

CA Intermediate – Practice session 1 – Total income questions

Question 1

Nov 2023 CA Inter Exams

Mr. Pramod, a resident aged 55 years, is a retail trader and furnishes the following information for the AY 2024-25:

Trading and profit and loss account for the year ended 31-3-2024

Particulars	₹	Particulars	₹
To opening stock	115,000	By sales	70,80,000
To purchases	55,40,000	By closing stock	210,000
To transport charges	120,000		
To gross profit	15,15,000		
	72,90,000		72,90,000
To salaries	340,000	By gross profit	15,15,000
To rates and taxes	24,000	By rent of house property	180,000
To administrative expenses	325,000	By rent of furniture	120,000
To depreciation	80,000		
To Net profit	10,46,000		
	18,15,000		18,15,000

- All the sales are through account payee cheques or through bank transfers.
- The opening and closing stock are overvalued by ₹15,000 and ₹20,000 respectively
- Rates and taxes include GST liability of ₹5,000 paid on 1-5-2024 and municipal taxes for the let-out property ₹7,000.
- Administrative expenses include ₹25,000 paid a donation to National Children Fund, and a payment of laptop purchased on 15-5-2023 for ₹60,000 through bank transfer.
- Transport charges include ₹30,000 paid in cash on 1-9-2023
- He incurred a loss of ₹8,000 on sale of equity shares on 10-2-2024, which were purchased on 10-6-2023.
- Depreciation includes ₹1,200 as depreciation on Trade marks wrongly charged at 15%.
- He deposited ₹50,000 in PPF account and has paid life insurance premium ₹60,000.
- He paid interest of ₹70,000 on loan availed in FY 2018-19 for higher education of his wife.

Compute the total income and income tax payable by Mr. Pramod for AY 2024-25, if,

- The business profit is computed as per normal provisions and he opts for section 115BAC
- He opts for computing business profits as per the provisions of section 44AD and does not opt for section 115BAC
- The business profit is computed as per normal provisions of Income Tax Act and he does not opt for section 115BAC.

Which option is advantageous to Mr. Pramod?

Solution 1

Computation of total income of Mr. Pramod for AY 2024-25

Particulars	As per section 115BAC	As per optional scheme	
Income under the head house property - (Note 1)	121,100	121,100	
Profits and gains from business or profession (Note 2)	808,200	808,200	
Income under the head capital gains - Short-term capital loss cannot be set off from other heads of income, therefore carried forward for next 8 AYs	-	-	
Income from other sources - rent from furniture	120,000	120,000	
Gross total income	10,49,300	10,49,300	
Less: Deductions under chapter VI-A			
Section 80C - PPF ₹50,000 and LIC premium ₹60,000	N.A.	(110,000)	
Section 80E - Education loan interest (allowed for 8 years - FY23-24 is sixth year)	N.A.	(70,000)	
Section 80G - Donation to National Children Fund - 100% of contribution	N.A.	(25,000)	
Total income	10,49,300	8,44,300	
Tax on above at slab rate (as no special income)			
As per 115BAC - default regime	Opting out from default regime		
First ₹3 lacs	Nil	First ₹2.5 lacs	Nil
Next ₹3 lacs @5%	15,000	Next ₹2.5 lacs @5%	12,500
Next ₹3 lacs @10%	30,000	Next ₹344,300 @20%	68,860
Next ₹1,49,300 @15%	22,395		
	67,395	81,360	
Add: 4% Cess		67,395	81,360
Tax liability		70,091	84,614
Tax liability (rounded off u/s 288B)		70,090	84,610

Computation of total income of Mr. Pramod for AY 2024-25 if opted for presumptive income as per section 44AD and opted for optional scheme

Particulars	₹
Income under the head house property - (Note 1)	121,100
Profits and gains from business or profession (6% of ₹70,80,000 as per section 44AD)	424,800
Income under the head capital gains - Short-term capital loss cannot be set off from other heads of income, therefore carried forward for next 8 AYs	-
Income from other sources - rent from furniture	120,000
Gross total income	6,65,900
Less: Deductions under chapter VI-A	
Section 80C - PPF ₹50,000 and LIC premium ₹60,000	(110,000)
Section 80E - Education loan interest (allowed for 8 years - FY23-24 is sixth year)	(70,000)
Section 80G - Contribution to National Children Fund	(25,000)
Total income	4,60,900
Tax on above at slab rate (as no special income)	
Opting out from default regime	
First ₹2.5 lacs	Nil

Next ₹2,10,900 lacs @5%	10,545	10,545
Less: Rebate u/s 87A as the total income is not more than ₹5 lacs		(10,545)
Tax on income ₹10,545 or ₹12,500 whichever is lower		
Tax liability		Nil

Advise:

	Option	Tax liability (₹)
A.	The business profit is computed as per normal provisions and he opts for section 115BAC	70,090
B.	He opts for computing business profits as per the provisions of section 44AD and does not opt for section 115BAC	Nil
C.	The business profit is computed as per normal provisions of Income Tax Act and he does not opt for section 115BAC.	84,610

It is advised that the assessee should opt for option B i.e. computing business profits as per the provisions of section 44AD and does not opt for section 115BAC as the tax liability is minimum. Nil in this case.

Working notes

1. Income under the head house property

Particulars	₹
Gross annual value	180,000
Less: Municipal taxes paid	(7,000)
Net annual value	173,000
Less: Deductions under section 24 (a) – 30% of NAV	(51,900)
House property	121,100

2. Profit and gains from business or profession

Net profit as per P&L Account	10,46,000
Add: Opening stock overvalued	15,000
Less: Closing stock overvalued	(20,000)
Add: GST liability paid on or before the due date of ROI – allowed	-
Add: Municipal taxes of let out property	7,000
Add: Donation to National Children Fund wrongly debited to P&L A/C	25,000
Add: Purchase of laptop – Depreciation should be charged	60,000
Add: Transport charges paid in cash – Allowed as it is not more than ₹35,000. It is assumed that it is paid for goods transport.	-
Less: Depreciation on laptop ₹60,000 x 40%	(24,000)
Less: Depreciation on trademark (correct rate 25% and wrongly charged at 15%) Excess 10% to be charged = $1200/15 \times 10$	(800)
Less: Income wrongly credited to P&L – Rent from house property	(180,000)
Less: Rent from furniture – IFOS	(120,000)
PGBP	808,200

Question 2

May 2023 CA Inter Exams

Mr. Bhasin, a resident individual, aged 52 years, provides management consultancy services to various corporate and non-corporate clients. His Income & Expenditure A/c for the year ended 31st March, 2024 is as under:

Expenditure	₹	Income	₹
To Employees' Remuneration	15,00,000	By Gross Receipts from Profession (last year ₹ 75,00,000) (No TDS was deducted from any of the receipts)	60,60,000
To Office & Administrative Expenses	5,00,000	By Interest on Savings Bank Account	25,000
To Rates and Taxes	15,000	By Winnings from Lottery (Net of cost of lottery tickets of ₹ 500)	99,500
To Interest Expenses	80,000	By Rent Received	2,40,000
To Office Rent	240,000		
To Insurance Premium	72,000		
To Professional Fees	2,00,000		
To Depreciation on Computers	1,20,000		
To Excess of Income over Expenditure	36,97,500		
	64,24,500		64,24,500

The following details relates to F.Y. 2023-24:

- (i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.
- (ii) Mr. Bhasin owns a big house with 2 independent units. Unit - 1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit - 2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence-cum-office. Other particulars of the house are:
 - Municipal Valuation - ₹ 3,60,000 p.a.
 - Fair Rent - ₹ 4,20,000 p.a.
 - Standard Rent under Rent Control Act - ₹ 4,00,000 p.a.
- (iii) Rates and taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.
- (iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in F.Y.2011-12. Neither the loan nor the interest was paid till the due date of filing the return of income.
- (v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.
- (vi) The expense on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2023 to 30th June, 2026 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.
- (vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to Mr. Raunak, an Indian resident on which no tax was deducted at source.

- (viii) There was only one block containing computers which came into existence only on 2nd April, 2023 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% in the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.
- (ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y.2023-24, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y. 2024-25 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under section 115BAC. Also calculate the total tax payable by him.

Solution 2

Computation of Total income of Mr. Bhasin AY 2024-25 (as per optional scheme)

Particulars	₹	₹
Income under the head salary – As clubbing provisions will apply, spouse of the assessee is getting remuneration without any technical skills or experience	300,000	
Less: Standard deduction u/s 16	(50,000)	250,000
Income under the head house property (Note 1)		104,500
Profits and gains from business or profession (Note 2)		38,02,500
Income from other sources		
<i>Winning from lottery =99,500+500 Ticket cost is not allowed</i>	100,000	
<i>Interest on saving bank</i>	25,000	125,000
Gross Total income		42,82,000
Less: Deductions under chapter VI-A		
Section 80D – Health insurance (From July 2023 to July 2026, effectively it is 3 years, however the period covers 4 PYs)	=72000/4	(18,000)
Section 80E – Interest on education loan for son		(40,000)
Section 80TTA – Saving bank interest (Interest ₹25,000 but Maximum ₹10,000 allowed)		(10,000)
Total income		42,14,000
Tax on above		
30% Tax on lottery winning (30% of 100,000)	30,000	
Slab rates on the remaining income of 41,14,000	10,46,700	10,76,700
Add: 4% Health and education cess		43,068
Tax liability		11,19,768
Less: TDS on lottery winning u/s 194B		(30,000)
Tax payable		10,89,768
Tax payable (rounded off u/s 288B)		10,89,770

Working notes**1. Income under the head house property**

(50% of the portion is let-out and the remaining 50% is used for residence cum office, in the absence of other information, it is assumed that half of the Unit 2 is used for residence and other half for office purpose i.e 25% portion of the entire house)

Particulars	50% let out - Unit 1	25% self-occupied - Unit II
Municipal rent or Fair rent whichever is higher i.e. 420,000 but limited to standard rent ₹400,000. Therefore, expected rent is ₹400,000 for entire house	200,000	
Actual rent	240,000	N.A.
Gross annual value	240,000	N.A.
Less: Municipal taxes paid ₹10,000 for entire house	5,000	N.A.
Net annual value	235,000	Nil
Less: Deduction u/s 24		
24(a) Standard deduction 30% of NAV	(70,500)	Nil
24(b) Interest on loan ₹80,000 for entire house	(40,000)	(20,000)
House property income	124,500	(20,000)

House property income = ₹104,500

2. Profits and gains from business or profession

Net income as per income and expenditure account	36,97,500
Add: Amount paid to assessee spouse allowed as it is reasonable and as per market rates	-
Add: Rates and taxes of personal nature and let out property 75% of ₹10,000	7,500
Add: Interest expense – 75% disallowed as only 25% is used for professional purpose. 75% of ₹80,000	60,000
Add: Interest expense of 25% portion although used for professional purpose– Not allowed as interest not paid u/s 43B	20,000
Add: Office rent – Not allowed as notional	240,000
Add: Insurance premium as personal – allowed u/s 80D	72,000
Add: Professional fees paid without TDS 30% disallowed u/s 40(a) i.e. 30% of ₹1 lac	30,000
Add: Depreciation as per books	120,000
Less: Saving bank account interest – IFOS	(25,000)
Less: Winning from lottery	(99,500)
Less: Rent received as covered under house property	(240,000)
Less: Depreciation u/s 32 ₹2 lacs @40%	(80,000)
PGBP	38,02,500

Question 3

Nov 2022 CA Inter Exams

Dr. Rohan, 82 years old resident surgeon, having his Nursing Home in Mumbai, gives the following particulars for the year ended on 31.03.2024.

Receipts	₹	Payment	₹
Opening Balance b/d	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2023 received in April, 2023 IPD 40,000 OPD 45,000	85,000	Entertainment Expenses	1,10,000
Dividend from shares (net)	18,900	Purchase of Television	48,000
Fees received during the year	10,25,000	Gift to daughter-in law	60,000
Gifts received from relatives of patients	45,000	Interest on loan for repairs to property	65,000
Honorarium for painting services in Jai Hind Art School (net)	22,500	Personal medical expenses	70,000
Income-tax Refund (Including interest ₹ 1,500)	12,100	Deposits in PPF A/c	55,000
		Nursing Home expenses	375,000
		Prof. fees paid for consulting Services	120,000
		Purchase of furniture at home	135,000
		Personal Expenses	3,00,000
		Balance c/f	204,500
	19,18,500		19,18,500

Other Information:

- He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- Salary includes ₹ 60,000 paid to his sister who is a qualified nurse paid in cash.
- Entertainment expenses include ₹ 25,000 for dinner to doctors in a five-star hotel.
- Interest on loan for repairs to property includes ₹ 40,000 for his residential property.
- His daughter in law earned income of ₹ 10,000 from the amount received as gift.
- Fixed Assets values as on 01.04.2023 are as under :
Nursing Home Equipment's ₹ 2,20,000, Medical Books (incl. annual publications ₹ 10,000) ₹ 35,000, Laptop ₹ 40,000.
- Television purchased for nursing home purpose on 21.09.2023 is put to use on 03.10.2023.
- He has donated ₹ 10,000 towards PM CARES Fund on 15.08.2023.

You are required to

- Compute the total income and tax payable by him for AY 2024-25 as per the regular provisions of the Income-tax Act, 1961. Assume that he has not opted for section 115BAC.
- What will be his total income and tax payable, if he opts for the provisions of section 44ADA? Will it be more beneficial for him to adopt 44ADA?

Solution 3**Computation of total income and tax payable for Dr. Rohan AY 2024-25 (optional scheme)**

Particulars	₹	₹
House property (assumed to be self-occupied)		
Net annual value	Nil	
Less: Interest on repairs (₹40,000 but limited to ₹30,000)	(30,000)	(30,000)
PGBP (Note- 1)		788,800
Income from other sources		
Dividend income (gross) (18,900/90 x 100)	21,000	
Honorarium of painting services (gross) assumed TDS u/s 194J is deducted (22,500/90 x 100)	25,000	
Interest on Income tax refund	1,500	
Income earned by daughter in law on the assets transferred by Dr. Rohan shall be clubbed	10,000	57,500
Gross Total income		816,300
Less: Deductions under chapter VI-A		
Section 80C – Deposit in PPF	55,000	
Section 80D – Medical expenses as the assessee is a senior citizen (assuming there is no medical insurance policy ₹70,000 but limited to ₹50,000)	50,000	
Section 80G – Donation to PM Cares – 100% of the amount donated	10,000	(115,000)
Total income		701,300
Tax on above at slab rates		
On first ₹500,000 (as assessee is 82 years)	Nil	
On next ₹201,300 @ 20%	40,260	40,260
Add: 4% cess		1610.40
Tax liability		41,870.40
Less: TDS		
On Dividend u/s 194	2,100	
On Fees u/s 194J (585,000/90 x 10)	65,000	
On honorarium u/s 194J (22,500/90 x 10)	2,500	(69,600)
Tax Refundable		27,729.60
Tax Refundable (rounded off u/s 288B)		27,730

Computation of total income and tax payable by Dr. Rohan for A.Y. 2022-23 if he opts for section 44ADA

Particulars	₹	₹
Income under the head house property (as computed above)		(30,000)
PGBP as per 44ADA		
50% of the gross receipts (computed in note 1)	50% of 18,05,000	9,02,500
Income from other sources - As computed above		57,500
Gross total income		930,000
Less: Deduction under chapter VI-A (already computed above)		(115,000)
Total income		8,15,000
Tax on above at slab rates		
In first ₹500,000 (as assessee is 82 years)	Nil	

On next ₹315,000	63,000	63,000
Add: 4% cess		2,520
Tax liability		65,520
Less: TDS (as above)		(69,600)
Tax Refundable		4,080

Since tax refundable in case Dr. Rohan opts for the provisions of section 44ADA is lower than the regular provisions of the Act, it would be beneficial for him not to opt for section 44ADA and get his books of account audited and declare income under the regular provisions.

Working notes

- Profits and gains from business or profession (Assessee follows cash basis of accounting)

Fees from hospitals (gross) (585,000/90 x 100)	650,000	
Fees of March 2023 received	85,000	
Fees received	10,25,000	
Gifts from patient's relatives (Section 28)	45,000	
Gross receipts		18,05,000
<i>Less: Expenses allowed under PGBP</i>		
Salary to Staff (350,000 – 60,000 disallowed as paid in cash)		(290,000)
Taxes and insurance		(26,000)
Entertainment expenses allowed u/s 37 (Amount spent for dinner of doctors is also allowed as for professional purpose)		(110,000)
Purchase of television – not allowed as expense – Depreciation to be charged		-
Gift to daughter in law- not allowed		-
Interest on loan for repairs of property (65,000 -40,000 personal)		(25,000)
Personal medical expense – not allowed		-
Deposits in PPF – not an expense – allowed u/s 80C		-
Nursing home expenses		(375,000)
Professional fees paid for consulting		(120,000)
Purchase of furniture – personal nature not allowed		-
Personal expenses – not allowed		-
Depreciation as per section 32		
Nursing home equipment ₹220,000 @15%	33,000	
Medical books and laptop (₹35,000 + ₹40,000) x 40%	30,000	
TV purchased and put to use for more than 180 days ₹48,000@15%	7,200	(70,200)
PGBP		788,800

Question 4**May 2022 CA Inter Exams**

Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2022-23 was ₹ 250 lakhs and in the current previous year 2023-24, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2024 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023-24.

- (a) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	Particulars	₹
1-4-2023	Opening written down value of machinery used for manufacturing purpose	475,000
3-7-2023	New machinery purchased during the year; payment made by an account pay cheque.	725,000
10-03-2024	Sold one of the old machines	75,000

She does not have any other fixed assets employed in the business.

- (b) Received subsidy of 20% on new machine purchased on 03-07-2023 during the previous year under technology upgradation fund Scheme from the Central Government.
- (c) She paid a job-charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.
- (d) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2023-24, from the agent due to settlement with commission agent.
- (e) ₹ 25,000 paid to creditor for goods in cash.
- (f) Incurred loss of ₹ 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.
- (g) Interest received amounting ₹ 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.
- (h) She Received ₹ 60,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.
- (i) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2023 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2023-24:348)
- (j) She received a gold coin (bullion) worth ₹ 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2023-24.
- (k) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹ 75,000.
- (l) She deposited a sum of ₹ 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- (m) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹ 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2024-25. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

Solution 4

Computation of total income and tax liability of Mrs. Nisha for AY 2024-25 (optional scheme)

Particulars	₹	₹
Profits and gains from business or profession (Note -1)	560,000	
Less: Loss set off from derivative trading - not a speculative business	(117,500)	442,500
Income under the head capital gains - Long term (Note -2)		166,930
Income from other sources		
Pre-mature withdrawal of time deposit	60,000	
Gift of gold coin from cousin	55,000	115,000
Gross total income		7,24,430
Less: Deductions under chapter VI-A		
Section 80C - Stamp duty paid on purchase of residential house (₹155,000 however limited to	150,000	
Section 80DD - ₹50,000 paid for dependent - severe disability Flat deduction	125,000	(275,000)
Total income		449,430
Tax on above		
On LTCG u/s 112: 20% on 166,930	33,386	
On Balance ₹282,500 at slab rates	1,625	35,011
Less: Rebate u/s 87A - Tax on income or ₹12,500 whichever is lower		(12,500)
		22,511
Add: 4% cess		900
Tax payable		23,411
Tax payable (rounded off)		23,410

Note: Here assessee could claim the deduction u/s 54F as she has sold long term Jewellery and invested in residential house property, however the value of property purchased is not mentioned in the question. Therefore, exemption u/s 54F is ignored.

Working notes:

1. Profits and gains from business or profession

Net profit as per P&L Account		561,000
Less: Depreciation as per section 32		
Opening WDV	475,000	
Add: Purchased during the year = 725,000-20% subsidy received	580,000	
Less: Money received on sale =	(75,000)	
WDV at the end for charging depreciation =	980,000	
Depreciation 15% of 980,000		(147,000)
Less: Additional depreciation @20% on 580,000 as assessee in a manufacturing assessee		(116,000)
Add: Job charges paid without TDS - 30% disallowed u/s 40(a) = 90,000 x30%		27,000
Add: Recovery of commission paid - Section 41		50,000
Add: Cash paid to creditor - Section 40A(3)		25,000
Add: Interest received from partnership firm - only upto 12% = (200,000/15 x 12)		160,000
PGBP		560,000

2. Income under the head capital gains

<i>Capital gains on Jewellery</i>	₹
Sales consideration	500,000
Less: ICOA = $40,000 \times (348/113)$	(123,186)
Less: ICOI = $50,000 \times (348/129)$	(134,884)
Long term capital gains	241,930
Loss on sale of shares	(75,000)
	166,930

Question 5

Nov (Dec) 2021 CA Inter Exams

Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2024

Particulars	₹	Particulars	₹
To Administrative expenses	430,000	By gross profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	750,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	617,000		
To Professional fees	270,000		
To Rent, rates & taxes	280,000		
To Travelling & conveyance	140,000		
To Net Profit	15,74,500		
	60,51,500		60,51,500

Explanatory information:

- i. Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 4,50,000 and Closing stock of ₹ 5,58,000 was shown.
- ii. Salaries & wages include following items:
 - a. Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of ₹ 3,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
 - b. Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 2,40,000 was paid to them on 1st January, 2024.
- iii. Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2023 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose.
- iv. Depreciation allowable as per Income-tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:
Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2023.
- v. An asset was purchased for ₹ 6,00,000 on 17-11-22 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2023 for a consideration of ₹ 8,00,000.

Other information:

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2023. The compensation of ₹ 12,00,000 was received on 27.02.2024. Such property was purchased by him on 08.08.2005 for ₹ 2,00,000. He has

purchased another plot of industrial land on 21.04.2024 for ₹ 6,00,000. Government has also paid ₹ 54,000 as interest on such compensation on 28.03.2024.

Cost Inflation Indices: FY 2023-24: 348, FY 2005-06: 117

Compute the total income and tax liability of Mr. Shivansh for the assessment year 2024-25 assuming that he has not opted for the provisions of section 115BAC. Ignore Provisions relating to AMT.

Solution 5

Computation of total income and tax liability of Mr. Shivansh for AY 2024-25 (Optional scheme)

Particulars	₹	₹
Profits & gains from business or profession (Note -1)		24,58,000
Income under the head capital gains (Note -2) (including LTCG ₹5,128)		205,128
Income from other sources		
Interest on delayed compulsorily acquisition - 50% deduction is allowed - ₹54,000 x 50%	27,000	
Winning from lottery (Gross) = 31,500/70 x 100	45,000	72,000
Gross Total income		27,35,128
Less: Deduction under chapter VI-A		
Section 80EEB - Interest on electric vehicle = ₹165,000 but limited to ₹150,000		(150,000)
Total income		25,85,128
Total income (rounded off u/s 288A)		25,85,130
Tax on above		
On LTCG u/s 112 - 20% on ₹5,130 (note ₹5,128 is rounded)	1,026	
On Winning from lottery - 30% on 45,000	13,500	
On remaining ₹25,35,000 at slab rate		
On first ₹3 lacs (as assessee is senior citizen)	Nil	
On next ₹2 lacs @ 5%	10,000	
On next ₹5 lacs @20%	100,000	
On next ₹15,35,000 @30%	460,500	585,026
Add: 4% cess		23,401
Tax liability		608,427
Less: TDS on lottery income u/s 194B		(13,500)
Tax payable		594,927
Tax payable (rounded off u/s 288B)		594,930

Working notes

1. Profits & gains from business or profession

Particulars	₹
Net profit as per P&L Account	15,74,500
Add: Closing stock undervalued (558,000/90 x 10)	62,000
Less: Opening stock undervalued (450,000/90 x 10)	(50,000)
Add: Contribution to Pension scheme in excess of 10% Actual contribution = 20% of basic i.e. 60,000	24,000

Less: 10% of salary $(300,000 + (40\% \text{ of } 3 \text{ lacs}) \times 50\%) = ₹36,000$	
Add: Voluntary retirement compensation allowed in five installments = 2.4 lacs x 4/5	192,000
Add: Interest on personal car - not allowed ₹12 lacs @15% for 11 months	165,000
Add: Depreciation as per books	617,000
Less: Depreciation as per section 32 = ₹450,000 + 15% of 3 lacs for car	(495,000)
Add: Sale of scientific research asset upto the original cost will be deemed PGBP income as per section 41 and in excess of original value is capital gains	6,00,000
Less: Income credited to P&L but not PGBP – sale of asset	(200,000)
Less: Winning from lottery	(31,500)
	24,58,000

2. Income under the head capital gains

<i>Sale of scientific research asset</i>	
Full value of consideration	800,000
Less: Cost of acquisition	(600,000)
STCG	200,000
<i>Compulsorily acquisition of industrial land</i>	
Full value of consideration	12,00,000
Less: Indexed cost of acquisition $₹200,000 \times (348/117)$	(594,872)
	605,128
Less: Exemption u/s 54D Amount invested in acquiring industrial land	(600,000)
Long term capital gains	5,128

Total capital gains = ₹205,128 (including LTCG ₹5,128)

Answer 1

A. Computation of income of Mr. Promod AY 24-25 (Default Regime)

Particulars	Amount (₹)
• Income under House Property (W.N.1)	121,100
• Profits + gains from Bus./Prof. (W.N.2)	808,200
• Capital gains (STCL to be carried fwd)	—
• IfoS (Rent of furniture)	<u>120,000</u>
Gross total income	10,49,300
Less: Chap VI- A	N.A.
Total income	<u>10,49,300</u>

Tax on above as per default Tax Regime

on first ₹ 3lac	Nil	
Next ₹ 3lac @ 5%	15,000	
Next ₹ 3lac @ 10%	30,000	
Remaining ₹ 1,49,300 @ 15%	<u>22,395</u>	67,395
Add: 4% Cess		<u>2696</u>
Tax Liab		70,091
Rounded off up to 888		70,090

B. Computation as per 44AD \rightarrow Optional Tax Regime

Particulars	₹
• H-Property income (Note 1)	121,100
• PGBP (70,80,000 \times 6%)	424,800
as per 44AD	
• Cap gains	—
• IFOs	<u>120,000</u>
Gross Total income	665,900

Less: Deductions - Chap VI-A

• 80C	
• PPF - 50,000	
• LIC - <u>60,000</u>	(110,000)
• 80E- Education loan int	(70,000)
• 80G- National Children fund	<u>(25,000)</u>
Total Income	460,900

• Tax on above as per optional Tax Regime
on ₹2.5 lac Nil

Remaining ₹210,900 @ 5% 10,545 10,545

Less: Rebate u/s 87A as total
income is not more than ₹5 lac (10,545)
(Max Rebate = ₹12,500)

Tax liability Nil

C. Computation of Tax liab as per optional Regime

	₹
• House prop. (Note 1)	121,100
• PGBP (Note 2)	808,200
• Cap gains	-
• Ifos	<u>120,000</u>
G.T.I.	10,49,300
Less: Chap. VI-A	
80 C -	(110,000)
80 E -	(70,000)
80 G -	<u>(25,000)</u>
Total income	844,300

Tax on above as per optional tax regime

• on first ₹ 2.5lac	Nil
• on Next ₹ 2.5lac @ 5%	12,500
• Remaining ₹ 344,300 @ 20%	<u>68,860</u>
Add: 4% Cess	<u>3,254.40</u>
Tax liability	84,614.40
Rounded off up to 200B	84,610

Advise -

It is advised to opt for option B → Presumptive scheme as per Section 44AD, as the tax liab. in such case is NIL.

Working Notes:

1.	Income under House property	₹
	Gross annual value	180,000
	Less: M. Taxes paid	(7,000)
	NAV	173,000
	Less: 24(a) 30% of NAV	(51,900)
	H.P.	<u>121,100</u>
2.	PCBP	₹
	Net profit as per P/L A/c	10,46,000
	Add: Op. Stock overvalued	15,000
	Less: Cl. Stock undervalued	(20,000)
	GST liab paid upto due date	-
	Add: M. Taxes related to H.P.	7,000
	Add: Donation to National Children fund	25,000
	Add: Pur. of Laptop	60,000
	Trans. Charges allowed upto ₹ 35,000	-
	Less: Depreciation Trade mark @ 25%	
	⇒ $\frac{1200}{15} \times 25 = 2000$	
	- Already charged (1200)	(800)
	Less: Rent of Building	(180,000)
	Less: Rent of furniture	(120,000)
	Less: Depreciation on Laptop	
	60,000 × 40%	(24,000)
	PCBP	<u>808,200</u>

Answer 2

Computation of Total income and tax liab of Mr. Bhasin
AY 24-25 (as per optional scheme)

	Amount (₹)
• Income under the head Salary [clubbed income] G. Salary 300,000 - Std deduction 50,000 =	250,000
• Income under house property (Note-1)	1,04,500
• PQBP (Note-2)	38,02,500
• IFOS	
→ Saving Bank A/c Interest 25,000	
→ Lottery winning (99,500 + 500) <u>100,000</u>	125,000
Gross total income	42,82,000
Less: Deductions under chap. VI-A	
• Sec 80 D (Lump sum amt paid for 4 P.Y.) ∴ $72,000 \times \frac{1}{4} =$	(18,000)
• Sec 80 E Int. on education loan	(40,000)
• Sec 80 TTA - Saving Int 25,000 (max ₹10,000)	(10,000)
Total income	42,14,000
Tax on above	
on Casual income 30% X 1,10,000	30,000
on <u>41,14,000 slab rates</u>	
on first ₹2.5lac Nil	
Next ₹2.5lac @5% 12,500	
Next ₹5lac @20% 1,00,000	
Remaininy 31,14,00 @30% <u>9,34,200</u>	<u>10,46,700</u>
Add: 4% Cess	
Tax liab	<u>43,068</u>
- TDS on lottery	<u>(30,000)</u>
Tax payable	10,89,768
Rounded off	10,89,770

Working Note:

1. Income under House property

	50% Let out	25% Self occupied
GAV [Higher of M. Rent or F.R.V but limited to Std. Rent] or Actual Rent] Higher	240,000	-
- M. Taxes paid	(5,000)	N.A.
NAV	235,000	Nil
Less: 24(a) 30% of NAV	(70,500)	-
24(b) Int on loan Total Int. 80,000	(40,000)	(20,000)
H.P.	124,500	(20,000)
H.P. income = ₹	104,500	

It is assumed that 50% portion which is used for residence cum office purpose is used in equal ratio i.e. half. (25% and 25%)

P.T.O.

2. PGBP

	₹
Net Profit as per P/L A/c	36,97,500
Add: Depreciation as per Books.	120,000
Less: Saving Bank interest	(25,000)
House Rent	(240,000)
Lottery income	(99,500)
Salary to spouse is as per FMV	—
Add: Rates + Taxes of House - 75%	7500
Add: Interest expense of House - 75%	60,000
Add: Interest not paid - Sec 43B (25%)	20,000
Add: Notional Rent not allowed	240,000
Add: Ins. Prem - Personal	72,000
Add: TDS not deducted Sec 40(a)	
$30\% \times 100,000$	30,000
Less: Depn on Laptop, Printer etc.	
$200,000 \times 40\%$	(80,000)
PGBP	38,02,500

Answer 3

(i) Computation of Total income + tax liab of Dr. Rohan
AY 2024-25 (optional tax regime)

• House property Income (Note 1)	(30,000)
• PGBP (Note 2)	788,800
• IfoS (Note 3)	57,500

Gross total income 816,300

Less: Deductions under Chap VI-A

• Sec 80C PPF	(55,000)
• Sec 80D - Medical Exp. allowed: for senior Citizen (max ₹50,000)	(50,000)
• Sec 80G - PM Cares	<u>(10,000)</u>

Total income 701,300

Tax on above at slab Rates

• on first ₹ 5lac	Nil
• on Remaining ₹ 201,300 @ 20%	40,260
+ 4% Cess	<u>1610</u>
Tax liab.	41,870

Less: TDS

• on fees from other hospital u/s 194J @ 10% $\frac{58500}{90} \times 10$	(65,000)
• on Dividend u/s 194 @ 10% $\frac{18900}{90} \times 10$	(2100)
• on Honorarium u/s 194J @ 10% $(22,500/90) \times 10$	<u>(2500)</u>

Tax Refundable 27,730

(ii) Computation of Total income + Tax liab of Dr. Rohan
AY 24-25 (Presumptive Scheme vs 44ADA)

• House Prop. (Note 1)	(30,000)
• PGBP Gross Receipts $\times 50\%$ → 18,05,000 $\times 50\%$	9,02,500
• IFOs (Note 3)	<u>57,500</u>
G.T.I.	9,30,000
Less: Deduction vs VI-A (already computed)	<u>(1,15,000)</u>
Total income	8,15,000

Tax on above

• first ₹ 5lac	Nil	
• Remaining ₹ 3,15,000 @ 20%	<u>63,000</u>	63,000
+ 4% Cess		<u>2,520</u>
Tax liab.		65,520
- TDS (already computed)		<u>(69,600)</u>
Tax Refundable		4,080

Advice: It will not be beneficial for Dr. Rohan to adopt Sec 44ADA, as tax refundable is lower in this case.

Working Notes

1. House property (assumed self occupied)

NAV Nil

• 24(a) 30% of NAV -

• 24(b) Int on loan

Repairs - ₹ 40,000

but limited to ₹ 30,000 (30,000)

H.P. Loss (30,000)

2. PGBP

Income

₹

• Fee from other hospital - Gross $(\frac{585,000}{90} \times 100)$ 650,000

• Fees of March 2023 (Cash basis) 85,000

• Fees 10,25,000

• Gifts from Patients Relatives (PGBP) 45,000

Gross Receipts 18,05,000 -

Less: Expenses allowed under PGBP

• Salary (₹ 350,000 - 60,000 not allowed) (290,000)
Cash

• Taxes + insurance (26,000)

• Ent. allowance (Dinner to doctors allowed) (110,000)

• Int. on loan (65,000 - 40,000 personal) (25,000)

• Nursing home exp (375,000)

• Prof. fees (120,000)

• Depreciation u/s 32

• Equipment 220,000 x 15%

• Books + laptop 75,000 x 40%

• T.V. 40,000 x 15%

(70,200)

PGBP

788,800 Page 25

3. IfoS		₹
• Dividend (Gross) Sec. 194	$\frac{18,900}{90} \times 100$	21,000
• Honorarium (Gross) Sec. 194J - 10%	$\frac{22,500}{90} \times 100$	25,000
• Interest on I. Tax Refund		1,500
• Clubbed income - Daughter-in-law		<u>10,000</u>
		<u><u>57,500</u></u>

Answer 4

Computation of Total income + Tax liab of Mrs. Nisha
AY 2024-25 (as per optional tax Regime)

	₹
• PGBP (Note 1)	442,500
• Cap gains (Note 2) - LTCG	166,930
• IFOs (Note 3)	115,000
	7,24,430
Less: Chapter VI-A	
• Sec 80C - Stamp duty ₹15,000	(15,000)
• Sec 80DD - Disable dependant ₹ 50,000 with LIC - Flat deduction as severe disable	(125,000)
	449,430

Tax on above

• on LTCG @ 20% on ₹166,930	33,386
• on Remaining ₹282,500 slab Rates	
→ on ₹2.5lac Nil	
→ on ₹32,500 @ 5% <u>1625</u>	<u>1625</u> 35,011
Less: Rebate u/s 87A	<u>(12,500)</u>
	29,511
Add - 4% Cess	<u>900</u>
Tax liab.	23,411
Rounded off u/s 288B	23,410

Working Notes

①	PGBP	₹
	Net profit as per P/L A/c	561,000
	Less: Dep u/s 32	
	op WDV of P+M	475,000
	Add: Additions during the year (725,000 - 20% subsidy)	580,000
	Less: Money rec. on sale	(75,000)
	WDV at the end	980,000
	• Normal Dep @ 15% x 980,000 =	147,000
	• Additional Dep @ 20% x 580,000 =	<u>116,000</u>
		(263,000)
	Add: Job Charges without TDS	
	30% Disallowed u/s 40(a)	27,000
	Add: Deemed business income u/s 41	
	Commission recovered	50,000
	Add: Amt paid in cash - Sec 40A(3)	25,000
		<u>400,000</u>
	• Interest on Cap from Partnership firm (Sec 28)	
	$\frac{200,000}{15} \times 12$	160,000
		<u>560,000</u>
	Less: Loss from derivative trading (Non-speculative)	<u>(1,17,500)</u>
	PGBP	<u><u>4,42,500</u></u>

②	Capital gains.	
	• Sale of Jewellery	₹
	full value of consideration	500,000
	Less: ICA 40,000 × $\frac{348}{113}$	(123,186)
	ILOI 50,000 × $\frac{348}{129}$	(134,884)
		<hr/>
	L.T.C G	241,930
	Loss on L-Term eq. Shares	<u>(75,000)</u>
	LTCG	166,930

③	IFOS	₹
	• Gift- Gold coin	55,000
	• Pre mature withdrawal	<u>60,000</u>
		115,000

Answer 5

Computation of Total income of Mr. Shivansh for AY 2024-25
+ Tax liab (As per optional Tax Regime)

• PGBP (Note 1)	24,58,000
• Capital Gains (Note 2) [LTCG - ₹ 5128]	205,128
• IfoS	
• Winning from Lottery $\frac{31,500}{70} \times 100 = 45,000$	
• Ind on Compensation $\frac{54,000 \times 50}{100} = 27,000$	72,000
Gross Total income	27,35,128
Less: Chap VI-A deductions	
• Sec 80EEB - Electric Car Int	
₹ 165,000 but max ₹ 1.5 lac	(150,000)
Total income	25,85,128
Rounded off u/s 288A	25,85,130

Tax on above

- on LTCG (taken as ₹ 5130) $\times 20\%$ 1026
- on Winning - Casual $45,000 \times 30\%$ 13,500
- on Remaining ₹ 25,35,000 slab rate
(Resident senior citizen)

on first ₹ 3 lac Nil

Next ₹ 2 lac @ 5% 10,000

Next ₹ 5 lac @ 20% 100,000

Remaining ₹ 15,35,000 $\times 30\%$	460,500	570,500	585,026
Add: 4% Cess			23,401
Tax liab			608,427
Less: TDS u/s 194B - Lottery			(13,500)
Tax Payable			594,927
Rounded off u/s 288B			594,930

Working Notes

1. PGBP	₹
Net Profit as per P/L A/c	15,74,500
Add: Depreciation as per books	6,17,000
Less: Profit on sale of S.R. asset	(200,000)
Less: Winning from Lottery	(31,500)
Less: open stock undervalued ($\frac{450,000}{90} \times 10$)	(50,000)
Add: Cl. Stock undervalued ($558,000/90 \times 10$)	62,000
Add: Excess contribution to Pension scheme Actual Contribution $20\% \times 3\text{lac} = 60,000$ Allowed - $10\% \times (3\text{lac} + 60,000) = \underline{36,000}$	24,000
Add: VRS Expenses - $4/5 \times 240,000$	192,000
Add: Personal Car loan $12\text{lac} \times 15\% \times 11\text{months}$	165,000
Less: Dep. as per Sec 32 [$450,000 + 15\% \times 3\text{lac}$]	(495,000)
Add: Profit on sale of S.R. Asset (original value - wdv) - Sec 41 $6\text{lac} - 0$	600,000
	24,58,000

2. Capital gains.

S.T.CG on sale of SR Asset

FVC	800,000
- COA	<u>600,000</u>

200,000

LTCG on Compulsory Acquisition of Industrial land

₹

F.V.C 12,00,000

Less: ICOA

$$200,000 \times \frac{348}{117} = 594,872$$
605,128

- Exemption u/s 54D

- Cap gains 605,128
- New asset Pur ₹6 lac

Lower	<u>(60,000)</u>
LTCG	5128

Total Cap gains = 205,128 (₹5128 LTCG)