Exempt Amt.

i) $\frac{15}{26}$ x Salary pm x No. of years of Completion of service

ii) Actual amt. received

iii) Max. 20,00,000 (whichever is lower)

latest basic salary	xxx
DA (Both)	xxx
	xxx

Exempt Amt.

i) $\frac{1}{2}$ x Avg. Salary p.m. x No. of years of completion of service

ii) Actual amt. received

iii) max. 20,00,000 (whichever is lower)

	₹
Avg. basic salary of last 10 month	xx
Avg. DA(T) of last 10 months	xx
Avg T/O Commission of last 10 months	xx
	xx

excluding month of retirement.

Note:

1) In case of POGA employee, if fraction of month is more than 6 months then it should be rounded off.

Eg:

26 years & 7 months = 27 years

26 years & 4 months = 26 years

26 years & 6 months = 26 years.

Exempt u/s 10(10) KO Note mai bhi show kr sakte hai

Date _____
Page _____

2) In case of Non-Poga employee, fraction should be ignored.

Eg :- 26 years & 7 months : 26 years
26 years & 4 months : 26 years
26 years & 6 months : 26 months.

Q.1 (Page no. 19)

part A : He is Private employee & covered by POGA, 1972
PY 23-24 AY 24-25.

Computation of Taxable Gratuity.		₹
Gratuity Received		15,00,000
Less : Exempt u/s 10(10)		
i) $\frac{15}{26}$ x Salary pm x No. of years of service		
$\frac{15}{26}$ x 60,000 x 27 years	9,34,615	
ii) Actual Amt. Received	15,00,000	
iii) Max. 20,00,000.	20,00,000	(9,34,615)
Taxable Gratuity		5,65,385

Salary pm	₹
Latest Basic Salary	50,000.
DA (Both)	10,000
	60,000

Part B : He is Private employee & not covered in POGA, 1972.

Computation of Taxable Gratuity		₹
Gratuity Received		15,00,000
Less: Exempt u/s 10(10)		
i) $\frac{1}{2}$ x Avg. salary pm x No. of years of service		
$\frac{1}{2}$ x 66,000 x 26 years	8,58,000	
ii) Actual Amt. Received	15,00,000	
iii) Max. 20,00,000	20,00,000	8,58,000
Taxable Gratuity		6,42,000

Avg. salary pm.	₹
Avg. ~~Any~~ Basic salary of last 10 months	50,000
Avg. ~~Any~~ DA (T) of last 10 months	6,000
Avg. ~~Any~~ T/O commission	10,000
	66,000

$\left(\frac{20,00,000 \times 1\% = 120,000}{12 \text{ months}}\right)$

Part C : If he is Government employee

Computation of Taxable Gratuity	₹
Gratuity Received	15,00,000
(-) Exempt u/s 10(10)	(15,00,000)
Taxable Gratuity.	Nil

Q.29 (Page no. 41)

Computation of Taxable Gratuity		₹
Gratuity Received.		8,00,000
Less : Exempt u/s 10(10)		
i) $\frac{1}{2}$ x Avg. salary p.m x No. of years of service		
$\frac{1}{2}$ x 26,700 x 30	4,00,500	
ii) Actual Amt. Received	~~8~~ 00,000	
iii) max 20,00,000	20,00,000	(4,00,500)
Taxable Gratuity		3,99,500

Note: Avg. salary PM.	₹
Avg. Basic Salary of last 10 months	25,600
Avg. DA (T) of last 10 months	1,100
Avg. T/O Commission of last 10 months	—
	26,700

Note :

1) If Gratuity received from more than 1 employer in same PY, then maximum exemption that can be claimed is ₹20,00,000.
2) If Gratuity already received by employee from earlier employer in earlier PY & in ~~EY~~ Previous Current PY, he received Gratuity from

Other employer, then limit of ₹20,00,000 is reduced by exemption claimed earlier

NOTE 8: PENSION

- Uncommuted Pension (Monthly Pension)
  - Taxable for all Employees
- Commuted Pension (Lumpsum Pension)
  - Govt. employee
    - Fully exempt u/s 10(10A)
  - Other employees
    - Gratuity also received
      - Exempt Amt. u/s 10(10A) = (Total Pension) × 1/3
    - Gratuity not received
      - Exempt Amt. u/s 10(10A) = Total Pension × 1/2

Q.2 (Page no. 19)

Mr. Sagar — PY 23-24 AY 24-25.

PART A : He is a government employee

Computation of Taxable Pension

		₹
Uncommuted Pension		
01/10/23 to 31/01/24 (5,000 p.m. × 4 months)	20,000.	
01/02/24 to 31/03/24 (2,000 p.m. × 2 months) (5,000 × 40%.)	4,000	24,000.
Commuted Pension	3,00,000	
(–) Less: Exempt u/s 10(10A)	(3,00,000)	—
		24,000

PART B : He is Private sector employee & Received Gratuity.

Computation of Taxable Pension

		₹
Uncommuted Pension		24,000.
Commuted Pension	3,00,000.	
(–) Exempt u/s 10(10A) ($5,00,000 \times \frac{1}{3}$)	(1,66,667)	1,33,333
$\frac{1}{3}$ of Total Pension		1,57,333

PART C : He is a private sector employee & did not receive gratuity.

Computation of Taxable income

		₹
Uncommuted Pension		24,000
Commuted Pension	3,00,000	
(-) Exempt u/s 10(10A) ($5,00,000 \times \frac{1}{2}$)	(2,50,000)	50,000
$\frac{1}{2}$ of Total Pension		74,000

NOTE 9: LEAVE SALARY (ENCASHMENT OF UNUTILISED LEAVE)

- Received during employment → Taxable for all employees
- Received at the time of Retirement → Exempt u/s 10(10AA)
  - Govt. employee → fully exempt
  - Other Employee
    - i) leave credit (months) × Avg. salary p.m. — xx
    - ii) 10 months × Avg. salary p.m. — xx
    - iii) Actual amt. rec. — xxx
    - iv) max ~~3,00,000~~ 25,00,000 — xxx

25,00,000 like Gratuity ka 20,00,000 i.e. Pure lifetime mai itna milega & multiple employers se bhi allowed:

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Leave Credit = Leave Allowed − Leave taken. (Ignore fraction)

↓

[Max. 30 days for every completed year]

Average Salary pm → Avg. of last ~~mont~~ 10 months upto date of Retirement.

Avg. Basic salary of last 10 months	xxx
Avg DA(T) of last 10 months	xxx
Avg T/O commission of las 10 months.	xxx
	xxx

Q.3 (Page no. 19)

Mr. Gupta — PY 23-24 AY 24-25

PART A: He is a Gouernment employee	₹
Leave salary received	5,00,000
less: Exempt u/s 10(10AA)	(5,00,000)
Taxable	Nil

PART B: He is a Non-Gouernment employee		₹
Leave salary Received		5,00,000
Less: Exempt u/s 10(10AA)		
i) Leave credit × Avg. salary p.m 4 months × 6600	26,400	
ii) 10 months × Avg. salary p.m 10 months × 6600	66,000	
iii) Actual amt. received	5,00,000	
↓ iv) max. 25,00,000	25,00,000	26,400
Taxable Amount.		4,73,600

Leave Credit = Leave Allowed − Leave Taken.

= (30 days × 20 years) − 480 days

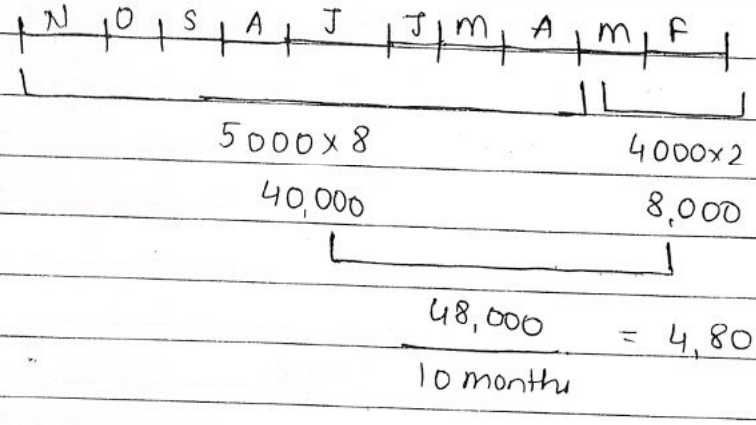
= 600 days − 480 day

= 120 days

= $\frac{120 \text{ days}}{30 \text{ days}}$ = 4 month

Avg. Salary p.m

	₹
Avg. Basic Salary of last 10 months	4,800
Avg. DA (₹) of last 10 months	1,800
Avg. T/O Commission of last 10 months	Nil
	6,600



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Q. Extra

Mr. Messi retired from Reliance Industries Ltd. on 01/02/2024 after rendering service of 20 years. His average salary of last 10 months is ₹17,000 per month. Company paid leave salary of ₹7,00,000 for the leave credit of 12 months. As per company policy, employee are allowed 1·5 month leave for every complete year. Compute taxable leave salary.

Ans :-

Computation of Taxable Leave Salary

		₹
Leave Salary Received.		7,00,000
less : Exempt u/s 10(10AA)		
i) Leave credit × Avg. salary p.m 2 month × 17000	34,000	
ii) 10 months × Avg. salary p.m 10 × 170,00	1,70,000	
iii) Actual amt. received	7,00,000	
iv) Max.	25,00,000	(34,000)
		6,66,000

As per Company's policy, leave allowed is 1·5 month for completed year & leave credit is 12 months.

Leave Credit = Leave allowed − Leave taken.

12 = 30 months − ?

(20 × 1·5) (year months)

Leave taken = 18 months.

$\underbrace{C_3UTA}_{\text{limit.}}$ $\underbrace{TC\ UDHAR}_{\text{Exempt = Spent}}$ $\underbrace{HAI}_{\text{HRA} \downarrow \text{Exam}}$

~~C_3UTA~~ ^ TC ~~UDHAR~~ ~~HAI~~

~~limit~~ ~~Exempt~~

Transport undertaking
↳ Driver/ conductor

Date _____
Page _____

Leave Credit = Leave allowed - Leave taken
(max. 30 days for completed year)

= 20 months - 18 months.
= 2 months.

NOTE 10: ALLOWANCE

	Exempt u/s 10(14)
1. Commutation Allowance (~~Travelling~~/Transport Allowance) (Ghar ⇄ Office)	Max ₹3200 pm (In case of blind, deaf and Handicapped)
2. Children Education Allowance	Max ₹100 pm per child max. 2 child.
3. Children Hostel Allowance	Max. ₹300 pm per child max. 2 child.
4. Underground Allowance	Max. ₹800 p.m.
5. Tribal Area Allowance	Max ₹200 p.m.
6. Allowances for employees of Transport undertaking.	i) Amt. Received x 70% xx ii) ₹10,000 p.m xx
7. Travelling on Tour Allowance 8. Conveyance Allowance	Exempt Amt. = Amount Spent

9. Uniform Allowance
10. Daily Allowance
11. Helper Allowance.
12. Research Allowance (Academics Allowance)

Exempt Amt. = Amount spent.

13. HRA (House Rent Allowance) (PURI SALARY)

Exempt u/s 10(13A)

i) *40%./50% of salary (Basic + DA(T) + T/O Commission)
ii) Actual amt. received
iii) Rent paid - 10% of salary (Basic + DA(T) + T/O commission)

whichever is lower

* 50% in case of Metros (Mumbai / Delhi / Kolkata / Chennai)
40% in case of other cities.

14. All other Allowances ⟶ fully taxable.

Q. (Extra) From the following particulars, compute Gross salary of Miss Survi.

1) Basic Salary	₹20,000 p.m.
2) DA (60% in terms)	40% of Basic salary
3) T/O commission	₹700 p.m
4) Children hostel allowance	₹600 p.m. (for 3 children)
5) Children education allowance	₹400 p.m (for 3 children)
6) Tiffin Allowance	₹1200 p.m. (actual amt spent ₹9,600 p.a)
7) Helper Allowance (Office)	₹1000 p.m. (actual amount spent nil).
8) HRA	₹15,000 p.m (actual rent paid in Patna ₹12,000 p.m)
9) Commutation Allowance	₹1700 pm (Actual amount spent ₹1000 p.m.)
10) Daily Allowance	₹600 p.m. (actual amount spent ₹6000 p.a.)

Ans :- Miss Survi PY 23-24 AY 24-25

Computation of Gross Salary [Assume 115 BAC not opted]

	₹	₹
Basic Salary (20,000 x 12 months)		2,40,000
DA (40% of Basic Salary) (8000 x 12)		96,000
T/O commission (700 x 12)		8,400
Children Hostel Allowance. (600 x 12)	7,200	
less: Exemption u/s 10(14) (200 x 2 x 12)	(4,800)	2,400
Commutation Allowance (1700 x 12 months)		20,400
Tiffin Allowance (1200 x 12)		14,400
Daily Allowance (600 x 12)	7,200.	
Less: Exemption u/s 10(14) Amt spent	(6,000)	1,200
Helper Allowance (1000 x 12).		12,000.
Children education allowance (400 x 12)	4,800	
less: Exempt u/s 10(14) (100 x 2 x 12)	(2,400)	2,400.
HRA Received (15000 x 12)	1,80,000.	
Less: Exempt u/s 10(13A)	1,13,400	66,600
Gross salary		4,63,800

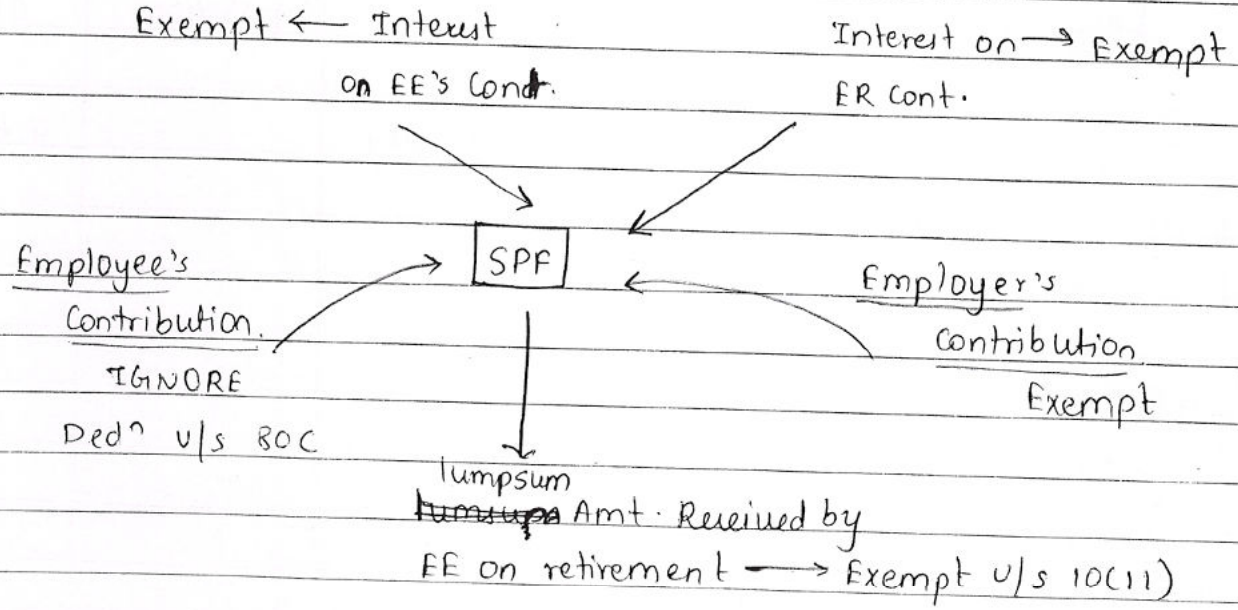
Exempt u/s 10(13A) HRA

i) 40% of Salary (Basic + DA(T) + T/O commission)	1,22,400
ii) Actual Rent Received	1,80,000
iii) Rent paid - 10% of salary (12000 x 12) 1,44,000 - 30,600 (3,06,000 x 10%)	1,13,400
	1,13,400

→ (240,000 + (96000 x 60%) 57600 + 8400) x 40% = 122400

NOTE 11: PROVIDENT FUND

i) Statutory Provident fund (SPF)



SPF → Exam ✗
RPF → Exam ✓

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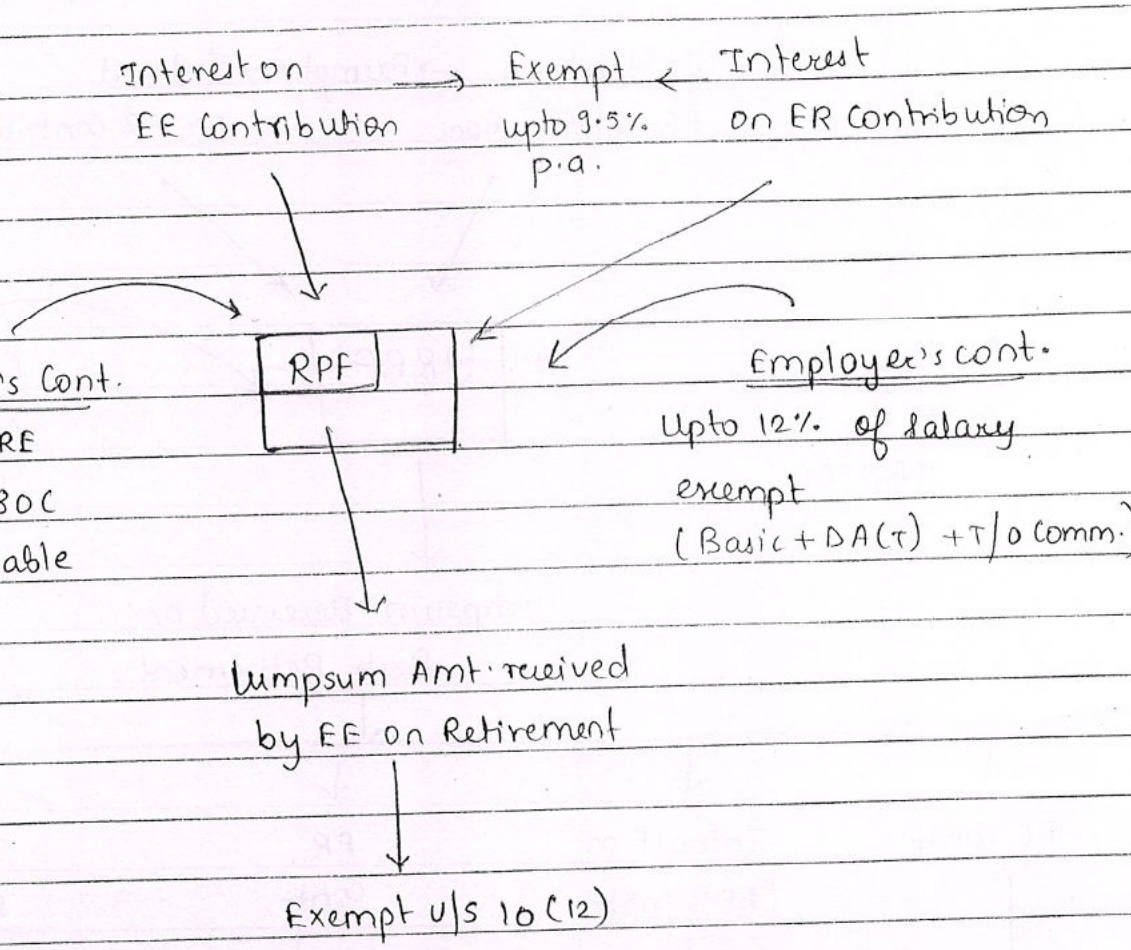
ii) Recognised Provident Fund (RPF)



Note :

1) Lumpsum amt. received from RPF is exempt u/s 10(12) if Employee has rendered service of 5 years or more. If employee has rendered service less than 5 years, then exemption claimed earlier in respect of employer's contribution & interest shall be withdrawn.

However in the following 3 cases, exemption shall not be withdrawn even though service is less than 5 years :

a) Employee retired due to ill health
b) Employee retired due to employer's business
c) Employee has retired with the instruction that his balance in RPF should be transferred to new employer OR NPS u/s 80CCD.

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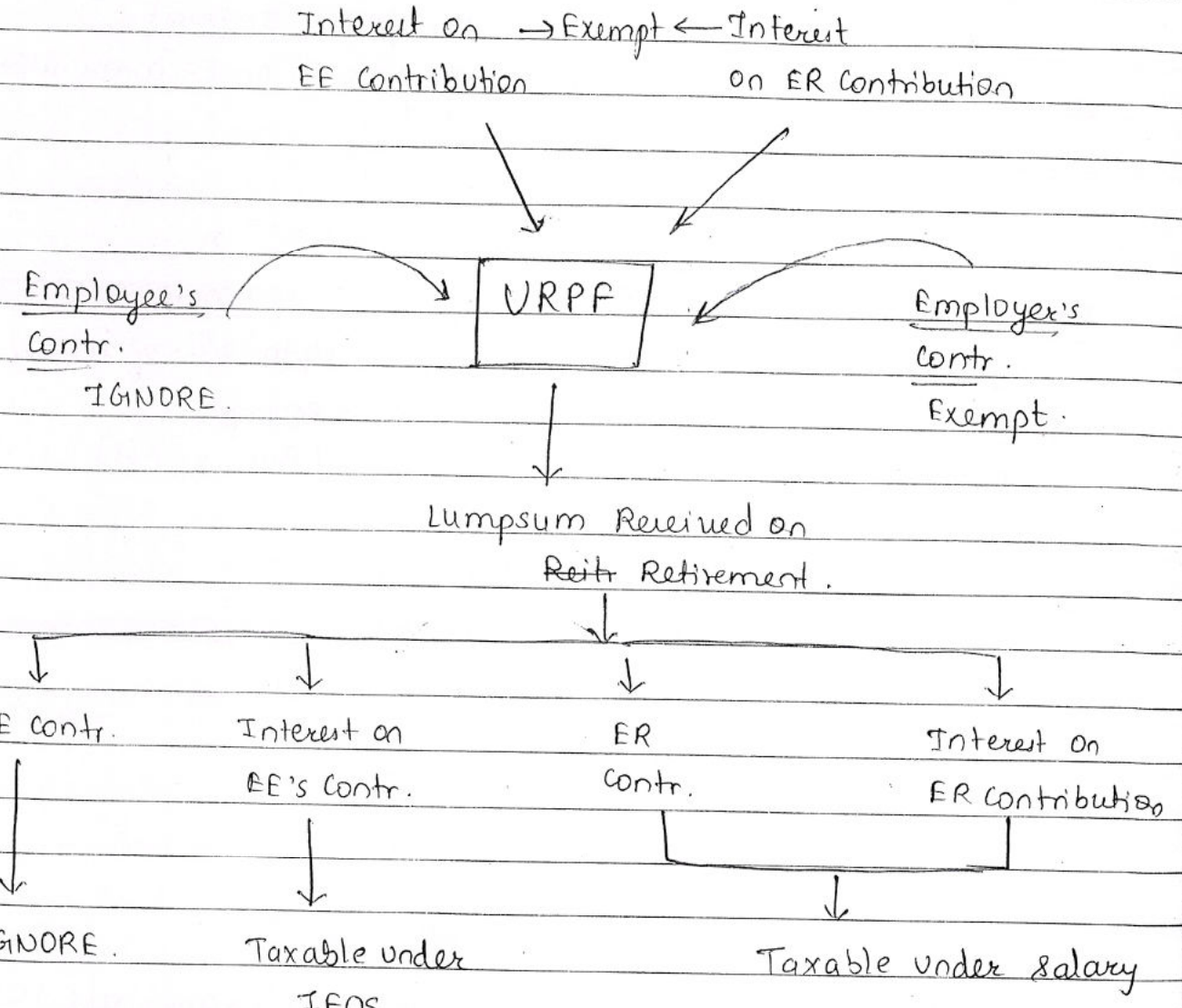
3. Unrecognised Provident fund



Q.7 (Pg. no. 21)

Mr. B — PY 23-24 AY 24-25

Computation of Gross salary

			₹
1. Basic salary (10,000 × 12)			1,20,000
2. DA (8,000 × 12)			96,000
3. T/O Commission (50,00,000 × 0.1%)			5,000
4. Bonus			40,000
5. Gratuity (Received during employment)			25,000
6. ER Contribution to RPF (120,000 × 20%)		24,000	
Less: Exempt upto 12% of salary (1,73,000 × 12%) (Basic + DA(T) + T/O Commission) (120,000 + 48,000 + 5,000)		(20,760)	3,240
7. Interest on RPF	13%	13,000	
(-) Exempt upto 9.5%	9.5%	(9,500)	3,500
		Gross Salary	2,92,740

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Interest on Employee's Contribution towards SPF and RPF

Exemption u/s 10(11)/10(12) not available to employee on interest on employee contribution made on or after 01/04/21, if employee contribution is more than ₹2,50,000 in a year.

If Employer not made any contribution, then limit will be ₹5 Lakhs instead of ₹2,50,000

Note:

In this case, interest on excess contribution and interest on such interest is taxable under the head salary in hands of Employee.

Example: Mr. Montu Bhai employeed with Bajaj Finance Ltd. Employer & Employee contribute every year 10% of Basic Salary to RPF on 1st April of every year. Salary of Montu Bhai is ₹40 Lakhs. Accumulated Balance in RPF as on 31st March, 2021 is ₹60 Lakhs. Interest on RPF is @ 8% p.a. Calculate interest taxable in hands of employee for PY 21-22, PY 22-23 & PY 23-24

PY 21-22 (AY 22-23)

Interest on Accumulated Balance: 60,00,000 x 8% = 4,80,000 | Exempt

Interest on contribution of PY. 21-22

ER Cont. 4,00,000 x 8% = 32,000 | Exempt

EE Contr. 4,00,000 → 2,50,000 x 8% = 20,000 | Exempt

→ 1,50,000 x 8% = 12,000 | Taxable

Continued in New Book

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Tax free RPF A/c		Taxable RPF A/c	
Acc. Balance 01/04/21	60,00,000	EE Cont. ~~on~~ in excess of 2,50,000	1,50,000
Int. For PY 21-22.	4,80,000	Interest	12,000
ER Contr.	4,00,000		1,62,000
Int. on ER contr.	32,000		
EE Contr.	2,50,000		
Int. on EE Cont.	20,000		
	71,82,000		

PY 22-23 (AY 23-24)

Tax free A/c 71,82,000 × 8% = 5,74,560 [Exempt]

Taxable RPF Balance 1,62,000 × 8% = 12960 [Taxable]

ER Cont. : 4,00,000 × 8% = 32,000 [Exempt]

EE Cont. : 4,00,000 → 2,50,000 × 8% = 20,000 [Exempt]

→ 1,50,000 × 8% = 12,000 [Taxable]

Tax free RPF A/c		Taxable RPF A/c	
Op. Bal.	71,82,000	Op. Bal.	1,62,000
(+) Int. 22-23	5,74,560	(+) Int. on Op. Bal.	12,960
ER Cont.	4,00,000	(+) EE Cont.	1,50,000
(+) Int. on ER Cont.	32,000	(+) Int. on EE Cont.	12,000
EE Cont.	2,50,000		3,36,960
Int. on EE Cont.	20,000		
	84,58,560		

PY 23-24 (AY 24-25)

Tax Free A/c 84,58,560 × 8% = 6,76,685 [Exempt]

Taxable RPF Bal. 3,36,960 × 8% = 26,957 [Taxable]

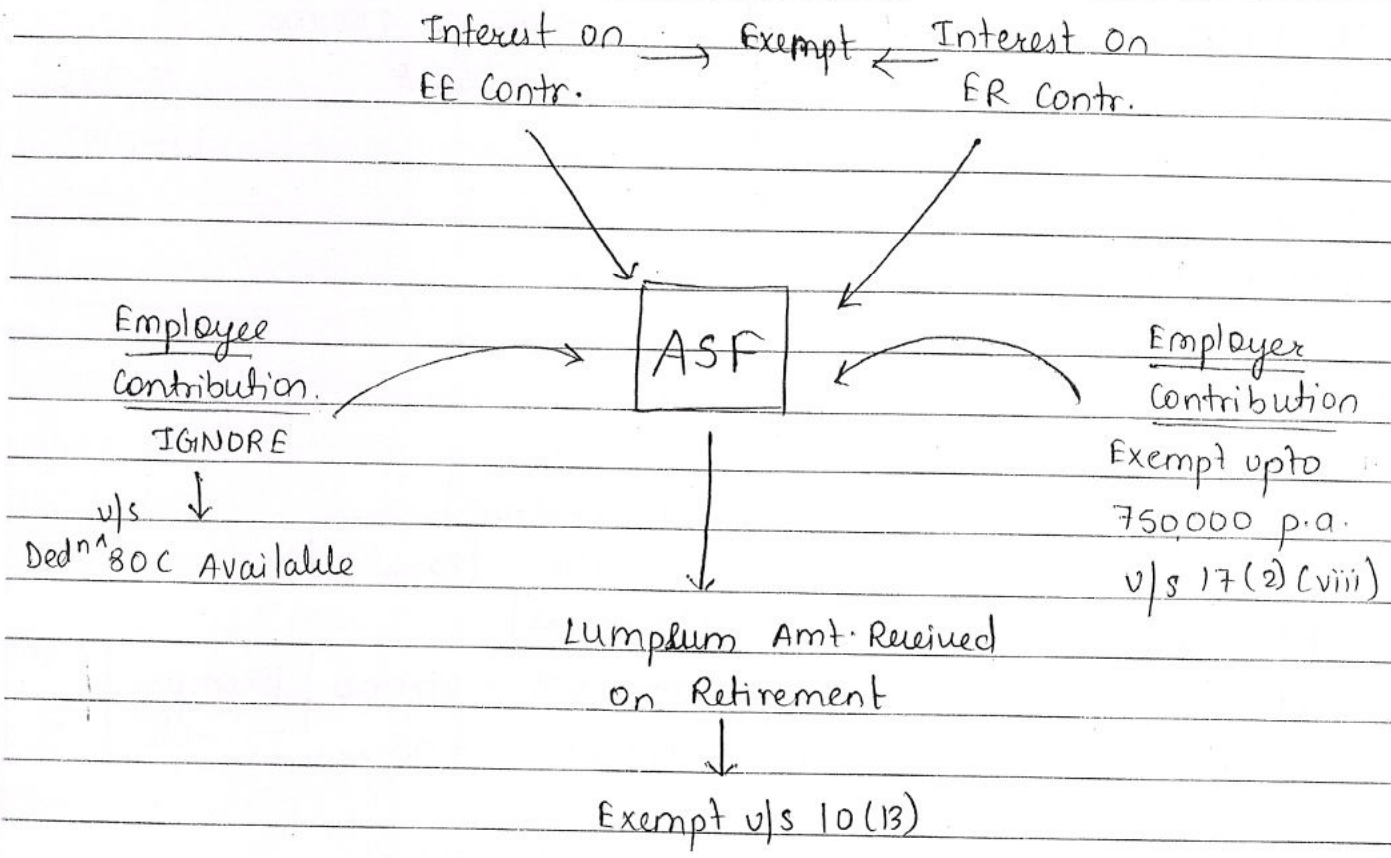
ER Cont. 4,00,000 × 8% = 32,000 [Exempt]

EE Cont. 4,00,000 → 2,50,000 × 8% = 20,000 [Exempt]

→ 1,50,000 × 8% = 12,000. [Taxable]

NOTE 12 : SUPERANNUATION FUND

1. Approved Super Annuation Fund (ASF)



~~NOTE 13 : UNAPPROVED SUPER ANNUATION FUND~~

~~SAME AS URPF.~~

2. Unapproved ~~Supp~~ super Annuation fund

↳ same as URPF

Allowance
part of salary → Every month milega hi milega (whether expensed or not)

Perquisite
Extra Benefit → When expense is incurred & money given.

Date
Page

NOTE 15 : PERQUISITE SEC 17(2)

It means extra benefits offered by employer to employee
It may be monetary or non-monetary.

Difference Between Perquisite and Allowance.

a) **Allowance** –

It means monetary fixed amount received by employee from employer whether actual amount / expenditure is incurred or not.
It is part of salary ie. HRA, Medical Allowance etc.

b) **Perquisite** –

It means benefit or facility provided by employer to employee. It is received when actual expenditure is incurred.
Ex :- Medical facility, Car facility etc.

1. Leave Travel Concession (LTC)

Travel Benefit anywhere in India.

Aeroplane – ✓ - Exam.

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Exempt u/s 10(5)

Travel by Air

Exempt

i) Actual exp. xxx
ii) Economy class fare xxx

Travel by any other mode

Railway facility Available

Exempt Amt

i) Actual exp. xxx
ii) 1st class AC Railway ~~Fare~~ Fare xxx

Recognised Transport facility Available

Exempt Amt.

i) Actual exp. xxx
ii) Delux class bus fare xxx

Recognised Transport Facility Not available

Exempt Amt.

i) Actual exp. xxx
ii) 1st class Railway AC ~~Fare for~~ Fare of Similar distance xxx

Note:

1) LTC exemption is available for the travel of employee, his spouse, children* and dependent relative. (Brother, sister, mother, father)

* - Exemption of LTC Available for 2 children born on or after 01/10/1998.
(This limit is not applicable in case of multiple birth after 1 child)

Block - Calender year wise.

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Page

Example

① first time ⟶ 1 child
Next time ⟶ 2 children
] Total 3 children
Exemption for All Three

② first time ⟶ 2 children
Next time ⟶ 1 children
] Total 3 children
Exemption for Two children.

Note :

LTC exemption is available for 2 years in the block of 4 years. If exemption is not claimed in any one block then 1 year can be carry forward to next block (Current Block is 2022 to 2025).

Medical Facility.

Treatment in India.

- Treatment in Govt. Hospital
- Treatment in employer own hospital
- Treatment in Govt. Recognised Hospital.

↓ Fully Exempt.

Otherwise.

↓ Fully taxable

2. Medical facility

Treatment in India

- Treatment in Govt. Hospital
- Treatment in employer own hospital
- Treatment in Govt. Recognised Hospital.

↓ Fully Exempt

Otherwise

↓ Fully Taxable.

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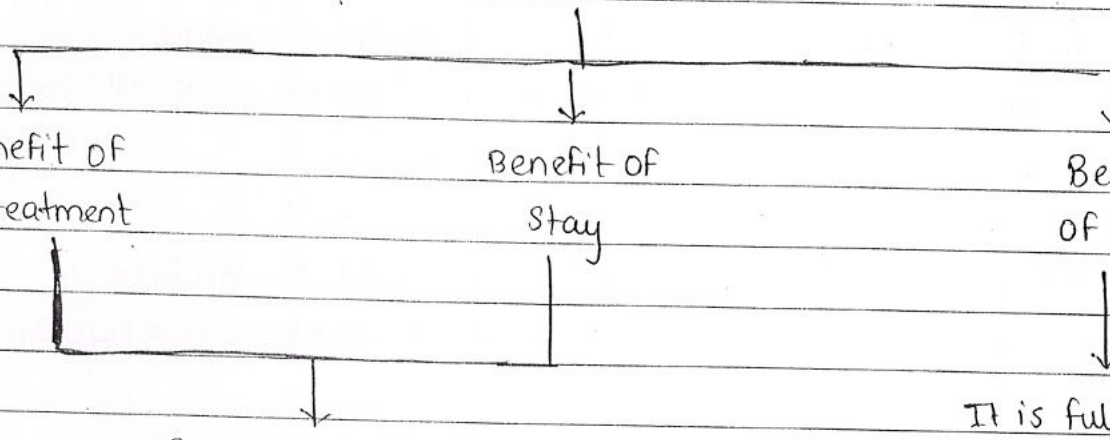
Treatment Outside India.



Notes :

1) Exemption for treatment is allowed for employee, spouse, children and dependent relative (mother, father, brother, sister)
2) Exemption of stay/travel is allowed only for patient and one attendant.
3) Medical Insurance Premium Benefit is fully exempt.
4) Exemption allowed in respect of any illness related to Covid-19 :

   Conditions :

   a) Employee should submit Covid positive (+) report to employer.
   b) Treatment of illness is related to Covid-19. and it suffered within 6 months from date of being determine as Covid Positive (+)

3. **Gift to Employee**

- **Gift in Money** → Fully taxable
- **Gift in Kind** → FMV of gift is less than 5000 then it is fully exempt. Otherwise it is fully taxable.

4. **ESOPS (Employee Stock Option Plan)**

It means issue of shares at concessional rate to employees.

Taxable Amt. = FMV of shares* − Issue price of Shares.

* FMV should be taken on the date on which employee exercise the option.

~~5. Loan~~

5. Loan given to Employee without interest or Concessional Rate

Taxable Amt. = Loan Amount o/s at the end of the month × [SBI interest Rate of 1st April of PY − Actual interest rate]

Note

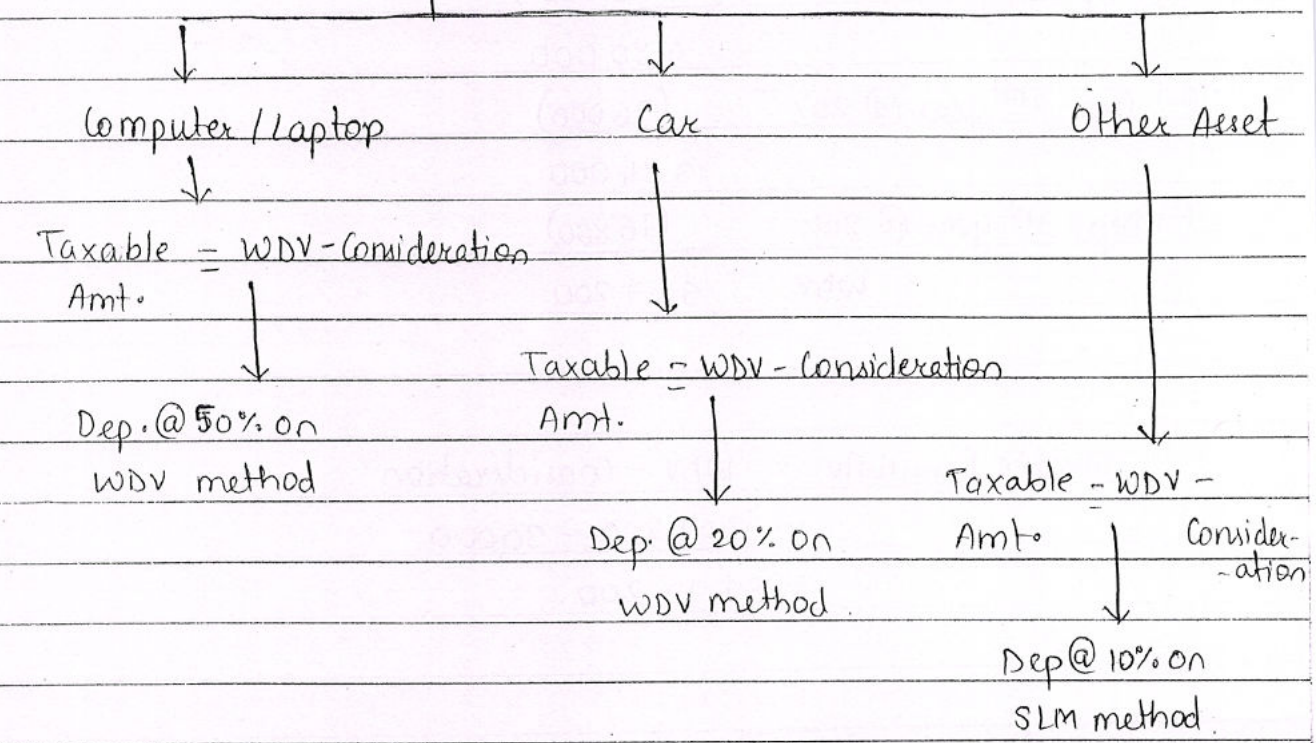
i) If loan is upto Rs. 20,000, then interest benefit is not taxable.

ii) If loan is taken for treatment of specified disease then interest benefit is not taxable even if such loan is more than Rs. 20,000.

6. Use of Movable Asset

- Computer / Laptop → Fully exempt
- EI CAR → Discussed Later
  - Owned by Employer → Taxable Amt. = 10% of Cost p.a.
  - Hired by Employer → Taxable Amt. = Hire charges paid by employer
- Any other asset (Bike, TV, Furniture)

7. **Transfer of Movable Asset**



Note :

1) Depreciation should be calculated for completed year from the date on which asset acquired by employer till the date on which asset transferred.

Example : BB Ltd. acquired a car for Rs. 6,00,000 on 10th Dec. 2019. Car is transfered to employee, Mr. Deepak for ₹ 30,000 on 07/07/2023. Calculate value of perquisite in hands of employee

Cost	6,00,000
(-) Dep. 1st year @ 20%	(1,20,000)
	4,80,000
(-) Dep. 2nd year @ 20%	(96,000)
	3,84,000
(-) Dep. 3rd year @ 20%	(76,800)
WDV	3,07,200

Taxable Perquisite = WDV - Consideration
= 3,07,200 - 30,000
= ₹2,77,200.

8. **Lunch facility**

It is exempt if value is upto ₹50 per meal, if lunch is provided in office premises or through paid vouchers.
If value is more than ₹50, then in excess of ₹50 is taxable as perquisite.

Note :

1) Tea, Coffee or Breakfast provided in offiie is not taxalile
2) Lunch is provided in remote area then not taxalile.

9. House Facility (Rent free Accomodation)

- Govt. employee
  - Taxable as per licence fees decided by Govt. (given in Q.)
- Other employee
  - Owned by Employer
    - Taxable (Note): 7.5% / 10% / 15% of Salary (BDBACM)
  - Hired by Employer
    - Taxable Amt. = i) 15% of Salary xxx
      ii) Hire exp. paid by employer xxx

furniture also provided

- Owned by employer
  - Taxable Amt. = 10% of Cost p.a.
- Hired by employer
  - Taxable Amt. = Hire charges paid by Employer

Note: Population is upto 10,00,000 : 7.5%
> 10,00,000 upto 25,00,000 : 10%
> 25,00,000 : 15%

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Meaning of Salary.

B - Basic Salary
D - DA (in term)
B - Bonus
A - Allowances (Taxable)
C - Commission (All types)
M - Other monetary income. other than perquisite. (overtime)

Note 1
For calculating BDBACM, perquisite shall not be considered

Note 2
BDBACM should be calculated on due basis. It means salary of only current ye period should be considered. Advance & Arrear salary should be ignored.

Note 3
BDBACM should be considered for the time ~~the~~ ~~A~~ for which Assessee had occupied the house

Note 4
For computing BDBACM, retirement benefit should not be considered ie. Gratuity, Pension, Leave salary etc.

Note 5
Employer's contribution towards PF, or Interest on PF should be ignored.

10. **Hotel Benefit**

Taxable Amt. = i) 24 % of Salary (BDBAACM)
ii) Hire charges paid by employer ↓

Note:
1) If hotel benefit is provided at the time of transfer of employee and it is upto 15 days, then it is not taxable.
2) In house and hotel facility, if employer recovered any rent from employee, then such rent should be deducted from above taxable amount

Q. 13 (Page no. 23) Mr. C PY 23-24 AY 24-25.

a) Computation of Taxable value of Perquisite (House owned by ER)

Taxable Amt. = 15% of Salary (BDBACm)

	₹	
B :	30,000	(6,000 x 5)
D :	3,000	(600 x 5)
B :	7,500	(1500 x 5)
A :	-	
C :	-	
M :	-	
	40,500	

40,500 x 15% = ₹6,075.

b) Mr. C is required to pay ₹1000 p.m. rent

Computation of Taxable Perquisite	₹
Value	6075
(-) Rent paid by ER (1000 x 5 months)	5000
Taxable.	1075

c) If ABC Ltd. taken house on rent

Taxable Value	₹
i) 15% of salary	6,075
ii) Hire charge paid by ER (1200 x 5m)	6,000
	6,000
Less: Rent paid by employee (1000 x 5m)	(5,000)
Taxable Value	1,000

d) Computation of value of Furnished accomodation

	₹
Value of House	6,075
Add: Benefit of TV (Cost x 10% x 3/12) (25,000 x 10% x 3/12)	625
Add: Benefit of AC Rent paid by ER (400 x 2 x 5 months)	4,000
	10,700
Less: Rent paid by EE	(5,000)
Taxable Perquisite.	5,700

e) If employee is Government employee

License Fees x No. of months

700 x 5 months = 3,500

Taxable value.

11. Car Facility

a. Car is used fully for office purpose ⟶ It is exempt (because no benefit to employee)

If employer maintain record of each journey & employer issue a certificate that car is fully used for office purpose.

b. Car used for fully personal purpose

Taxable Amt.

- Asset OWNED by Employer → 10% OF Cost
- CAR HIRED by employer → Hire charges paid by employer

Add : Driver Salary (If paid by ER) xxx

Add: Running & Maintenance charges (If paid by ER) xxx

Taxable Perquisite xxx

c. Car is used partly for office and partly for personal purpose. [POPP]

POPP

Car OWN by EMPLOYEE

Running & Maintainenance Charges Paid

Employee

No Benefit

Not taxable

Employer

	₹
Taxable Amt. = Running & Maintenance paid by ER	xxx
Less: 1800pm/2400pm (upto 1600cc) / (>1600cc)	(xxx)
Taxable Perquisite	xxx

Car is OWNED by EMPLOYER.

Running & Maintenance Charges paid.

Employee

Taxable Amt. = 600 pm (upto 1600 cc) / 900 pm (>1600 cc)

Employer

Taxable Amt. = 1800 pm (upto 1600 cc) / 2400 pm (>1600 cc)

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Notes

1) If Employer also provide driver the ₹900 p.m. should be added to above taxable amount.

2) If more than one car, is provided for POPP, then 1 car is taxable according to above standard amount & other car shall be taxable on the assumption that it is fully use for ~~purpos~~ personal ~~purpoos~~ purpose.

12. **Transport Faility for Transport Employee**
↳ (Free Tickets)

a. for Airlines and Railway employee — Airlines and Railway Faility is fully exempt

b. for other employee — It is fully taxable.

13. **Gas, Electricity & water supply**

FULLY TAXABLE

14. **FREE SERVANT**

FULLY TAXABLE.

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15. Education Facility

a. for Employee : Fully exempt.

b. for Children : It is exempt is value of education is upto ₹1000 p.m. per child and education is provided in employer's own institution or institution where employer has tie-ups, otherwise it is fully taxable.

c. For other Relative : fully taxable.

16. ANY OTHER BENEFIT / PERQUISITE

↓

FULLY TAXABLE.

Note :

1) Perquisite NO. 11 to 15 is taxable only if Employee is a specified Employee
If employee is non-specified employee ~~the~~ a then it is fully exempt.

Meaning of specified Employee :

a) Director employee
b) Employee having substantial interest in the business of employer
c) Employee having cash salary more than ₹50,000 p.a.

2) Following perquisites are not taxable:

1) Telephone / Mobile Bill paid or reimbursed by employer.
2) Goods sold to employee by employer at reasonable price
3) Scholarship to Employee's children
4) Personal Accidental Policy Premium paid by employer.
5) Tax on non-monetary perquisite is paid by employer.

Q. 15 (Pg no. 24) Mr. X PY 23-24 AY 24-25

Computation of Gross Total Income

Particulars	Amt. (₹)	Amt. (₹)
1. Basic Salary (20,000 x 10 months)		2,00,000
2. D.A. (50% of Basic Salary)		1,00,000
3. Gratuity Received	6,00,000	
Less: Exempt u/s 10(10) (Note-1)	(5,19,231)	80,769
4. Uncommuted per month (5000 x 2month)		10,000
5. ~~Compunsion~~ Commuted Pension Received	3,00,000	
Less: Exempt u/s 10(10A) (Note-2)	(1,50,000)	1,50,000
6. Leave Salary	3,30,000	
Less: Exempt u/s 10(10AA) (Note-3)	(2,00,000)	1,30,000
7. Car Transfer to employee (Note-4)		56,000
8. Gift voucher by Employer		6,000
Gross Salary		7,32,769
Less: Std. ded^n u/s 16		(50,000)
Net Salary / Gross Total Income		6,82,769

Note 1 Exemption for Gratuity u/s 10(10) [Covered under POGA, 1972].

i) $\frac{15}{26}$ x Salary pm x No. of years of service.

$\frac{15}{26}$ x 30,000 x 30 years — 5,19,231

ii) Actual Amount Received — 6,00,000

iii) Maximum — 20,00,000.

5,19,231.

	₹
Latest Basic Salary	20,000
(+) DA (Both)	10,000
	30,000.

Note-2 Commuted Pension

Pension Received ⟶ 2/3

4,50,000 — 1

Exempt = Total Pension x $\frac{1}{3}$

= 4,50,000 x $\frac{1}{3}$

= 1,50,000.

Exempt

Note -3 Leave Salary Exemption

i) Leave Credit × Average Salary p.m (330~~00~~/30) 11 months × 20,000.	2,20,000
ii) 10 months × Average Salary pm. 10 × 20,000	2,00,000.
iii) Actual Amt. Received	3,30,000
iv) max 25,00,000	25,00,000

Average Salary pm

	₹
~~Avg. Salary~~ Avg. Basic salary of last 10 months.	20,000
Avg. DA(T) of last 10 months	Nil
Avg. T/O Commission of last 10 months	Nil
	20,000

Note-4 Car transfer to Employee

	₹	
Cost of Car	5,00,000	31/1/21 ① → 30/1/22
(–) Dep. @ 20%	(1,00,000)	31/1/22 ② → 30/1/23
	4,00,000	31/1/23 ③ → 30/1/24
(–) Dep @ 20%	(80,000)	31/1/24 ✗ → 30/1/25
	3,20,000	
(–) Dep @ 20%	(64,000)	
WDV.	2,56,000	
Less: Consideration paid by employee	2,00,000	
Taxable Perquisite	56,000	

Note-5 : Gift of TV not taxable under the head salary as it is not received from Employer.
It is not taxable under IFOS also because it is not covered in the definition of Asset / Property.

Note-6 : In the present question, nothing is mentioned about DA. So we have assumed that DA is not in terms.

State Govt. ✓
Central Govt. ✗.

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NOTE 16 : PROFESSIONAL TAX.

- It means tax on employment.
- If it is paid by employer on behalf of employee the 1st first it is taxable and thereafter deduction allowed u/s 16.
- If it is paid by employee, then only deduction is allowed.

Paid by

Employer	Employee
↓	↓
Add to Statement (Taxable)	—
↓	↓
Ded^n u/s 16.	Ded^n u/s 16

Note :

Normally Professional tax is ₹2,500 per year. If employee paid outstanding Professional tax in C.Y then ded^n is allowed for that amount.

Q.24 (Pg. no. 34) Mr. Balaji PY 23-24 AY 24-25

Computation of Taxable salary

Particulars	Amt. (₹)	Amt. (₹)
1. Basic salary (50,000 x 7 months + 60,000 x 5 months) (3,50,000 + 3,00,000)		6,50,000
2. DA (6,50,000 x 40 %)		2,60,000
3. Bonus (50,000 + 40 %.)		70,000
4. Employer's contribution to RPF (6,50,000 x 16 %)	1,04,000	
Less : Exempt 12 % of salary. (Basic + DA(T) + T/O Comm) (6,50,000 x 12 %.)	(78,000)	26,000
5. Professional tax paid by Employer		2,000
6. Motor Car facility (2400 pm x 5 months) (POPP)		12,000
Gross Salary		10,20,000
Less : Ded^n u/s 16		
i) Standard ded^n 50,000		
ii) Professional tax 2,500		(52,500)
Net Salary.		9,67,500

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Note

1) We have assumed that DA & ~~of~~ not form part of Retirement Benefit (Not in terms)
2) Facility of computer and laptop fully exempt in hands of employee
3) Motor car is own by employer and running & maintenance charges is also paid by employer, so taxable amount is ₹2,400 p.m. since car is more than 1,600 cc.
4) As per sec. 10(5), facility of LTC within India is fully exempt provided the employee travelled in the economy class and restriction of two children is not applicable if multiple birth after birth of 1 child.
5) Professional Tax paid by employer is ₹2000. First taxable under salary and after that deduction allowed u/s 16.

Q.23 (Pg no. 33) Mr. X PY 23-24 AY 24-25.

Computation of income from salary

Particulars	Amt. (₹)	Amt. (₹)
1. Basic Salary (25,000 × 12)		3,00,000
2. Commission (1,000 × 12)		12,000
3. Entertainment allowance (1000 × 12)		12,000
4. Rent free accomodation of house (Note 1)		48,600
5. Furniture given for use (Note 2)		1600
6. Loan given at Concessional Rate (Note 3)		22,500
7. Use of Motor Cycle (Note 4)		2,000
8. Transfer of Motor Cycle (Note 5)		12,000
Gross salary		4,25,100
Less: Ded^n u/s 16		
i) Standard Ded^n	50,000	
ii) Professional Tax	2,000	(52,000)
Net Salary		3,73,100

Note 1 : Rent-free accomodation

Taxable Amt. = 15% of salary.

= 15% × 3,24,000 = ₹48,600

		₹	
B	:	3,00,000	(25,000×12)
D	:	–	
B	:	–	
A	:	12,000	(1,000×12)
C	:	12,000	(1,000×12)
M	:	–	
		3,24,000	

Note 2 : Use of furniture

Taxable Amt. = $2,40,000 \times \frac{10}{100} \times \frac{8}{12}$

= 16,000

Note 3 : Loan given at concessional Rate

Taxable Amt. = $5,00,000 \times (12.75\% - 6.75\%) \times \frac{9}{12}$

= $5,00000 \times \frac{9}{12} \times \frac{6}{100}$

= ₹22,500

Note 4 : Use of motor cycle

Taxable Amt. = $\frac{10}{100} \times 60,000 \times \frac{4}{12}$ = ₹2,000

Note 5 : Transfer of Motorcycle.

Taxable Amt. = WDV - Consideration

= 42000 - 30,000

= ₹ 12,000

WDV :	Cost of Car	60,000.	01/05/2020 ① 30/04/21
	(-) Depreciation. 10% x 3 by SLM	(18,000)	01/05/21 ② 30/04/22
			01/05/22 ③ 30/04/23
			01/05/23 * 30/04/24
	WDV	42,000.	

Q.28 (Page no. 39) Mr. Raja PY 23-24 AY 24-25.

Computation of Income from salary.

Particulars	Amt. (₹)	Amt. (₹)
1. Salary (25,000 x 9)		2,25,000
2. House Rent Allowance (Note 1)		18,000
3. Gratuity (Note 2)		—
4. Leave Salary (Note - 3).		65,000
5. Pension (Note - 4)		1,42,333
6. Gift received from employer	5,000	
(-) Exempt	(5,000)	—
Gross Salary		4,50,333
Less : Ded^n u/s 16		
i) Standard deduction	(50,000)	(50,000)
Net Salary		4,00,333

Note 1 : House Rent Allowance

House Rent Allowance Received (6,000 x 9)		54,000
(-) Exemption u/s 10(13A).		
i) 50% of Salary 50% x 2,25,000	1,12,500	
ii) Actual Amt. received	54,000	
iii) Rent paid - 10% of Salary (6,500 x 9) - $\frac{10}{100}$ x 2,25,000 58,500 - 22,500	36,000	36,000
		18,000

Calculation of Salary

	₹	
Basic Salary	2,25,000	(25000 x 9)
(+) DA (T)	-	
(+) T/O Commission	-	
	2,25,000	

Note 2 : Gratuity

		₹
Gratuity Received.		3,50,000
(-) Exemption u/s 10(10)		
i) $\frac{15}{26}$ x Salary p.m x No. of years of service $\frac{15}{26}$ x 2,25,000 x 26	3,75,000	
ii) Actual Amount Received	3,50,000	
iii) Maximum.	20,00,000	(3,50000)
		Nil

Note 3 : Leave Salary.

		₹
Leave Salary Received.		3,15,000
Less : Exemption u/s 10(10AA)		
i) Leave credit × Avg. Salary p.m.		
12.5 × 25,000	3,12,500	
ii) 10 months × Avg. Salary pm.		
10 × 25,000	2,50,000	
iii) Actual amt. received.	3,15,000	
iv) maximum	25,00,000	2,50,000
		65,000

Avg. Salary	₹
Avg. Basic Salary of 10 months	25,000
Avg. DA (T) Of last 10 months	-
Avg. T/o Commission of last 10 months	-
	25,000

Leave Credit = 750 days − 375
(25×30) (15×30)

$= \frac{375}{30} = 12.5$ months.

Note 4 : Pension

1. Uncommuted Pension (5000 x 1) + (5000 x 40% x 12)		9000
2. Commuted Pension		
Amt. received (3,00,000 / 60%)	3,00,000	
(-) Exempt u/s 10(10A) (1/3 x 5,00,000 → 3,00,000 / 60%)	(1,66,667)	1,33,333
		1,42,333

CONCEPT OF PAY SCALE.

Example : Mr. Anurag joined Indian Railway on 1st August, 2017 on Pay scale of 20,000 - 1500 - 23,000 - 2,000 - 33,000 - 2800 - 43,000 Compute salary of PY 23-24.

01/08/17 — 20,000 pm → 31/07/18

01/08/18 — 21,500 pm → 31/07/19

01/08/19 — 23000 pm → 31/07/20

01/08/20 — 25000pm → 31/07/21

01/08/21 — 27000 pm → 31/07/22.

01/08/21 — 29000 pm (4m) → 31/07/23.

01/08/23 — 31,000 pm (8m) → 31/07/24.

PY 23-24.

4 months × 29,000 = 1,16,000

8 months × 31,000 = 2,48,000

3,64,000

01/01/23 $\xrightarrow{20,000/m}$ 31/12/23

01/01/24 $\xrightarrow{21,000/3m}$ 31/12/24

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Q.25 (Pg no. 35) Mr. X PY 23-24 AY 24-25

Computation of Taxable Salary.

Particulars	Amt (₹)	Amt (₹)
1. Basic Salary (20,000 x 9 months) + (21,000 x 3m)		2,43,000
2. D.A. (10% of Basic Salary		24,300
3. Bonus (Salary of March)		21,000
4. Employer Cont. to RPF (2,67,300 x 15%)	4,0095	
(less): Exempt (12% of Salary) (2,67,300 x 12%) (Basic + DA(T) + T/O Commission)	(32,076)	8,079
5. Facility of Laptop		Exempt
6. Medical treatment of Brother		25,000
7. House keeper facility (1000 x 12)		12,000
6. Gift Voucher		10,000
7. Conveyance Allowance (1000 x 12)	12,000	~~12,000~~
(less): Actual Expense	(12,000)	
8. Telephone Allowance (500 x 12)		6,000
9. Premium for Personal Accidental Policy		Exempt
10. House facility (Note-1)		44,146
Gross Salary		3,93,464
(-) ~~Standard~~ ded^n u/s 16.		
i) Std ded^n ₹		(50,000)
Net taxable Salary		3,43,464

VRS – exam X.

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Note-1 House facility (hired by employer)

Taxable Amt.

i) 15% of salary (2,94,300 × 15%) — 44,145

ii) Hire charges paid by employer (1000 × 12m) — 1,20,000

44,145.

B – 2,43,000.
D – 24,300
B – 21,000
A – 6,000
C – –
M – –

2,94,300

~~NOTE 13 : VOLUNTARY~~ *

NOTE 13 : VOLUNTARY RETIREMENT COMPENSATION (VRS)

Exempt u/s 10(10C)

i) Salary pm × 3 months × No. of years of Completion of Service [fraction IGNORE]

ii) Salary pm × No. of Remaining moths of service — xxx

iii) Actual amt. received. — xxx

iv) Max. 5,00,000. — xxx

* Salary pm : Basic + DA(T) + T/O Commission.

Q.8 (Pg no. 21) Mr. Dutta PY23-24 AY24-25

		₹	₹
VRS Received		~~7,00,000~~	7,00,000
(-) Exempt u/s 10(10C)			
i) Salary pm x ~~3~~ months x No. of years of service. 25000 x 3 x 30.		22,50,000	
ii) Salary pm x No. of months of remaining service 25000 x 72 months (6x12 m)		18,00,000	
iii) Actual Amt. Received		7,000,000	
iv) Maximum	5,00,000	5,00,000	5,00,000
		Taxable Amount.	2,00,000

* Salary pm = Basic + DA(T).
= 20,000 + 5,000
= 25,000.

NOTE 14 : RETRENCHMENT COMPENSATION

Exemption u/s 10(10B)

i) Compensation as per Industrial Dispute Act* — xxx
ii) ₹5,00,000 — xxx

* 15/26 × Avg.* salary of last 3 months × No. of years of completion of Service

[Rounded off allowed ≥ >6 months]

* Basic salary + DA(T) + T/O Commission

Q.9 (Pg. no. 21) Mr. Garg PY 23-24 AY 24-25

Computation of Taxable Retrenchment Compensation

	₹
Actual Amt. Received	10,00,000
(-) Exempt u/s 10(10B)	(3,56,154)
	6,53,846

* Exempt u/s 10(10B)

i) Compensation as per Industrial Dispute Act
$\frac{15}{26}$ × 20,000 × 30 yrs — 3,46,154
ii) Maximum 5,00,000 — 5,00,000
3,46,154

NOTE 17 : ENTERTAINMENT ALLOWANCE

It is fully taxable for all employees, but deduction is allowed to gouernment employee as follows :

i) 20% Of Basic Salary	XXX
ii) Actual Amt. Received	XXX
iii) Max 5,000	XXX

NOTE 18 : STANDARD DEDUCTION

i) Salary income	XXX
ii) 50,000. p.a.	XXX
	XXX

Q.4 (Pg. no. 20)

Computation OF HRA Exemption U/s 10(13A)

i) 40% of Salary (Basic + DA(T) + T/O Commission) 5,52,000 x 40% (4,80,000 + 72,000 + -)	2,20,800
ii) Actual Amt. Received (15000 x 12)	1,80,000
iii) Rent paid - 10% of Salary (16000 x 12) (5,52,000 x 10%) 1,92,000 - 55,200	1,36,800
	1,36,800

Q.20 (Pg no. 29)

Mr. Hari PY 23-24 AY 24-25.

Computation of Total Income & Tax Liability

		₹
Income from salary (computed)		10,20,000
Arrears received in C.Y.		3,45,000
GTI / NTI.		13,65,000

Computation of Tax Liability

Upto 3,00,000.	–	–
> 3,00,000 upto 5,00,000.	5%	10,000
> 5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 13,65,000	30%	1,09,500
		2,19,500
Add: HEC@ 4%		8,780
		2,28,280
Less : Rebate u/s 89 (Step 1 – Step 2) (107640 – 92,185)		(15,455)
Net tax payable		212,825

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Relief u/s 89

Step 1

			₹
Tax on C.Y. Income (Including arrears salary)			2,28,280
(10,20,000 + 3,45,000)		13,65,000	
(–) Tax on CY Income (excluding arrears salary)			(1,20,640)
(10,20,000)		Step 1	1,07,640
upto 3,00,000	—	—	
> 3,00,000 upto 5,00,000	5%	10,000	
> 5,00,000 upto 10,00,000	20%	1,00,000	
> 10,00,000 upto 10,20,000	30%	6,000	
		1,16,000	
Add: HEC @ 4%		4,640	
		1,20,640	

Step 2 Computation of Total Income & Tax Liability of the year of Arrears Salary.

	PY 10-11 (58 yrs) AY 11-12	PY 11-12 (59 yrs) AY 12-13	PY 12-13 (60 yrs) AY 13-14
Total Income (Including Arrear Salary)	8,13,000 (Note 1)	9,42,000 (Note 3)	10,75,000
Tax on Income (Incl. Arrears) (A)	1,00,837	1,38,638	1,51,925
Total Income (Excluding Arrear Salary)	7,10,000 (Note 2)	8,25,000	9,50,000
(B)	78280	102,485	118450
Step: 2 (A-B) [92,185]	22557 +	36153 +	33475

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Note 1: Tax on 830,000

Upto 160,000	—	—
> 160,000 upto 500,000	10%	34,000
> 5,00,000 upto 8,00,000	20%	60,000
> 800000 upto 813000	30%	3900
		97,900
+ Edu. Cess @ 3%		2937
		100837

Note 2: Tax on 7,10,000

Upto 160,000	—	—
> 160,000 upto 500000	10%	34,000
> 5,00,000 upto 7,10,000	20%	42,000
		76,000
+ Edu cess @ 3%		2,280
		78,280

Note 3: Tax on 9,42,000

upto 1,80,000	—	—
> 1,80,000 upto 5,00,000	10%	32,000
> 5,00000 upto 8,00000	20%	60,000
> 8,00,000 upto 9,42,000	30%	42,600
		1,34,600
(+) Edu Cess @ 3%		4,038
		1,38,638

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Note 4: Tax on 8,25,000

Upto 180,000	—	—
>1,80,000 upto 5,00,000	10%	32,000
>5,00,000 upto 8,00,000	20%	60,000
>8,00,000 upto 8,25,000	30%	7,500
		99,500
(+) Add Edu Cess @ 3%		2985
		102,485

Note 5: Tax on 10,75,000.

Upto 250,000	—	—
>250,000 upto 5,00,000	10%	25,000
>5,00,000 upto 10,00,000	20%	1,00,000
>10,00,000 upto 10,75,000	30%	22,500
		1,47,500
(+) Edu Cess @ 3%		4,425
		1,51,925

Note 6: Tax on 950,000

Upto 250,000	—	—
>250,000 upto 5,00,000	10%	25,000
>5,00,000 upto 950,000	20%	90,000
		1,15,000
(+) Edu Cess @ 3%		3450
		1,18,450

(continued from old book)

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Sec 17(2)(vii) : Employer's contribution towards RPF / ASF / NPS.

(Recognised Provident Fund) (Approved superannuation fund) (New/National Pension Scheme)

(Applicable from 01/04/2020)

Employer's contribution towards ~~RPF~~ / ~~ASF~~ RPF, ASF, NPS in excess of ₹7,50,000 is treated as perquisite and it is taxable in the hands of Employee.

Sec 17(2)(viia) : Annual ~~accretion~~ accretion of dividend / interest on employer's contribution of more than ₹7,50,000 is treated as perquisite in hands of employee and is taxable.

$$\text{Taxable Interest} = \frac{PC}{2} \times R + (PC_1 + TP_1) \times R$$

PC : Employer's contribution in RPF/NPS/ASF in excess of ₹7,50,000 in Current Year.

PC_1 : Employer's contribution in RPF/NPS/ASF in excess of ₹7,50,000 in last P.Ys.

TP_1 : Interest / Dividend u/s 17(2)(viia) already taxable in last P.Ys.

$R : \frac{I}{F_{Avg}}$

I : Income from RPF / ASF / NPS in C.Y.

favg : $\frac{\text{Aggregate balance of RPF / ASF / NPS on 31/03/23} + \text{Aggregate balance of RPF / ASF / NPS on 31/03/24}}{2}$

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Q. 10 (Page no. 22)

for PY 22-23 AY 23-24

Basic Salary	6,00,000 x 12 months.	72,00,000
DA	(8% of Basic Salary)	5,76,000
		77,76,000
	ER Contr. to RPF (10% of 77,76,000)	7,77,600

Taxable u/s 17(2)(vii) : (7,77,600 - 7,50,000) = 27,600

Taxable Amt. u/s 17(2)(viia)

$$= \frac{PC}{2} \times R + (PC_1 + TP_1) \times R$$

$$= \frac{27,600}{2} \times 0.1110 + 0. = 1532.$$

$$R = \frac{I}{F_{Avg}} = \frac{206,711}{18,62,093} = 0.1110.$$

$$F_{avg} = \frac{\text{Op. Bal. on } 01/04/22 + \text{Cl. Bal. on } 31/03/23}{2}$$

$$= \frac{9,81,137 + 27,43,048}{2}$$

$$= 18,62,093.$$

PY

Interest of C.Y. (22-23)

Closing Bal.	2743048
(-) Op. Bal.	(9,81,137)
(-) ER Contr.	(7,77,600)
(-) EE Contr.	(7,77,600)
Interest	2,06,711

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Salary for House of Ghaziabad.

	₹
Basic Salary	1,22,000
DA (T)	61,000
T/O Commission	—
	1,83,000

Note 1 :

HRA For April - May

HRA Received. (6,000 × 2)		12,000.
Less : Exempt u/s 10(13A)		
i) 40% of Salary	12,000	
ii) Actual amt. received	12,000	
iii) Rent paid - 10% of salary	Nil	Nil
Taxable HRA		12,000

Salary = 20,000 + 10,000 = 30,000.

HRA For. June - Oct.

HRA Received		30,000
Less : Exempt u/s 10(13A)		(22,500)
i) 40% OF Salary	30,000	
ii) Actual amt received	30,000	
iii) Rent paid - 10% of salary (30,000 - 7500)	22500	
Taxable HRA		7,500

Salary = 50,000 + 25,000 = 75,000

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HRA for NOV - Dec :

	HRA Received.		12,000
Less:	Exempt u/s 10(13A)		(12,000)
	i) 50% of salary	15,000.	
	ii) Actual amt. received.	12,000	
	iii) Rent paid - 10% of salary 16000 - 3,000.	13,000.	
	Taxable HRA.		Nil.

Salary = 20,000 + 10,000 = 30,000.

HRA for Jan

	HRA Received.		7,000
Less:	Exempt u/s 10(13A)		(6,500)
	i) 50% of Salary	7,500	
	ii) Actual amt. received	7000	
	iii) Rent paid - 10% of salary (8000 - 1,500)	6,500.	
	Taxable HRA		500

Salary = 10,000 + 5,000 = 15,000

HRA for Feb - March

	HRA Received.		14,000.
Less:	Exempt u/s 10(13A)		(12,700)
	i) 50% of salary	16,500.	
	ii) Actual amt. received	14,000	
	iii) Rent paid - 10% of salary (16000 - 3300)	12,700	
	Taxable HRA.		1,300

Salary = 22,000 + 11,000 = 33,000

Agr. RPF mai ER ka contri 7,50,000 se kam hai to 12% ka exemption mile & agr excess hai tab yeh wali provision lag

PY 23-24 AY 24-25

Taxable amt. u/s 17(2)(vii)

	₹
ER Cont. (7,77,6000 × 10%.)	7,77,600
	(7,50,000)
Taxable.	27,600.

Taxable amt. u/s 17(2)(viia)

$$= \frac{PC}{2} \times R + (PC_1 + TP_1) \times R.$$

$$= \frac{27600}{2} \times 0.094729 + (276001532) \times 0.0947$$

$$= 4069$$

$$R = \frac{I}{Favg} = \frac{3,50,307}{\left(\frac{2743048 + 4648555}{2}\right)} = \frac{3,50,307}{3695802} = 0.0947$$

Interest on CY.

Cl. Bal.	46,48,555
(-) Op Bal	(27,43,048)
(-) ER Cont.	(7,77,600)
(-) EE Cont.	(7,77,600)
	3,50,307

Note:

1) In above question employee's contribution to RPF is more than ₹2,50,000. So, interest on such excess contribution is taxable as perquisite in hands of employee.

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Q.21 (Page no. 30)

Mr. Mohit PY 23-24 AY 24-25

Computation of Gross salary

	₹
Basic salary (10,000 × 10) + (11,000 × 2)	1,22,000
Dearness Allowance (100 % × 1,22,000)	1,22,000
House Rent Allowance (Note - 1) (12,000 + 7,500 + 500 + 1300)	21,300
Gross salary	2,65,300

Note 1 :-

House Rent allowance received (6,000 × 9) + (7,000 × 3)	75,000
Less: Exempt u/s 10 (13A)	
i) 40 % / 50 % of salary	
ii) Actual amt. received	
iii) Rent paid - 10 % of salary 30,000 -	

Q.27 (Page no. 37)

Mr. Samaksh

PY 23-24 AY 24-25

Computation of Income from Salary

	₹	₹
1. Basic salary (70,000 x 12)		840,000
2. Dearness allowance (840,000 x 40%)		3,36,000
3. Health insurance scheme.	20,000	
Less : Exemption	(20,000)	–
4. Gift voucher from employer		10,000
5. Allotment OF ESOS/ESPS. (800 x 700) - (800 x 450)		2,00,000
6. Use of furniture (1,10,000 x 10%)		11,000
7. Transfer of furniture. (WN:1)		66,000
8. Entertainment allowance		10,000
9. Loan from Employer at Concessional Rate (W.N.2)		49,292
10. Use of Laptop.	50,000	
less : Exemption	(50,000)	–
Gross salary		15,22,292
less : Deduction u/s 16		
standard deduction		50,000
Net Salary.		14,72,292

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W.N.1

Transfer of furniture.

Taxable Amt. = WDV − Consideration
= 1,10,000 − (11,000×4)
= 1,10,000 − 44,000
= 66,000.

Sep 2019 (1) Aug 2020
Sep 2020 (2) Aug 2021
Sep 2021 (3) Aug 2022
Sep 2022 (4) Aug 2023
Sep 2023 (X) Aug 2024.

W.N.2

Loan from employer at Concessional Rate

Month	Loan Amt. O/s at the end of month.	Interest @ 3.5%
~~Oct~~		
April - May	15,00,000	8750 ← 52,500 (2)/12
June - Aug	14,50,000	12687.5 ← 50,750 (3)/12
Sep - Nov	14,00,000	12250 ← 49,000 (3)/12
Dec - Feb	13,50,000	11,812.5 ← 47,250 (3)/12
Mar	13,00,000	3,792 ← 45,500 (1)/12
	Total	49,292

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DEDUCTION FROM GTI

(4 to 7 Marks)

1) Deduction u/c VI-A is restricted to Gross Total Income and Deduction cannot be carry forward.

Example:

	₹
IF Salary	-
IF HP	50,000
IF BP	-
IF CG	-
IFOS	80,000
GTI	1,30,000
(-) Ded^n u/c VI-A [2,00,000]	(1,30,000)
NTI	x

2) Deduction u/c VI-A is not allowed against LTCG, LTCG 112, STCG 111A or special rates of Tax income. (Like winnings, deemed income)

Example

	₹	
PGBP	90,000	
LTCG	2,00,000	x
STCG 111A	1,00,000	x
winnings	1,00,000	x
	4,90,000	
(-) Ded^n u/c VI-A	90,000	
PPF 150,000 NTI.	4,00,000	

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3. Deduction u/c VI-A not allowed if Assessee opted 115 BAC exept 80CCD(2), 80CCH(2) & 80JJAA.

PAYMENT RELATED DEDUCTION.

1) Sec. 80C: Specified Investments.

a) Eligible Assesse: Individual / HUF
b) Amount of Deduction: Maximum ₹1,50,000
c) Eligible Investment
   1) Life Insurance Premium (LIP)
      for Individual: self, Spouse, Children
      for HUF: Any member.

Policy issued before 01/04/12.
↓ i) Premium paid xx
↓ ii) 20% of policy value xx
xx

Policy issued on or after 01/04/12
↓ i) Premium Paid xx
↓ ii) 10% of policy value xx
xx

Policy issued on or after 01/04/2013 for person with disability (u/s 80U) or person suffering from specified ~~dise~~ disease (u/s 80DDB)
↓ i) Premium Paid xx
↓ ii) 15% of Policy Value xx
xx

full time education
↳ school, College

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2. Amount deposited in Public Provident fund (PPF)
for individual : self, spouse, children
for HUF : Any member.

3. Employee's contribution to Statutory Provident fund, Recognised Provident fund or Approved superannuation fund.

4. Amount invested in National saving certificate (NSC) as well as the interest accrued on NSC

5. fixed deposit in Scheduled Bank or Post Office for minimum 5 years.

6. Tution fees paid for education of maximum 2 children for full time education in India.

7. Repayment of Loan (Principal amount) for purchase or construction of house and loan taken from bank / Financial institution.

8. Stamp Duty or Registration Fees for acquiring house property

9. Deposit is Senior Citizen Saving Scheme (SCSS)

10. Inuentment in Unit Linked Insurance plant (ULIP).

11. Notified Units of Mutual funds or UTI.

12. Notified Pension scheme of UTI / ~~Fund~~ Mutual fund.

13. Deposit in Notified Funds of NABARD.

80CCE: 80C + 80CCC + 80CCD(1)
Max. 150,000

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14. Deposit in Sukanya Samridhi scheme A/c (for any girl child of individual or girl child for whom such individual is a legal guardian)

15. Contribution to National Housing Bank.

16. By employee of CG as a contribution to a specified amount of pension scheme referred to in Sec. 80CCD for a fixed period of Three years or more (NPS Tier - II)

2) Sec. 80CCC: Contribution to Pension fund of LIC or any Other Insurance Company.

a) Eligible Assessee: Individual
b) Amount of Deduction: Max. 150,000.

3) Sec. 80CCD: Contribution to Pension Scheme of Central Government / National Pension Scheme / New Pension Scheme.

a) Eligible Assessee: Individual
b) Amount of Deduction: ~~Max. ₹ 150,000~~

Sec. 80CCD(1)

Salaried Employee		Other Individuals	
i) Employees Contribution	xx	i) Assessee's Contribution	xx
ii) 10% of Salary	xx	ii) 20% of GTI	xx

80C → Tier II

80CCD → Tier I

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Sec. 80CCD (1B): Additional deduction up to ₹50,000 shall be allowed other than contributions covered u/s 80CCD(1).

Example:

Assessee's contribution - ₹1,40,000 towards NPS & GTI is ₹5,50,000, in this case, assessee can claim ₹1,10,000 (20% of GTI) u/s 80CCD(1) & remaining ₹30,000 u/s 80CCD(1B) or He can first claim u/s 80CCD(1B) of ₹50,000 & remaining ₹90,000 u/s 80CCD(1).

Sec 80CCD(2): Employer's contribution to NPS for the benefit of Employee.

Employer's contribution is first taxable under the head salary in hands of Employee & then he gets deduction u/s 80CCD(2).

i) Employer's Contribution	xx
ii) 10% / 14%* of salary	xx.

* 14% where such contribution made by CG or SG.

Note:

1) For the purpose of Sec. 80CCD (1) & (2), salary means = Basic salary + DA (In terms).

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~~Sec 80 CCD.~~

Sec 80 CCE : Aggregate Deduction u/s 80C + 80 CCC + 80 CCD(1) is restricted to Maximum ₹1,50,000

4) Section 80 CCH : Contribution to Agnipath Scheme (Added by FA 23 wef AY 24-25)

Eligible Assessee : Individual enrolled in Agnipath scheme subscribing to ~~Agniveer~~ Agniveer corpus fund on or after 01/11/2022

- 80 CCH(1) : 100% of his contribution to Agnipath corpus fund.
- 80 CCH(2) : 100% of Central Govt. contribution to Agnipath Corpus fund.
  (first it is taxable under salary and then employee can claim deduction here)

Notes :

1) Any amount received by Assessee or his nominee from Agnipath fund is fully exempt.
2) As per Agnipath scheme, 30% of package should be contributed to Agnipath Fund by Assessee as well as central Government.

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5) Sec 80 D: Medical Insurance Premium, CG Heath Scheme, Preventive Health Checkup, Medical treatment.

Q.6 (Page no. 146)

Mr. Y PY 23-24 AY 24-25.

Computation of Deduction allowable u/s 80D.

	Actual Amt.	Max. Ded^{n} Actual Amt.
a) For self, spouse, Dependent children		
i) Medical Insurance premium.	22,000	22,000
ii) Central Govt. Health Scheme.	6,000	3,000
	28,000	25,000
b) Parents		
i) Medical Insurance Premium.	33,000	33,000
ii) Medical treatment.	20,000	17,000
	53,000	50,000

Max. Deduction = ₹75,000

Agr kisi person ke liye policy nhi nikalti to treatment ka kharcha kg ded° milega

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1) Eligible Assessee : Individual & HUF

2) For whom : Individual : Self, Spouse, Parents & dependent children.

HUF : Any member of HUF.

3) Mode of Payment : Any mode other than cash, but payment of preventive health check-up can be made in cash.

4) Amount of Deduction

	Particular	Individual		HUF
		self spouse, dependent children.	Parents	Members
A]	i) Medical insurance Premium	Yes	Yes	Yes
	ii) CG Health scheme	Yes	No	No
	iii) Preventive Health check-up	Yes	Yes	No
	General Deduction [i+ii+iii]	Max. 25,000	Max. 25,000	Max. 25,000
	(+) Additional Deduction (when Mediclaim taken for Senior citizen – Age 60 or more)	Max. 25,000	Max. 25,000	Max. 25,000
B]	Medical expense of Senior citizen (Age 60 or more) & Mediclaim premium not paid for such person.	Max 50,000	Max 50,000	Max. 50,000
	[Maximum Deduction]	[Max 50000]	[Max. 50000]	[Max. 50000]

Notes : Aggregate payment for preventive health check-up of self, spouse, dependent children & parents cannot exceed ₹5000

In force - kitne yrs tak insurance hai even if 1 month then incl.

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Note :

If Medical Insurance Premium is paid in Lumpsum for more than 1 year then deduction is allowed is equal to

$$\frac{\text{Lumpsum Premium}}{\text{PY's in which Insurance in force}}$$

Example :

Mr. BB paid Health Insurance premium to Star Health of Rs. 60,000 for 5 years. on 1st NOV. 2023. Policy tenure is 5 years ie. from 1st. NOV. 2023 till 31st Oct. 2028. Calculate deduction allowed for PY 23-24. ~~In this case, dedu~~

Ans : In this case, deduction is allowed in 6 P.Y.s ie. from PY 23-24 till PY 28-29.

SO, deduction in current year : $\frac{60,000}{6 \text{ yrs}} = ₹10,000$

6) **Section 80 U :** ~~Se~~ Deduction for handicapped Assessee.

1. **Eligible Assessee :** Resident Individual
2. **Amount of Deduction :**
   - i) Normal Disability : ₹75,000
   - ii) Severe Disability (80% or more disability) : ₹1,25,000

Sec. 80 D - Dependent children.
Sec. 80 DD. - Dependent Relative } Only used in series of 80D.
Sec. 80 DDB - Dependent Relative

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7) Section 80DD: Medical Treatment & Maintenance of Handicapped dependent relative

1. Eligible Assessee : Resident Individual / HUF.
2. Amount of Deduction :
   i) Normal Disability ₹75,000)
   ii) Severe Disability ₹1,25,000

Note

1) Above deductions are flat deductions, irrespective of actual expenditure.
2) Deduction under this section is allowed if assessee incurred expenditure on medical treatment or deposit any amount for maintenance of handicapped dependent relative (HDR)
3) Relative : Individual – spouse, children, Brother, Sistem, Mother, Father.
   HUF - Any member of HUF.

8) Section 80DDB: Deductions in respect of medical treatment of specified Disease.
(Dil- पल्लाने वाली Bimariya)

1. Eligible Assessee : Resident Individual & HUF
2. Amount of Deduction :

	₹
i) Actual expenses on treatment	xx
ii) Maximum* ₹40,000/₹1,00,000 whichever is lower	xx
Less: Insurance Claim received	xx
Amount of Deduction	xx

* Normal Case - ₹40,000
Senior citizen patient - ₹1,00,000

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3. Assessee should incur expenditure on the treatment of specified diseases for :-

Individual : self or dependent relative (spouse, Brother, Sister, Children, mothe father)

HUF : Any dependent member OF HUF.

Section 80 E : Interest on Education Loan for Higher Educatio (Any course after 12th) in India or Outside India.

1. Eligible Assessee : Individual.

2. Amount of Deduction : Interest amount (100%.) for a period of 8 consecutive years starting from the year in which the assessee start paying interest.

Note :

Deduction is allowed if loan is taken for the education of : self, spouse, children or any student for whom Assessee is a legal guardian.

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SEC 80 EE : Interest on Housing Loan

1) Eligible Assessee : Individual

2) Amt. of Deduction : Max. 50,000

3) Conditions :

a) Loan should be taken from bank or financial institution for acquisition of Residential house property.

b) Purchase Price of house should be upto ₹50 lakhs.

c) Loan should be ~~sanctioned~~ sanctioned between 1st April 2016 till 31st March, 2017.

d) Loan amount should be upto ₹35 Lakhs.

e) Assessee does not own any Residential house on the date of sanction of Loan.

Note:

First deduction of interest upto Rs. 2 Lakh claimed under house property u/s 24(b) and remaining interest allowed here.

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SEC 80EEA : Interest on Housing Loan.

1) Eligible Assessee : Individual (other than covered in 80EE

2) Amount of Deduction : Maximum ₹150,000.

3) Conditions :

a. Loan should be taken from bank or financial institution

b. Stamp Duty value of Property should be upto ₹45 Lakhs.

c. Loan should be sanctioned between 01/04/2019 till 31st/03/2022.

d. Assessee does not own any residential house on the date of sanction of ~~road~~ loan.

Note :

First deduction of interest upto Rs. 2 Lakhs claimed under house property u/s 24(b) and remaining interest allowed here.

SEC 80EEB : Interest on Electric Vehicle Loan

1. Eligible Assessee : Individual

2. Amount of Deduction : Maximum ₹1,50,000

3. Conditions :

a. Loan should be taken from bank or financial institution including NBFC.

b. Loan should be sanctioned between 01/04/2019 till 31st March 2023.

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Note:
If Deduction allowed here then on same interest deduction cannot be claimed under any other section.

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Mr. A.

Interest Deduction for PY 23-24 (AY 24-25)

Total Interest 43,00,000 × 9% = 3,87,000

Interest u/s 24(b) in House Property	Interest deduction u/s 80EEA
₹ 2,00,000	₹ 1,50,000

Mr. B

Interest deduction for PY 23-24 (AY 24-25)

Total Interest : 450,000 × 9%	405,000
a] Interest allowed u/s 24(b) of House Property	2,00,000

b) Dedn u/s 80EEA not available since
→ Loan taken from NBFC
→ SDV > 45,00,000.

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Mr. C

Deduction u/s 80 EEB is allowed for loan taken for Electric vehicle

Total Interest : 20,00,000 × 10% = 2,00,000
Max. Interest allowed = 1,50,000

Mr. D

Deduction u/s 80EEB not available as loan is sanctioned before 01/04/2019.

SEC 80 G : DONATION.

1. Eligible Assessee : All Assessee.

2. PART A : Unlimited Category

a. National Defence Fund
b. PM National Relief Fund
c. PM Armenia Earthquake Relief Fund.
d. CM Relief Fund & Lieutenant General. Relief Fund.
e. Zilla Saksharta samiti.
f. National sports fund.
g. National Children Fund
h. National Cultural Fund
i. Swachh Bharat Kosh
j. Clean Ganga Fund.
k. National fund for control of drug abuse.
l. PM care Fund.
m. Fund for army etc.

} 100% Unlimited

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PM Draught Relief fund ⟶ 50% Unlimited.

PART B: LIMITED CATEGORY

(FO)

a. Donation to Government or local authority or approved institutions for promoting family planning ⟶ 100% Limited ⟵

b. Donation by Company to Indian Olympics Association or any other institution for sports & infrastructure development in India.

→ 50% Limited (HTC Ltd.)

i) Donation to Housing Development Authority.
ii) Donation for renovation / repair of temple, gurudwara, mosque or church.
iii) Donation to any Public Charitable Trust.
iv) Donation for promoting minority community in India.

	₹	₹
FO	XX	30,000
H	XX	
T	XY	40,000
C	XX	
Mobile	XXX	
Total donation	XXX	70,000
10% OF ATI (5,00,000)	XXX	50,000
Eligible Donation	XXX	50,000

FO 30,000 × 100% = 30,000

HTC mobile 20,000 × 50% = 10,000

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Calculation of Adjusted Total Income ₹

GTI (other than special Rates of Income) xxx.
Less : All deduction u/s # VI-A xxx
(except 80G)
~~ATI~~ ATI. xxx.

Note :
1) Deduction under this section not allowed if donation made in cash of more than ₹2,000.
2) Donation paid in kind are not eligible for deduction under this section.

Q.10 (Page no. 148)

Mr. Shiva. PY 23-24 AY 24-25.

Computation of Total Income

Particulars		₹	₹
Gross Salary			7,75,000
Ded^{n} u/c VI-A			
i) 80C : Specified Investment.			
a) LIP Premium paid.	20,000	18,000.	
[since policy taken on or after 01/04/2012 so it is restricted to 10% of policy value]			
b) Deposit in PPF		1,00,000	
		1,18,000	
ii) 80CCC : LIC Pension Fund		60,000	
		1,78,000	

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As per Sec. 80 CCE, ded^n u/s 80C + 80CCE + 80CCD(1) restricted to ₹1,50,000	1,50,000	(1,50,000)
iii) 80 D : Medical Insurance Premium		
Self 12,000		
Spouse 14,000		
26,000		
It is restricted to ₹ 25,000		(25000)
iv) 80G : Donation		
National Children Fund (100% Unlimited)	25,000	
Approved institution for family planning	40,000	
Public Charitable Trust.	10,000.	(75,000)
	NTI.	5,25,000

W.N.1

	₹
Family Planning:	40,000.
Public Charitable Trust:	50,000
Total Donation:	90,000
10% of ATI (6,00,000)	60,000
	60000

Calculation of ATI

	₹
GTI	7,75,000
(-) All ded^n u/c VI-A except 80G	(1,75,000)
	6,00,000

Family Planning
↓
40,000 × 100%
= 40,000.

Public Charitable Trust.
↓
20,000 × 50%
= 10,000

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Notes

Donation made to Jawaharlal Nehru Memorial fund not eligible for deduction from AY 24-25.

Sec 80GG : Rent paid of House Property (HRA not received)

1. Eligible Assessee : Individual

2. Amount of Deduction :

i) 5,000 pm.
ii) 25 % of Adj. GTI
iii) Rent paid - 10 % of Adj. GTI

Adj. GTI	₹
Gross Total Income	xxx
(-) All Deduction u/c VI-A (except 80GG)	(xxx)
Adjusted GTI.	xxx

Note :

Assessee or his spouse or minor child or HUF should not own any house property at the place of his duty.

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Sec 80GGB: Donation to Political Property or 80GGC Electoral Trust.

80GGB → Indian company

80GGC → Any other Person

Amt. of Deduction

100% of Donation.

Note:

No deduction if donation made in CASH

Sec 80GGA: Donation for Scientific Research or Rural Development.

Eligible Assessee: All Assessee (except assessee having income under PGBP)

Amount of Deduction: 100% of Donation

If donation more than ₹2000 then should be made other than cash

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Q.20 (Page no. 154) MS. ROMA PY 23-24 AY 24-25

Computation OF Total Income.

Particulars	Amt (₹)	Amt (₹)
1. Gross Total Income		6,40,000
Less : Deduction u/c VI-A.		
i) 80C : Stamp duty on SOP	50,000	
Deposit in Post office for 5 years	20,000	(70,000)
ii) 80E : Interest on loan for higher education of spouse		(10,000)
iii) 80G : Donation Public charitable trust. (Note 1)		(12,500)
Net total Income.		5,47,500

Note 1.

↓ Total Donation 25000
10% OF ATI 56,000.
25,000.
↓
25,000
× 50%
12,500

Calculation of ATI.

GTI	6,40,000
(-) All ded^n u/s VI-A except 80G	(80,000)
	5,60,000

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Q.16 (Page no. 151) Mr. Gurnam PY 23-24 AY 24-25

Computation of Total Income

Particulars	Amt. (₹)	Amt. (₹)
Income from salary		5,50,000
Income from other sources		
Interest on savings bank A/c		14,500
Gross Total Income		5,64,500
Less: Deduction u/c VI-A:		
i) 80C: Specified Investments		
a) LIP Premium paid for son [since, policy taken before 31/03/2012, so restricted to 20% of policy value]	25,500	
b) LIP Premium paid for self [since policy taken on or after 01/04/2012, restricted to 10% of policy value]	20,000	(45,500)
ii) 80D: Health insurance & health check-up:		
a) Health insurance premium	26,000	
Restricted to 25,000	25,000	
b) Paid for preventive health check-up of parents (max. allowed ₹5,000)	4,500	(29,500)
iii) 80E: Interest on education loan Taken for Daughter		(6,500)

2000
tak ~~dd~~allow
nhi to
pura disallow.

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iv) 80 G : Donation

a) Promotion of family planning (Note-1) — ~~(5,000)~~ —

(Not allowed since donation made in cash)

v) 80 TTA : Interest on savings bank A/c — (10,000)

Net total income — ~~4,68,500~~ 4,73,000

Note-1

↓ Total Donation 5,000
↓ 10% of ATI 48,300

5,000 × 100% = 5,000

Calculation of ATI

GTI — 5,64,500
(-) All ded^{n} u/c — (81,500)
IV A except 80 G.

4,83,000

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• Business wale ko milta hai

SEC 80 JJAA : Deduction in respect of Employment of the New Employee.

1) Eligible Assessee : Any Assessee engaged in Business to whom Sec. 44 AB applies.

2) Amount of Deduction : 30% of Additional Employee cost (Deduction for 3 consecutive years)

3 Additional Employee cost means –

New Business – Salary / Wages paid / payable to employee employed during the PY.

Existing Business – Salary / Wages paid / payable to additional employee employed during the PY.

Example : Suppose total employee as on 01/04/2023 were 100. 20 new employees joined & 15 employees left during the PY. In this case, deduction allowed on salary paid to 5 employees.

3) Conditions :

a) Salary should be paid by account payee cheque / account payee demand draft or any mode of Electronic Clearing System (ECS)

b) Salary should not be more than ₹25,000 per month.

c) Employee employed atleast 240 days in PY.
(In case of manufacture of footwear, apparel, leather – 150 days)

d) Employee should be participated in RPF.

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Notes :

1) If employee is employed during the PY for less than 240/150 days but is employed for a period of 240/150 days in next year, he shall be deemed to have been employed in next year. and accordingly deduction allowed in next year.

2) Deduction under this section allowed only if books of amounts are audited and audit report submitted upto date given in Sec 44AB.

Q.13 (Page no. 149) MR. A PY 23-24 AY 24-25.

A].

Computation of Ded^n u/s 80JJAA

a] Additional employee cost

24000 x 12 months x 75 employees = 2,16,00,000.

Ded^n u/s 80JJAA 2,16,00,000 x 30% = 64,80,000.

Notes :

1) Since Casual workers do not participate in RPF so deduction not allowed on salary paid to Casual workers.

2) Employee employed on 1st May, 2023 are not eligible for deduction because salary p.m. is more than ₹25,000.

3) 100 Regular workers employeed on 1st september, 2023 are not treated as additional employee because they work less than 240 days.

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B] If Mr. A is engaged in manufacture of footwears then 100 regular employees employed on 1st Sept. 2023 are also eligible for deduction as they work for 150 days or more in PY 23-24.

Additional Employee cost

2,16,00,000 + 168,00,000
(100 x 24,000pm x 7 months)

= 3,84,00,000

Ded^{n} Amt. = 3,84,00,000 x 30% = ~~₹1,52,00,00~~

= 1,15,20,000

Sec. 80 QQB.

~~Sec QQB~~ : Royalty from Books of Literacy, Artistic, Scientific Nature.

1. Eligible Assessee : Resident Individual

2. Amount of ~~Dedu~~ Deduction :

i) Fligible Royalty received	xx
ii) Max. ₹3,00,000	xx
whichever is lower	xx

3. Eligible Royalty :

In case of lumpsum Royalty - Amount Received as Royalty

Otherwise - Max. 15% of value of Book sold.

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SEC 80RRB : Royalty from Patent

1. Eligible Assessee : Resident Individual

2. Amount of Deduction :

a) Royalty received	xx
b) Max. ₹3,00,000	xx
whichever is lower	xx.

Note : for Sec 80QQB and 80RRB
If Royalty is earned outside India, then deduction is allowed only if such royalty amount is brought in India in convertible foreign exchange within 6 months from the end of the PY or time allowed by RBI.

Sec 80TTA : Interest on savings Account from Bank, Co-op Bank & Post Office

1. Eligible Assessee : Individual & HUF

2. Amount of Deduction :

i) Interest Amt.	xx
ii) Max. ₹10,000	xx
whichever is lower	xx

Note :
Deduction under this section not available to a resident senior citizen eligible for deduction u/s 80TTB.

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Sec. 80TTB: Interest on Deposits from Bank, Co-op Bank & Post Office

1. Eligible Assessee : Resident senior Citizen

2. Amount of Deduction :

i) Interest Amount	xx
ii) Max. ₹50,000	xx
whichever is lower	xx

Note :

Deduction u/s 80JJAA, 80QQB & 80RRB is allowed only if Assessee file return of income upto due date of return filing u/s 139(1).

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Q.23 (Page no. 158)

Deepak PY 23-24 AY 24-25.

Computation of Total Income.

Particulars	Amt. (₹)	Amt. (₹)
1. Income from Salary		
Pension	6,60,000	
Less : Std ded^n u/s 16.	(50,000)	
		6,10,000
2. Income from other sources		
Interest on fixed deposits		55,000
Gross Total Income		6,65,000
Less : Deduction u/c VI - A		
i) 80C : Specified Investments		
a) LIC premium paid for self [Since policy taken after 01/04/2012, restricted to 10% of policy value]	20,000	(20,000)
ii) 80D : Health Insurance		
a) Health insurance premium (restricted to ₹50,000)		(26,000)
iii) 80E : Interest on Education loan Taken For daughter		(6,500)

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iv) 80G : Donation

Since donation is made in cash above ₹2,000, deduction is not available — —

v) 80TTB : Interest on Bank Deposits

Interest on fixed deposit (50,000)
(Restricted to ₹50,000)

Net taxable income 5,62,500

Q.22 (Page no. 156) Mr. Dhyanchand PY23-24 AY24-25

Computation of Deduction.

	Amt. (₹)	Amt. (₹)
Deduction u/c VI-A.		
i) 80C : Specified Investments		
i) PPF	1,50,000	
ii) LIC Premium	40,000	
(Since policy taken after 01/04/2012, amt. allowed as ded^{n} restricted to 10% of policy value)		
iii) Term deposit in Bank	45,000	
	2,35,000	
Restricted to ₹1,50,000		~~1,50,000~~
iii) 80CCD(1) : Contribution to NPS		
Actual Contribution 2,10,000.		
10% of Salary ~~2,100~~ 1,40,000	1,40,000	~~1,40,000~~
$\frac{2,10,000}{15\%} \times 10\%$		

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~~iii)~~ As per sec. 80CCE, ded^{n} u/s 80+80CCE + 80CCD(1) restricted to ₹1,50,000	1,50,000	(1,50,000)
80CCD(1B) : Additional deduction		(50,000)
iii) 80D : Medical Insurance Premium & Preventive Health Check-Up		
i) Medical premium for self & wife (Restricted to ₹50,000.) $\left(\frac{1,08,000+80,000}{4} = 47,000\right)$	47,000	
ii) Medical expenditure incurred for father.	46,000	
iii) Preventive health check-up of wife.	3,000	(96,000)
(i) and (iii) restricted to ₹50,000)		
iv) 80 DD : Medical Treatment of Dependent Relative		
i) Severe Disability		(1,25,000)
v) 80 TTB : Interest on Bank deposits		(50,000)
i) Interest on fixed deposits (Restricted to ₹50,000)		
~~Total deduction u/c VI - A~~		
vi) 80 CCD(2) : Employer's contribution to NPS		
i) Employer's contribution	2,10,000	(1,40,000)
ii) 10% of salary	1,40,000	
~~to~~ $\frac{210,000}{15\%} \times 10\%$		
Total deduction u/c VI - A		(6,11,000)

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(5 Marks)

DEDUCTION U/S 10AA.

SPECIAL PROVISION FOR UNIT LOCATED IN SEZ.

1. **Eligible Assessee** : This deduction is available to unit located in SEZ and engaged in manufacturing or software development.
   Necessary Approval should be received upto 31st March, 2020 and business should be started upto 31st March, 2021.

2. **Amount of Deduction**

- For First 5 AY's — 100% of Export Profit
- For Next 5 AY's — 50% of Export Profit
- For Next 5 AY's. — Amount debited to P&L A/c and credited to SEZ Reinvestment Allowance Reserve A/c
  OR
  50% of Export Profit whichever is lower.

Export Profit = PGBP of Unit located in SEZ × Export Turnover / Total Turnover.

Export T/O of SEZ unit
Total T/O of DTA unit

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Note :

1) Export turnover means consideration brought into India in convertible foreign currency within 6 months from the end of P.Y. or time permitted by RBI.
2) If any amount deposited in Bank A/c opened outside India with the approval of RBI then that amount ~~deemed~~ treated as deemed to be received in India.
3) Total Turnover / Export Turnover does not include freight, insurance, telecommunication charges, expenses for providing services outside India.
4) Amount credited in SEZ Reinvestment Reserve should be utilised for acquiring new plant & machinery and put to use within 3 years from the end of PY in which reserve was created. If any amount is misutilised or unutilised then deduction claimed earlier shall be withdrawn and treated as PGBP income.

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$$\text{Export Profit} = \text{PGBP of SEZ unit} \times \frac{\text{Export T/O}}{\text{Total T/O.}}$$

$$= 30,00,000 \times \frac{50,00,000}{1,00,00,000}$$

$$= ₹15,00,000$$

Since PY 23-24 is 5th Year of Operation so deduction u/s 10AA allowed is 100% of export profit ie. ~~15000~~ 15,00,000.

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Export Profit = PGBP of SEZ Unit × $\frac{\text{Export T/O}}{\text{Total T/O.}}$

= 60,00,000 × $\frac{3,00,00,000}{4,00,00,000}$

= ₹45,00,000

a) If SEZ unit started on 22/05/2015, then Current Year is 9th year of Operation so deduction allowed u/s 10AA @ 50% of Export Profit ie. 45,00,000 × 50% = ₹22,50,000

b) If SEZ unit started on 14/05/2019, then Current Year is 5th year of Operation so deduction allowed u/s 10AA @ 100% of Export Profit i.e. ₹45,00,000.

Surcharge & cess vagera lagega on 18.5% ATI pr bhi.

80JJA vagera → Age 1 bhi sec. ke under ded^n lete ho to AMT lagega.

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ALTERNATE MINIMUM TAX [ATM]

AMT is applicable for all Assessee except company.

As per Sec 115 JC,
Assessee is required to pay higher of

i) Income tax as per Normal provisions of I.T. — xxx
ii) 18.5% of Adjusted Total Income (AMT) — xxx
(whichever is lower)

Notes:

1) Calculation of Adjusted Total Income (ATI)

	₹
Total Income	xxx
Add: Ded^n u/s 10AA (SEZ)	xxx
Ded^n u/s 35AD (14 Business)	xxx
Ded^n u/s 80JJAA, 80QQB, 80RRB	xxx
	xxx
Less: Depreciation allowable as per Sec 32 assuming ded^n u/s 35AD not claimed	(xxx)
ATI	xxx

2) AMT is applicable only if Assessee claimed deduction u/s 10AA, 35AD, 80JJAA, 80QQB, 80RRB.
3) AMT is not applicable if ATI is upto ₹20,00,000 in case of Individual, HUF, AOP/BOI, Artificial Judicial Person.
4) AMT is not applicable if Assessee follows Sec. 115BAC.

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AMT CREDIT

1) IF AMT > Normal Income Tax then excess shall be treated as AMT Credit.
2) AMT Credit can be carry forward and set-off for 15 A.Y's.
3) AMT Credit can be set off in the year in which Normal Income Tax is more than AMT
4) AMT Credit is allowed to be set-off to the extent difference between Normal Income Tax and AMT.
5) AMT Credit can be set-off even in the year in which AMT is not applicable.

AY	Normal Tax	AMT (ATI X 18.5%)	Assessee required to pay	AMT Credit Adjustment	Actual Paid	AMT Credit.
20-21	5,00,000	8,00,000	8,00,000	—	8,00,000	3,00,000
21-22	7,00,000	8,50,000	8,50,000	—	8,50,000	4,50,000
22-23	6,00,000	4,00,000	6,00,000	2,00,000	4,00,000	2,50,000
23-24	9,00,000	6,00,000	9,00,000	2,50,000	6,50,000	—
24-25	7,00,000	6,00,000	7,00,000	—	7,00,000	—
25-26	6,00,000	10,00,000	10,00,000	—	10,00,000	4,00,000
26-27	5,00,000	Not Applicable	5,00,000	4,00,000	1,00,000	—

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Q.11 (Page no. 211) Mr. X PY 23-24 AY 24-25

PART A : Assesse opt out from 115 BAC. (115 BAC not applicable)

Computation of Total Income & Tax Liability	₹	₹
Profit and Gain from Business & Profession		
i) Profit from warehousing facility of Agri produced.	1,05,00,000	
Less : Ded^n u/s 35AD		
(75,00,000 - 10,00,000) 650,0000 × 100%. Land.	(6500000)	40,00,000
ii) Profit from unit located in SEZ		40,00,000
Gross Total Income		80,00,000
Less : Ded^n u/s 10AA		
100% of Export Profit (32,00,000 × 100%)		(32,00,000)
PGBP × Export T/O / Total T/O = 40 Lakhs × 80 lakhs / 100 Lakhs		
Total Income.		48,00,000

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Computation of Tax Liability

upto 250,000	—	—
> 250,000 upto 5,00,000	5%	12,500
> 5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 4,800,000	30%	11,40,000
		12,52,500
	Add: HEC @ 4%	50,100
Tax as per Normal Provision		13,02,600

Computation of AMT.

Calculation of Adjusted Income	₹
Total Income	48,00,000
Add: Ded^n u/s 35 AD	65,00,000
Ded^n u/s 10AA	32,00,000
	1,45,00,000
Less: Depreciation allowable if sec. 35 AD not claimed (65,00,000 × 10%)	(6,50,000)
ATI	~~13,85,00~~ 1,38,50,000
Tax on ATI (1,38,50,000 × 18.5%)	25,62,250
Add: Surcharge @ 15%	3,84,338
	29,46,588
Add: HEC @ 4%	1,17,864
AMT.	30,64,452

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Since AMT is higher as compared to Normal Income Tax, so Assessee is required to pay AMT i.e. ₹ 30,64,452.

AMT Credit (30,64,452 − 13,02,600) = 17,61,852.

PART B : Assessee opted 115BAC.

If Assessee opted 115BAC then Ded^n u/s 35AD & 10AA Available as well as AMT provision is not applicable.

Computation of Total Income & Tax Liability

PGBP	₹	₹
i) Income from Warehousing	1,05,00,000	
ii) Depreciation on Building (65,00,000 × 10%)	6,50,000	98,50,000
iii) Income from SEZ Unit		40,00,000
GTI/NTI		1,38,50,000

Calculation of Tax Liability

Upto 3,00,000	-	-	
> 3,00,000 upto 6,00,000	5%	15,000	
> 6,00,000 upto 9,00,000	10%	30,000	
> 9,00,000 upto 12,00,000	15%	45,000	
> 12,00,000 upto 15,00,000	20%	60,000	
> 15,00,000 upto 1,38,50,000	30%	37,05,000	38,55,000
Add: Surcharge @ ~~10~~ 15%			5,78,250
			44,33,250
Add: HEC @ 4%			1,77,330
Net tax payable			46,10,580

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ADVANCE TAX

Advance Tax means tax paid in Previous year itself. Advance tax is applicable to all the assessee if advance tax liability is ₹10,000 or more

Exception: Senior Citizen not having PGBP income is not required to pay Advance tax. (Refer Half CA)

Computation of Advance Tax Liability.

	₹
Estimated Total Income of Assessee	xxx
↓	
Tax liability on Estimated Total Income	xxx
Less: TDS Deducted / TCS Collected	(xxx)
Less: AMT Credit	(xxx)
Advance Tax Liability.	xxx

15th June of PY	15 Sept. of PY	15th Dec. of PY	15th March of PY
↓	↓	↓	↓
Upto 15% of Adv. tax liability	Upto 45% of Adv. tax liability	Upto 75% of Adv. tax liability	Upto 100% of Adv. tax. liability.

Note:

1) If Assessee opt for Sec 44AD / 44ADA (Presumptive PGBP) then due date is 15th March of PY [100% of adv. tax in 1 installment]

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2) Last date of Advance tax ~~is~~ installment is 15th March but whatever tax paid till 31st March of PY is treated as Advance tax.

Interest U/S 234A/234B & ~~&~~ 234C.

Mr. BB is a resident individual (Age 34 years) having total income of ₹12,00,000 For PY 23-24 (AY 24-25). TDS deducted of ₹20,000.

Adv. tax paid

12/06/23	25,000
15/09/23	30,000
15/12/23	10,000
15/03/24	10,000
31/03/24	5,000
	80,000

Due date of Return filing - 31/07/24
He actually filed the return on 10/10/24 and paid taxes, interest and fees on date of filing of return.

Calculate Interest u/s 234A/234B/234C
Assume ~~to~~ he does not ~~&~~ opt. 115BAC.

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Calculation of Tax Liability

Upto 250,000	—	—
>250,000 upto 5,00,000	5%	12,500
>500,000 upto 10,00,000	20%	1,00,000
>10,00,000 upto 12,00,000	30%	60,000
		1,72,500
Add: HEC @ 4%		6,900
		1,79,400
Less: TDS ~~Co~~ Deducted		(20,000)
		1,59,400
Less: Advance tax paid		(80,000)
		79,400
Add: Interest u/s 234 A (Note1)		2,382
Interest u/s 234 B (Note2)		5,558
Interest u/s 234 C (Note3)		{2,980}
Fees u/s 234 F		5,000
Total Payable		95,320

Note1: Interest u/s 234 A: Interest for Delay in Return OF filing

Tax Payable as per Return (after Adjusting TDS/TCS/Adv. Tax) × Rate ↓ 1% p.m or part of the month × Period [Next day of Due date of Return filing till Actual Date of filing]

79,400 × 1% × 3 months = ₹2382
[1/08/24 to 10/10/24]

16730 → 16700
16899 → 16800.

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Note 2 : Interest u/s 234 B : Interest for ~~Def~~ Not / Short Payment of Advance Tax

[This Interest Not applicable if Assessee paid 90% or more of Adv. tax payable]

Short Payment of Adv. Tax × Rate 1% p.m. or part of month × Period [1st April of AY till date of payment of tax]

79,400 × 1% × 7 months = 5558.
[01/04/24 to 10/10/24]

Note 3 : Interest u/s 234 C : Interest for deferment of Advance Tax Installment

If First installment is paid upto 12%, second installment is paid upto 36% then interest u/s 234C is not applicable for defferement of 1st or 2nd installment.

Adv. tax payable = 1,59,400

Due date	Adv. tax payable		Min Requirement		Actual Paid	Defer	Interest
	%	₹	%	₹			
15/06/23	15%	23,910	12%	19,128	25,000	—	—
15/09/23	45%	71,730	36%	57,384	55,000	16,730	16700 × 1% × 3 month = 501
15/12/23	75%	1,19,550	75%	1,19,950	65,000	54,550	54,500 × 1% × 3 month = 1635
15/03/24	100%	1,59,400	100%	1,59,400	75,000	84,400	84,400 × 1% × 1 month = 844 (16/03/24 – 31/03/24)

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16730 → 16700
16710 → 16700
16750 → 16700
16799 → 16700

Advance Tax in case of Capital Gain, winning, Dividend, PGBP first time.

Assessee is not able to estimate above income so advance tax on such income shall be paid in remaining installment after receipt of such income.
If no installment is due (income received during 16th March, ~~to~~ to 31st March), then advance tax shall be paid upto 31st March of PY.

Example:
Estimated total income of Mr. BB is ₹12,00,000. LTCG of ₹2,50,000 on transfer of property on 10th Dec. 2023. Calculate Advance tax installment. Ignore 115 BAC.

Total Income (excluding LTCG) 12,00,000
↓
Tax ₹1,72,500.
(+) HEC @ 4%. 6,900.
Tax. 1,79,400

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1st installment	2nd installment	3rd Installment	last installm
15/06/23.	15/09/23	15/12/23	15/03/24
(1,79,400 × 15%)	(1,79,400 × 45%)	(231,400 × 75%)	231,400.
26,910	(80730 - 26,910)	(173,550 - 26910 - 53820)	(231,400 - 173,550
	= 53,820		
		92,820	= 57850.

Tax including LTCG.

Normal Tax.	1,72,500.
(+) LTCG 250000 × 20%	50,000
(Tax Rate)	2,22,500
Add: HEC @ 4%	8,900
	2,31,400

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Q.1 (Pg No. 163)

	₹
Salary of EE	7,30,000
Non-monetary perks	1,20,000
	8,50,000
(-) Std deduction	50,000
Net salary	8,00,000

Tax on Net salary

Upto 250,000	—	—
>250,000 upto 5,00,000	5%	12,500
>5,00,000 upto 8,00,000	20%	60,000
		72,500
Add: HEC @	4%	2,900
		75,400

Tax on Non-Monetary Perks

$$\frac{75,400}{8,00,000} \times 1,20,000 = 11,310.$$

$$\text{Avg. Rate} = \frac{75,400}{8,00,000} \times 100$$

$$= 9.425\%$$

$(1,20,000 \times 9.425\%) = 11,310$

Notes

In Hands of Employer:

1) In this case, if employer decide to pay tax on non-monetary perquisites of employee then ₹11,310 will be paid by employer.
As per Sec 40(a)(v), the expenditure of ₹11,310 is not allowed as deduction while calculating PGBP.

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In hands of Employee :
If tax on non-monetary perquisite is paid by employer then only remaining amount of ~~of~~ tax ie. ₹64,090 will be deducted from the salary of employee.
Tax on non-monetary perquisite of ₹11,310 shall be treated as exempt perquisite in hands of employee u/s 10(10CC)

Q.7 (Page no. 165)

Part A

In hands of Mr. X PY 23-24 AY 24-25

Computation of Capital Gain (House Property)

	₹
FVOC [50C]	
[Since SDV > 110% of Consideration so SDV treated as FVOC]	85,00,000
(-) COA	(40,00,000)
STCG.	45,00,000

Note

Rural agricultural land is not treated as capital asset so capital Gain is not applicable in hands of Mr. X.

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Part B : In Hands of Mr. Y

1) Assessee purchased house property for low consideration, difference between SDV and consideration is more than ₹50,000 and SDV is more than 110% of consideration so difference of ₹ 25,00,000 shall be taxable in hands of Mr. Y under section 56(2)(x) of IFOS.

2) Sec. 56(2)(x) is applicable only if asset received is a capital asset. In the present case, Rural agricultural land is not a capital asset so, it is not taxable.

3) As per Sec. 194 IA, If any immovable property acquired other than rural agricultural land and SDV or consideration is ₹50 lakhs or more, then buyer is required to deduct TDS @ 1% of consideration or SDV whichever is higher. In the present case, Mr. Y is required to deduct TDS of ₹85,000 i.e. (85,00,000 × 1%)

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RETURN FILING AND SELF ASSESSMENT

SEC 139 (1) : NORMAL RETURN

Following persons are required to file the return.:

a) Company / Firm / LLP – Mandatory

b) Any other person - IF Gross Total Income (before claiming exemption u/s 54, 54B, 54D, 54EC, 54F) more than basic exemption, then Assessee required to file the return.

Resident Individual (R-OR)

→ Beneficial Owner OF any asset located outside India (including Financial interest in any entity)

→ Signing Authority OF any account outside India

↓

Mandatory Required to file the Return.

Beneficiary of any asset located outside India

↓

Return filing is Mandatory

↓

Note: IF Beneficial Owner file the Return in India & income is included in his total income then Beneficiary is not required to file the Return.

BO. - Paisa lagaya
Beneficiary. - sirf Benefit Le rha hai.

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Example ①

Mr. Harsh is R and OR having Gross Total Income of only ₹50,000 in PY 23-24. He is owning one House property in Nepal. Is Harsh required to file return.

→ Since he is a beneficial owner of any asset located outside India, so he is required to file the return.

Example ②

Miss Ruchi is a partner in a partnership Firm located in Nigeria., then Ruchi required to file the Return since she is having financial interest in any entity located outside India.

Example ③

Mr. Gamcha is having Swiss Bank A/c - He is required to file the return since he is having signing authority of any account located outside India.

Following Persons are also required to file the return.

① Deposit in Current A/c > 1 Crore

② Saving A/c Deposit ≥ 50 Lakhs

③ Business T/O > 60 Lakhs of PY

④ Profession > 10 Lakhs G/R of PY

⑤ Foreign Travel > 2,00,000

⑥ Electricity expenses > 1,00,000

⑦ TDS/TCS deducted / collected in PY - 25,000 or more
(In case of senior citizen 50,000)

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Q.1 (Page no. 184)

Mr. A PY 23-24 AY 24-25

PART A: Computation of Total Income and Tax Liability as per default Taxation Regime u/s 115BAC.

Particulars	Amt. (₹)	Amt. (₹)
Income from Salary		
Basic Salary (50,000 X 12)		6,00,000
Transport allowance (15,000 X 12)		1,80,000
House Rent Allowance (20,000 X 12)		2,40,000
Gross Salary		10,20,000
Less : Standard Ded^n u/s 16		50,000
Net Salary		9,70,000
Income from House Property		Nil
Gross Total Income		9,70,000
(-) Ded^n u/c VI-A		—
Net Taxable Income		9,70,000
Tax Liability		
upto 3,00,000 —	—	
> 3,00,000 upto 6,00,000 5%	15,000	
> 6,00,000 upto 9,00,000 10%	30,000	
> 9,00,000 upto 70,000 15%	10,500	55,500
(+) HEC @ 4%		2,220
Net Tax Payable		57,720

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PART B: Computation of Total Income and Tax Liability as per Normal Provision

Particulars	Amt.(₹)	Amt.(₹)
Income from Salary		
Basic Salary (50,000 × 12)		6,00,000
Transport Allowance (15,000 × 12)		1,80,000
HRA Received. (20,000 × 12 m)	2,40,000	
Less: Exemption u/s 10(13A)		
i) 50% of Salary (Basic + DA(T) + T/O Comm) (6,00,000 × 50%)	3,00,000	
ii) Actual Amt. Received	2,40,000	
iii) Rent paid − 10% of Salary (25,000 × 12)		
3,00,000 − 60,000 = 2,40,000	2,40,000	—
whichever is lower.		
Gross - Salary		7,80,000
Less: Ded^n u/s 16 (Standard deduction)		50,000
Net Salary		7,30,000
Income from House property		
Net Annual Value	—	
Less: Ded^n u/s 24		
a) Std. ded^n 30% of NAV.	—	
b) Interest on Loan	(2,00,000)	(2,00,000)
	(2,00,000)	
Note: House property loss set off against salary income		
Gross total income		5,30,000

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Less : Ded^n u/c VI-A			
80C : Public Provident Fund		1,50,000	
80CCD(1B) : Contribution to NPS		50,000	
80D : Medical Insurance Premium			
Self, Spouse : 32,000			
Max. 25,000			
Parents (Senior citizen) : 55,000			
Max. 50,000		75,000	2,75,000
Total income / Net taxable Income			2,55,000

Tax Liability

upto 250,000	—	—
> 250,000 upto ~~2,50,000~~ 2,55,000	5%	250
		250

Less : Rebate u/s 87A

Tax Amt.	250	
OR		
12,500	12,500	250.
Tax Liability		Nil.

Conclusion : As per Sec. 115BAC, tax liability of assesse is ₹ 57,720 and as per normal provision of Income tax Nil. So, it is advisable for assessee to opt out from 115BAC & take the benefit of normal provision

Note : When Assessee opt 115BAC, then HRA exemption u/s 10(13A), interest on house property u/s 24(b), ded^n u/s 80C, 80CCD(1B), 80D not available

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Q.2 (Page no. 186)

Dr. Niranjana PY23-24 AY24-25.

PART A : Assessee opt. out from 115BAC, Computation of Total Income & Tax liability as per Normal provision

Particulars	₹	₹
Income from Salary		
Basic Salary (7500×12)	90,000	
(-) Std^n deduction u/s 16.	(50,000)	40,000
Income from House Property		
Gross Annual Value (Actual Rent)	27,000	
(-) Municipal Taxes paid	(2,000)	
NAV	25,000	
(-) Ded^n u/s 24		
a) 30% of Std. ded^n of NAV	(7,500)	
b) Interest on Loan	—	17,500
Profit from Business and Profession & Gain		
Net Profit as per P&LA/c.		4,40,400
Add : Disallowed / Items considered separately		
i) Rent paid for Residential house	30,000	
ii) Municipal taxes paid included in Admin. expenses	2,000	32,000
		4,72,400

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Less : Allowed / Items consider separately		
i) Income tax refund	5,450	
ii) Dividend from UTI	10,500	
iii) winning from game show.	35,000	
iv) Rent from House Property	27,000	
v) Depreciation as per Sec 32 (Note-1)	90,000	(1,67,950)
		3,04,450
Income from other sources		
i) Interest on income tax refund	450	
ii) Dividend from UTI	10,500	
iii) winning from Game show.	50,000	60,950
35000. → 70%.		
50,000 → 100%.		
Gross Total Income		4,22,900
(-) Ded^n u/c VI - A		
80C : Tution fees for daughter	1,00,000	
80D : Medical Insurance premium	28,000	
80E : Interest on Educational Loan.	55,000	(1,83,000)
Net Taxable Income		2,39,900

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Note -1 : Calculation of Depreciation.

	₹
Op. WDV of Block.	5,00,000
(+) Actual cost of Asset Acquired (used less than 180 days)	2,00,000
	7,00,000
(-) Sales value.	—
WDV for Dep.	7,00,000
(-) Dep. actually allowed	(90,000)
Closing WDV.	6,10,000

WDV for Dep. 7,00,000

Less than 180 days	Bal.
2,00,000 x 7.5 %	5,00,000 x 15 %
= 15,000.	75,000

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PART B : Suppose Assessee opted 115BAC, Default tax regime

Gross Total Income as per Normal Provision	4,22,900
Add : Donation to Scientific Research Association Not eligible for ded^n	1,50,000
	5,72,900
(-) Ded^n u/c VI - A	Not eligible
Net taxable income	5,72,900

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Q.6 (Page no. 197) Mr. Rajiv PY 23-24 AY 24-25.

PART A: Computation of Total Income as per Normal Provision of Income Tax.

Particulars	
Income from House Property (W.N.1)	(32,000)
Profit & Gain from Business & Profession (W.N.2)	25,24,500
Gross Total Income	24,92,500
(-) Deduction u/c VI-A (W.N.3)	(1,62,000)
Net taxable income	23,30,500

W.N.1: Income from House Property

	SOP (50%)	LOP (50%)
Actual Rent / GAV (5,000 x 12)	—	60,000
(-) Municipal Taxes paid	—	—
NAV		
(-) Ded^n u/s 24		
a) Std. ded^n 30% of NAV	—	(18,000)
b) Interest on Loan (88,000/2)	(30,000)	(44,000)
	30000	(2000)
	(32,000)	

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W.N.2 PGBP (Direct Method)

Fees from Professional Service		59,38,000
Less: Expenses allowed u/s 30 to 37		
i) Staff salary & Bonus	21,50,000	
ii) Other Admin expenses	11,48,000	
iii) Office Rent	30,000	
iv) Motor Car maintenance ($10,000 \times \frac{4}{5}$)	8,000	
v) Depreciation as per Sec. 32		
a) Furniture & Fittings (60,000 × 10%)	6,000	
b) P & M (80,000 × 15%)	12,000	
c) Computer (50,000 × 40%)	20,000	
d) Motor Car ($4,25,000 \times 15\% \times 50\% \times \frac{4}{5}$)	25,500	
e) Books (20,000 × 40%)	8,000	
f) Computer (30,000 × 40% × 50%)	6,000	
	77,500	34,13,500
PGBP		25,24,500

W.N.3 : Ded^n u/c VI-A.

80C : i) Housing Loan repayment	1,00,000	
ii) PPF	20,000	
iii) LIC Premium	24,000	1,44,000
80D : Health Insurance Premium		18,000
		1,62,000

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Note:

If Assessee opt 115BAC, then interest u/s 24(b) not allowed in case of Self-Occupied property.

Loss from house property in case of LOP of ₹2,000 not allowed to set-off against any other head and it will be carry forward for next 8 AY.

Ded^n u/c VI-A ie. 80D and 80C not allowed

SO, Net taxable income of Assessee as per 115BAC would be ₹25,24,500.

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Q.8 (Page No. 204)

Mr. Ramdin PY 23-24 AY 24-25

Assessee opted out from 115 BAC

Computation of Total Income and Tax Liability

Particulars	Amt. (₹)	Amt. (₹)
Income from Salary		
Basic Salary (15,000 × 12)		1,80,000
DA (12,000 × 12)		1,44,000
Commission on Turnover (50,00,000 × 0.5%)		25,000
Bonus		50,000
Gratuity (Received during employment)		30,000
Employer Contribution to RPF (180,000 × 20%)	36,000	
Less : Exempt 12% of Salary		
12% (Basic + DA (T) + T/O Commission)	(32,240)	2,760
12% × (180,000 + 72,000 + 25,000)		
Interest on RPF 15%	15,000	
Less : Exempt 9.5%	(9,500)	5,500
Gold Ring by Employer		10,000
Use of Music System (85,000 × 10%)		8,500
Gross Salary		4,55,760
Less : Ded^{n} u/s 16.		(50,000)
		4,05,760
Profit and Gain from Business or Profession		
Assessee engaged in leasing of goods vehicle so, he can declare income as per Sec. 44AE		
7500 × 2 vehicles × 12 months		1,80,000
[Assessee cannot declare lower income as he has not maintained Books of A/c]		

U/S 115 BAC

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Particulars		Amt.(₹)	Amt.(₹)
Income from Other Sources			
Interest on Bank FD		5,860	
Interest on Debenture (Net) [TDS u/s 193)		7,540	
(₹) (6,786 / 90% x 100%)			13,400
Gross Total Income			5,99,160
Less: Ded^n u/c VI-A			
80C: Life Insurance Policy Premium		15,370	
NSC Investment		30,000	
FD for 5 years.		50,000	
Employee's contribution to RPF		30,000	1,25,370
80D: Medical Insurance Premium			22,500
80G: Donation			
PM Relief fund (100%)		5,100	
Approved institution (50%) limited		5,500	10,600
Total Income			4,40,690
Computation of Tax Payable			
upto 2,50,000	—	—	
>2,50,000 upto 4,40,690	5%	9535	
		9535	
(-) Rebate u/s 87A		9535	
Tax or 12,5000 whichever is lower.		Nil	
Tax Liability		Nil	
(-) TDS		(754)	
Refund 754 ie.		750	

No saving Bank Int. so not 80TTA

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Working Note

	₹
(Donation to Approved institution) HTC Mobile	11,000
10% of ATI	45,129
	11,000
	↓ 50%
Amt. of Deduction	5,500

GTI	5,99,160
(-) All ded^n except 80G	(1,47,870)
ATI	4,51,290

Note: If Assessee obtain u/s 115BAC, then Ded^n u/c VI-A would not be applicable so total income is ₹5,99,160.

Computation of Tax Payable.

upto 3,00,000	—	—
>3,00,000 upto 5,99,160	5%	14,958

Less: Rebate u/s 87A

i) Tax Payable	14,958	
ii) 25,000	25,000	14,958
		Nil
(-) TDS		754
Refund		754 ie. 750

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Q.17. (Page no. 224)

Mr. Dheeraj PY 23-24 AY 24-25

PART A : Computation of Total Income & Tax Liability as per Normal Provision [opted out from 115BAC]

Particulars	Amt. (₹)	Amt. (₹)
Income from House Property		
Ground Floor of Property (SOP)		
Net Annual Value	—	
Less: Ded^n u/s 24		
a) Std. Ded^n 30% of NAV	-	
b) Interest on loan (180,000/2)	(90,000)	
	(90,000)	
First Floor of Property (LOP)		
Annual Rent / GAV	3,34,000	
(-) Municipal Taxes paid (30,000/2)	15,000	
NAV.	3,19,000	
(-) Ded^n u/s 24		
a) Std. Ded^n 30% of NAV.	(95,700)	
b) Interest on loan	(90,000)	
	1,33,300	
Net Income from House Property		43,300.
Profit and Gain from Business and Profession		
Profit from SEZ Unit		45,00,000

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Particulars		Amt (₹)	Amt (₹)
Computation of Capital Gain			
FVOC			
SP	13,50,000		
SDV	14,00,000	13,50,000	
[Since SDV not more than 110% of consideration. So, SP treated as FVOC]			
(-) Transfer expenses		—	
Net Consideration		13,50,000	
(-) COA			
↑ i) Cost	292000		
ii) ↓ a) FMV as on 01/04/01	480,000		
↓ b) SDV as on 01/04/01	380,000		
	380000		
	380000		
380,000 × 348 (23-24) / 100 (01-02)		(13,22,400)	
		27,600	27,600
Income from Other sources			
Interest on Savings Bank A/c		30,000	
Interest on Fixed Deposit A/c		45,000	75,000
Gross Total Income			46,45,900

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Particulars	Amt.(₹)	Amt.(₹)
Less : Ded^n u/c VI-A		
Ded^n u/s 10AA (SEZ) Since its 3rd year of operation, so deduction allowed is 100% of export profit.		
Export Profit = PGBP of SEZ unit × Export T/O / Total T/O		
= 45,00,000 × 120 Lakhs / 400 Lakhs.		
	13,50,000	(13,50,000
	×100%	
80C : Life insurance premium for son	49,000	
Repayment of Principal amount of Housing Loan.	95,000	(1,44,000
80JJAA : 30% of Salary to New employees		
i) 12 employees × 18,000 × 11 months	2376000	
ii) 8 employees × 12,000 × 8 months	768000	
	31,44,000	
Ded^n @ 30% of 31,44,000		(9,43,200
80TTA Interest on Savings A/c (max. 10000)		(10,000
Net Taxable Income (Total Income)		21,98,700

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Calculation of Tax Liability

			₹
i) Tax on LTCG (27600 x 20%)			5,520
ii) Tax on Balance Income (Slab Rate)			
upto 250,000	—	—	
> 250,000 upto 5,00,000	5%	12,500	
> 5,00,000 upto 1000000	20%	1,00,000	
> 1000,000 upto 21,71,100	30%	3,51,330	4,63,830
			4,69,350
	Add: HEC @ 4%		18,774
	Tax Liability		4,88,124
			ie. 4,88,120

Computation of Alternate Minimum Tax (AMT)

i) Tax as per Normal provision of Income Tax	4,88,120
ii) ATI x 18.5%	8,64,240
Assessee required to pay	8,64,240

AMT Credit : (8,64,240 - 4,88,120) : 3,76,120

Cal^{n} of ATI	₹
Net taxable income	21,98,700
Add: Ded^{n} U/S 10AA	13,50,000
Ded^{n} U/S 80JJAA	9,43,200
ATI	44,91,900

AMT (4491900 x 18.5%)	83,1002
Add: HEC @ 4%	33,240
AMT	8,64,242
ie.	8,64,240

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PART B: Computation of Total Income & Tax Liability as per default tax regime u/s 115BAC.

Particulars	Amt.(₹)	Amt.(₹)
Income from House Property		
SOP	—	
LOP	133,300	1,33,300
PGBP		45,00,000
Capital Gain		27,600
IFOS		75,000
Gross Total Income		47,35,900
(-) Ded^n u/c VI-A		
80JJAA		9,43,200
(Other ded^n u/c VI-A and 10AA not available)		
Net Taxable Income		37,92,700

Calculation of Tax Liability

			₹
i) LTCG (27,600 × 20%)			5520
ii) Tax on Balance income (Slab Rate)			
up to 3,00,000	—	—	
> 3,00,000 upto 6,00,000	5%	15000	
> 6,00,000 upto 9,00,000	10%	30,000	
> 9,00,000 upto 12,00,000	15%	45,000	
> 12,00,000 upto 15,00,000	20%	60,000	
> 15,00,000 upto 37,65,100	30%	6,79,530	8,29,530
			8,35,050
Add: HEC @ 4%			33,402
			868,452 i.e. 868,450

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Note:
IF Assessee follow Sec. 115BAC, then AMT is not applicable.

Conclusion:
Since Tax Liability is lower in Normal provision of Income Tax so Assessee should opt out from 115BAC and follow Normal provision of Income Tax.

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Q.1 (a)

Q.2 b) ₹12,67,600

Q.3 d) ₹18,50,000

(b)

Q.4 c) ₹13,00,000

Q.5 c) ₹3,45,000

Part B: Descriptive Questions

Q.1 (6)

Mr. Roy PY 23-24 AY 24-25

Calculation of Income from house property

	SOP (3/4th)	LOP (1/4th)
↑ Municipal Value	–	1,12,500
fair Rent	–	1,17,500
↓ (whichever is higher)	–	1,17,500
↓ Standard Rent	–	1,25,000
↕ Expected Rent	–	1,17,500
Actual Rent (Note 1)	–	1,08,000
Gross Annual value (GAV) (Note 2)	–	1,08,000
(-) Municipal taxes paid	–	11,250
Net Annual value (NAV)	–	96,750
(-) Ded^{n} u/s 24	–	
a) 30% Standard deduction	–	(29,025)
b) Interest on Loan (Note 3)	(1,13,250)	(37,750)
Income from house property	(1,13,250)	29,975

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Note 1 :-

Actual Rent = Rent Received + Rent Receivable - Unrealised Rent.

= 132,000 − 24,000
(12000×11) (12,000×2)

= 1,08,000.

Note 2 :

Expected Rent ≤ Actual Rent + Vacant Rent

1,17,500 ≤ 1,08,000 + 12,000

↓
GAV.

Statement

Note 3 :

151,000

SOP (3/4th) : 1,13,250

LOP (1/4th) : 37,750

∴ Rahul's total income from house property is 29,975 − (1,13,250) = (83,275).

Statement

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Q.2

i) Mr. B opted default taxation regime u/s 115BAC.

Mr. B.		PY 23-24 AY 24-25
upto 3,00,000	—	—
3,00,000 to 6,00,000	5%	15,000
6,00,000 to 9,00,000	10%	30,000
9,00,000 to 12,00,000	15%	45,000
12,00,000 upto 15,00,000	20%	60,000
> 15,00,000 upto 1,01,00,000	30%	25,80,000
		27,30,000
(+) surcharge	15%	4,09,500
		31,39,500

5.05

Restricted to (Note 1)

Tax on ₹1,00,00,000 + (Total Income − 1,00,00,000)

= 29,70,000 + 1,00,000 = 30,75,000

(+) HEC @ 4% = 1,22,800

Tax Liability. 31,97,800

Marginal Relief of ₹64,500. (31,39,500 − 30,75,000)

Note 1: Tax on ₹1,00,000

upto ₹3,00,000	—	—
₹3,00,000 to ₹6,00,000	5%	15,000
₹6,00,000 to ₹9,00,000	10%	30,000
₹9,00,000 to ₹12,00,000	15%	45,000
₹12,00,000 to ₹15,00,000	20%	60,000
₹15,00,000 upto ₹1,00,00,000	30%	2,50,000
		27,00,000

+ Add : Surcharge @ 10%		2,70,000
		29,70,000

ii) Mr. B opt out from default taxation regime

Mr. B	PY 23-24	AY 24-25
upto ₹ 250,000	—	—
₹ 2,50,000 upto ₹ 5,00,000	5%	12,500
₹ 5,00,000 upto ₹ 10,00,000	20%	1,00,000
₹ 10,00,000 upto ₹ 1,01,00,000	30%	27,30,000
		28,42,500
Add: Surcharge	15%	4,26,375
		32,68,875
Restricted to,		Marginal Relief of 75,125.
Tax on ₹ 1,00,00,000 + (Total Income − 1,00,00,000)		
30,93,750 + 1,00,000		31,93,750
(Note -2) (+) HEC @ 4%		1,27,750
Tax Liability.		33,21,500

Note 2 : Tax on ₹ 1,00,00,000

upto ₹ 2,50,000	—	—
₹ 2,50,000 upto ₹ 5,00,000	5%	12,500
₹ 5,00,000 upto ₹ 10,00,000	20%	100,000
₹ 10,00,000 upto ₹ 1,00,00,000	30%	27,00,000
		28,12,500
(+) Surcharge @	10%	2,81,250
		30,93,750

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Q.3.

Mr. Raghav PY 23-24 AY 24-25

(3) Computation of tax liability

upto ₹3,00,000	—	—
₹3,00,000 upto ₹6,00,000	5%	15,000
₹6,00,000 upto ₹6,50,000	10%	5,000
		20,000

(-) Rebate u/s 87A

i) Tax liability	20,000	(20,000)
Or		
ii) ₹25,000 (whichever is lower)	25,000	~~25,000~~
		~~20,000~~
Tax liability.		Nil

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Q.4 Mr. X PY 23-24 AY 24-25

Condition

Computation of Tax Liability

Particulars		
1. Income from Salary.		4,00,000
2. Income from house property		3,80,000
3. Income from Other sources		
Net Agricultural Income	290,000	
(-) Exempt u/s 10(1)	(290,000)	—
4. Ded^n u/s VI-A		—
Net Taxable Income		7,80,000

computation of Tax

1. Tax on total income (including net agricultural income)

(NTI) 780,000 + Agricultural income

780,000 + 2,90,000

= Tax on 10,70,000

= 70,500 — (1)

upto ₹3,00,000	—	—
₹3,00,000 upto ₹6,00,000	5%	15,000
₹6,00,000 upto ₹9,00,000	10%	30,000
₹9,00,000 upto ₹10,70,000	15%	25,500
		70,500

Tax on ENTI + Net agricultural income	70,500
(-) Tax on (Basic exemption + agricultural income).	(12,000)
ie. Tax on (250,000 + 290,000)	
= Tax on ₹540,000 (Note 1)	
	58,500
(+) HEC @ 4%	2,340
Net tax liability.	60,840

Note 1: Tax on ₹540,000

upto ₹3,00,000	—	—
₹3,00,000 upto ~~₹5~~40,000	5%	12,000
		12,000

Note:
It is assumed that Mr. X does not opt out of default taxation regime of Sec. 115BAC.

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Q.5

Mr. Raja — PY 23-24 — PY 24-25

Income from Business

Total Income from sale of coffee grown & cured in India. × 40% (₹10 Lakhs × ~~25~~ 40%)	~~4,00,000~~ 2,50,000
PGBP.	2,50,000

(4) As per Rule 7A of Income Tax Act, 25% of income earned from sale of coffee grown & cured in India is treated as business income & 75% of income ~~itre~~ is treated as agricultural income

Mr. Shyam — PY 23-24 AY 24-25

Computation of Income from Business

Total income from sale of coffee grown, cured, roasted & grounded in India × 40% (20 Lakhs × 40%)	8,00,000
PGBP.	8,00,000

As per Rule 7B of Income Tax Act, 40% of income earned from sale of coffee grown, cured, roasted & grounded in India is treated as business income & 75% of income is treated as agricultural income.

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Q.6 Mr. Akash PY 23-24 AY 24-25.

Computation of Gross Total Income.

1. Income from House Property (Note 1)	~~(60,345)~~ (51,345)
2. Income from profits & gains from business & profession (Note - 2)	7,10,625
Gross Total Income.	6,59,280.

Note-1 : Income from House property.

	LOP (75%) Unit II.
↑ Municipal Value	120,000
fair Rent	1,27,500
↓ (whichever is higher)	1,27,500
↓ Standard Rent	1,42,500
↑ Expected Rent	1,27,500
Actual Rent ~~(wo N.I)~~ (8,500 × 12)	1,02,000
Gross Annual Value (GAV)	1,27,500
(-) Municipal Taxes	(9,600)
Net Annual Value (NAV)	1,17,900
(-) Ded^{n} u/s 24	
a) Standard deduction ~~u/s~~ @ 30%	35,370
b) Interest on Loan. (W.N.1)	~~1,40,835~~ 133875
Income from House property	~~(60,345)~~ (51,345)

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W.N.1)

Interest on loan for repair + Interest on loan for construction

(75% 36,000) + 1,06,875 69,750

= 1,33,875.

96,750

Interest on loan for construction –

17-18	5,00,000 × 12% × 9/12	= 45,000
18-19	5,00,000 × 12%	= 60,000
19-20	5,00,000 × 12%	= 60,000
20-21	5,00,000 × 12%	= 60,000
21-22	5,00,000 × 12%	= 60,000
22-23	5,00,000 × 12%	= 60,000
23-24.	5,00,000 × 12%	= 60,000
	35,625 — 25%	+ 82,500
		1,42,500
		93000

75%

₹106,875

69750

Pre-acquisition/construction period interest!

165,000 = 82500

5 33,000

Note 2 : PGBP.

Income from profession	8,00,000
Less : i) Light & water charges	(500)
ii) Repairs	(36,250)
iii) Interest on loan (36,000 + 142,500) × 25%	(44,625)
iv) Depreciation	(8,000)
	7,10,625

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24/30

(W)

PART A: MCQ

Q.1 d) ₹99,18,000

Q.2 c) ₹90,000 chargeable to tax in hands of Mr. Vikas as long-term capital gains & ₹1,65,000 is taxable under the head "Income from other sources" in the hands of ABC(P) Ltd.

PART B: Descriptive Questions

Q.1

i) Mr. Vishal. ∴ PY 23-24
AY 24-25

Computation of Capital Gains.

(2)

Particulars	Amt (₹)	Amt (₹)
full value of consideration (1200 shares × ₹1550)		18,60,000
(–) Transfer Expenses		–
Net Consideration		18,60,000
(–) ~~Indexed~~ Cost of Acquisition.		
a) cost of Acquisition (425×1200)	5,10,000	
b) i) value of consideration	18,60,000	
ii) FMV as on 31/01/2018 (1200×680)	8,16,000	8,16,000
Long term Capital Gain		10,44,000

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Computation of Tax Liability

Since the LTCG is on shares, section 112A will apply and tax will be computed @ ₹10% in excess of ₹1 Lakhs.

(10,44,000 − 1,00,000) × 10%

= 9,44,000 × 10%

= ₹ 94,400

+HEC @ 4%

∴ Tax payable is ₹94,400 on Capital Gains of ₹10,44,000.

Note :

1) STT paid at time of sale will not be considered as transfer expenses and STT paid on purchase will not be added to cost of shares.
2) Cost of Acquisition of shares purchased before 31/01/2018 will be calculated as follows —
   1) Firstly, take lower of consideration & FMV of shares as on 31/01/2018.
      (FMV of listed shares is the highest trading price as on 31/01/2018)
   2) And then compare the value so obtained with the cost of acquisition of shares & take the higher value to get cost of Acquisition of shares.

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Q.1

ii) Mr. Kabir PY 23-24 AY 24-25

Computation of Capital Gain

Particulars.	Amt. (₹)
Full Value of Consideration	
i) Consideration. 24,50,000	24,50,000
ii) SDV. 25,50,000	
[As per section 50C, if SDV of the property on date of transfer is more than 110% of consideration then SDV shall be treated as FVOC Here, in the given case since SDV < 110% consideration actual consideration is FVOC].	
(-) Transfer expenses	—
Net Consideration	24,50,000
(-) Indexed Cost of Acquisition	
$19,00,000 \times \frac{348}{317}$ (23-24) (21-22)	(20,85,804)
Long term Capital Gain	3,64,196

Note:

i) Since the house was sold after 2 years LTCG will be calculated.

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Computation of Tax Liability.

For LTCG other than for shares and other securities u/s 112A, section 112 is applicable.

3,64,196 × 20% = ₹72,839.

∴ Tax payable is ₹72,840 (Rounded off) on Capital Gain of ₹3,64,196.

Q.2 Mr. C PY 23-24 AY 24-25.

Computation of Capital Gain.

(5)

Particulars		Amt. (₹)
Full Value of Consideration.		68,00,000
(-) Transfer expenses		(50,000)
Net Consideration.		67,50,000
(-) Indexed cost of Acquisition		
a) Cost of Asset	1,06,000	
b) i) FMV as on 01/04/2001	850,000	
ii) SDV as on 01/04/2001	81,0000	
810,000 × 348 (23-24) / 100 (01-02)		(28,18,800)

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(→) Indexed Cost of Improvement

a) Improvemed done before 01/04/2001 should be ignored.

b) $735,000 \times \frac{348\ (23-24)}{105\ (02-03)}$	(24,36,000)
c) $5,50,000 \times \frac{348\ (23-24)}{200\ (12-13)}$	(9,57,000)
Long term Capital Gain	5,38,200

Note :

1) FMV for the purpose of COA of Asset as on 01/04/2001 cannot be more than SDV as on 01/04/2001.

R-2

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Q.4 Mrs. Harini Rao. PY 23-24 AY 24-25

Computation Of Gross Total Income

Particulars	Amt. (₹)	Amt. (₹)
1. Income from salary		
(12000 × 12)	1,44,000	
(-) Std^n ded^n u/s 16.	(50,000)	94,000.
2. Income from other sources		
1) Cash Gift.		
i) From close friend 1,50,000		
ii) From husband's friend 21,000		
iii) From family friend 25,000		
iv) From brother's mother in law 11,000		
2,07,000		
Since aggregate > 50,000.		
∴ whole gift is taxable.	2,07,000	
2) Movable Property - free of cost		
i) From Fiancee 3,00,000		
Since aggregate > 50,000.		
fully taxable.	3,00,000	5,07,000
Gross Total income		6,01,000

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Note

1) Gift received on marriage is not taxable and so gift received by her two friends of ₹51,000 each is not taxable.

2) Gift received from Relative is fully exempt. So, gift received from her father's sister and her sister-in-law is fully exempt.

Q.3 Mr. Singh PY 23-24 AY 24-25.

Computation of Taxable income.

Particulars.		
1. Income from House Property (Note 1)		56,500
2. Income from Capital Gain		
Full Value of consideration	25,00,000	
(-) Transfer expenses	—	
Net Consideration	25,00,000	
(-) Indexed Cost of Acquisition		
1,25,000 × 348 (23-24) / 117 (05-06)	(3,71,795)	
Gross LTCG	21,28,205	
(-) Exemption U/S 54.		
i) LTCG 21,28,205		
ii) Cost of New Asset 15,00,000 (whichever is lower)	(15,00,000)	

~~HP~~
~~FVOC~~
~~SLOA~~
~~54EC~~
~~64~~
~~Set Off~~

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(-) Exemption u/s 54EC			
i) LTCG	21,28,205		
ii) Amt. ~~in have~~ invested	10,00,000		
(whichever is lower)		(10,00,000)	
Long term capital Loss.		(3,71,795)	(3,71,795)
~~Net Income. Taxable Income~~			

(Note-1)

Computation of Income from House Property

	(LOP)
Municipal Value	—
Fair Rent	2,80,000
(whichever is higher)	2,80,000
Standard Rent	2,50,000
Estimated Rent	2,50,000
Actual Rent	3,00,000
Gross Annual Value. (GAV)	3,00,000
(-) Municipal taxes.	(35,000)
Net Annual Value (NAV)	2,65,000
(-) Ded^n u/s 24	
a) 30% Std. ded^n	(79,500)
b) Interest on Loan.	(1,50,000)
(+) Arrears	35,500.
(70% of Amt. received)	21,000
70% × 30,000	
Income from House property.	56,500.

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Notes

1) As per Sec 50C when SDV exceeds 110% of consideration, SDV is taken as FVOC.
Here, ~~Consideration~~ SDV is not more than 110% of consideration (27,50,000) so, consideration is only taken as FVOC.

2) Since Mr. Singh received the house of Chennai from his father (Relative), it is fully exempt in hands of mr. singh.
And for the purpose of calculating capital gain of on house of Chennai. Cost to previous owner (ie. his father) and is considered and period of holding is also considered from previous owner.

3) Since Amt. invested in bonds of NHAI is within 6 months of transfer, Section 54EC is applicable.

4) The two adjacent flats will be considered as a single house for the purpose of Section 54 since they are converted into a single unit. after modification & so cost of both the flats will be considered. For calculation of exemption.

5) Loss from capital Asset ie. LTCL cannot be setoff against any other head of income & shall be carry forward to next year.

6) Municipal taxes are charged/considered as and when paid & not on accrual basis.

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12/20

1) a) ₹48,480

87,600
60,000
109200

2475,000
297000
2772000

a 2) c) ₹27,22,000

304920

d 3) b) ₹37,500

~~271 + 3,24,000~~
~~3,32,640~~

98000
103000

4) c) ₹32,400

3000

- 2400

5) c) ₹2,00,000.

~~696000~~
7656000
98000
8636000
878600
926600
9666000

25000x3 x 30
7,00,00
5k
261600

6) i) a) ₹Nil
ii) b) ₹40,000
iii) d) ₹103,000
iv) a) ₹9,76,600.

7) a) ₹262,200

b

Descriptive Question.

1. Mr. Raghav PY 23-24 AY 24-25

Computation of salary income

Particulars	Amt (₹)	Amt (₹)
1. Basic Salary (170,000 x 12)		20,40,000
2. Dearness Allowance (80,000 x 12)		9,60,000
3. Commission (32,000 x 12)		3,84,000
4. Transport Allowance (5,000 x 12)		60,000
5. ~~Me~~ Medical Reimbursement		40,000
6. ~~M~~ Gratuity (Note-1)		12,50,000
Gross salary		47,34,000
(-) Std ded^n u/s 16		(50,000)
Net Salary		46,84,000

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Note - 1

Gratuity calculation.

Amount received.	25,00,000
(-) Exempt u/s 10(10) (W.N.1)	12,50,000
Taxable Gratuity.	12,50,000

W.N.1

Exemption u/s 10(10)

i) $\frac{1}{2}$ x Avg. salary p.m x No. of years of service.
$\frac{1}{2}$ x 250,000 x 10 — 12,50,000

ii) Amt. received — 25,00,000

iii) maximum — 20,00,000 → 12,50,000

whichever is lower.

Avg. salary pm

Avg. Basic salary of past 10 months.	₹. 170,000
(+) Avg. DA(T) of last 10 months.	80,000.
(+) Avg. T/O commission of last 10 months	—
	250,000

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Q.2. Mr. X PY 23-24 AY 24-25

Computation of taxable salary.

Particulars	Amt (₹)	Amt (₹)
1. Basic salary (Note-1)		2,43,000
2. Dearness allowance (10% x 243000)		24,300
3. Bonus.		21,000
4. Employer's contribution towards RPF (Note-2)		10,935
5. Perquisities		47,000
a. Free Housing facility (Note-3)		43,245
b. Laptop	Exempt	
c. Medical treatment expense of his brother.	25,000	
d. Housekeeper salary	12,000.	
e. Gift Voucher	10,000	
f. ~~conveyance~~		
6. Allowances		-
a. Conveyance allowance	12,000	
(-) Exempt.	(12,000)	
b. Personal accident policy peremium	5,000	
(-) Exempt.	(5,000)	
c. Telephone allowance	Exempt.	
Gross salary		3,89,480
(-) standard deduction u/s 16		(50,000)
Net taxable salary.		3,39,480

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Note -1

Basic Salary.

01/01/2023 - 31/12/2023 - 20,000 p.m.
01/01/2024 - 31/12/2024 - 21,000 p.m

Basic salary = (9 x 20,000) + (3 x 21,000)
= 180,000 + 63,000
= ₹ 243,000.

Note -2

Employer's contribution to RPF (15% x 267300)	40095
(-) Exempt upto 12% of Basic salary (12% x 243,000)	29,160
	10935

Note -3 Free Housing facility

Taxable amount.

15% of salary (15% x 288,300)	43,245
Hire charges paid by employer (whichever is lower)	120,000
	43,245

Salary - B - 2,43,000
D - 24,300
B - 21,000
A - -
C - -
M - -
288,300

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Q. ₹

HRA Calculation

Amount received (8000×12)	96,000
(-) Exempt.	96,000
Taxable amount.	—

Exemption

i) 50% of salary.	–	240,000
ii) Amt. received	–	96,000
iii) Rent paid – 10% of Salary	–	Nil
(whichever is lower)		96,000

Salary = (40,000×12) + (-) + (-)
= Basic + DA(T) + T/O Commission
= ₹4,80,000.

Rent free accomodation owned by company
Taxable Amt.
15% of Salary – ₹72,000

salary – B – ₹4,80,000.
D – –
B – –
A – –
C – –
m – –
480000

∴ It will be beneficial for Mr. Kashyap to avail HRA since nothing is taxable while for Rent-free accomodation, ₹72000 will be taxable under salary.

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