

## Super 30 Questions for CA Inter SEP-24 EXAMS

### Question 1

Mr. Kamal, aged 45 years, commenced operations of the business of a new three-star hotel in Delhi on 1.4.2023. He incurred capital expenditure of ₹ 50 lakhs on land in March, 2023 exclusively for the above business, and capitalized the same in his books of account as on 1st April, 2023. Further, during the P.Y. 2023-24, he incurred capital expenditure of ₹ 2 crores (out of which ₹ 50 lakhs was for acquisition of land and ₹ 1.50 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2024-25 is ₹ 85 lakhs.

He has employed 220 new employees during the P.Y.2023-24, the details of whom are as follows –

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	40	1.6.2023	Regular	24,000
(ii)	80	1.7.2023	Regular	24,500
(iii)	50	1.7.2023	Casual	25,500
(iv)	30	1.9.2023	Regular	25,000
(v)	20	1.12.2023	Casual	24,000

All regular employees participate in recognized provident fund and their emoluments are paid by account payee cheque. His gross revenue from the hotel is ₹ 11 crores. Mr. Kamal has opted out of the default tax regime under section 115BAC.

Mr. Kamal also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are ₹ 140 lakhs for the A.Y.2024-25

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) Assuming that Mr. Kamal has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes", what would be the quantum of deduction under section 35AD, which he is eligible to claim as deduction for A.Y.2024-25?
  - (a) ₹ 250 lakhs
  - (b) ₹ 200 lakhs
  - (c) ₹ 100 lakhs
  - (d) ₹ 150 lakhs
- (ii) What would be the income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2024-25 in the hands of Mr. Kamal?

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- (a) ₹ 75 lakhs  
 (b) ₹ 140 lakhs  
 (c) ₹ 25 lakhs  
 (d) (₹ 10 lakhs)
- (iii) Would Mr. Kamal be eligible for deduction under section 80JJAA in the A.Y.2024-25? If so, what is the quantum of deduction?  
 (a) No, he would not be eligible for deduction u/s 80JJAA  
 (b) Yes; ₹ 75,00,000  
 (c) Yes; ₹ 81,72,000  
 (d) Yes; ₹ 99,72,000

(3 x 2 = 6 Marks)

#### Answer 1

Question No.	Answer
I	(D)
II	(A)
III	(A)

#### Question 2

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	4,30,000	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	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To Professional fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	<u>15,74,500</u>		
<b>Total</b>	<b>60,61,500</b>	<b>Total</b>	<b>60,61,500</b>

#### 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 opted out from default tax regime u/s 115BAC. Ignore Provisions relating to AMT. **(DEC 21 Exam)**

**Answer 2**

**Computation of total income of Mr. Shivansh for A.Y. 2024-25**

	Particulars	₹	₹	₹
<b>I.</b>	<b><u>Income from business or profession</u></b>			
	Net Profit		15,74,500	
	<b>Add: Items debited but not allowable/item not credited but taxable while computing business income</b>			
	- Employer's contribution to NPS in excess of 10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 24,000 [₹ 60,000, being 20% of ₹ 3,00,000 less ₹ 36,000 being 10% of ₹ 3,60,000 (₹ 3,00,000 + 20% of ₹ 3,00,000)] has to be added back.	24,000		
	- VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 2,40,000 x 4/5].	1,92,000		
	- Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 1,65,000 [₹ 12,00,000 x 15% x 11/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	1,65,000		

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	Particulars	₹	₹	₹
	- Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 6,00,000 (being the deduction allowed u/s 35) and ₹ 8,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 8,00,000 + ₹ 6,00,000) over the capital expenditure incurred of ₹ 6,00,000	6,00,000		
	- Undervaluation of stock [(₹ 5,58,000 - ₹ 4,50,000) x 10/90]	12,000		
	<b>Note:</b> Alternatively, undervaluation of closing stock i.e., ₹ 62,000 can be added back and under valuation of opening stock i.e., ₹ 50,000 can be reduced from net profits.			
	- Depreciation as per books of A/c	<u>6,17,000</u>		
			<u>16,10,000</u>	
			31,84,500	
	Less: Depreciation as per Income-tax Rules		4,50,000	
	Depreciation on Motor car purchased for supply of finished goods [₹ 3,00,000 x 15%]	<u>45,000</u>		
			<u>4,95,000</u>	
			26,89,500	
	<b>Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income</b>			
	- Profit on sale of asset of scientific research [Taxable under the head "Capital Gains"]	2,00,000		
	- Winning from lottery [Taxable under the head "Income from other sources"]	<u>31,500</u>		
			<u>2,31,500</u>	
				24,58,000
<b>II.</b>	<b><u>Capital Gain</u></b>			
	<b><u>Short-term capital gains</u></b>			
	<b>Sale of asset acquired for conducting scientific research</b>			
	Sales consideration	8,00,000		
	Less: Cost of acquisition	<u>6,00,000</u>		
	Short-term capital gain		2,00,000	

Particulars		₹	₹	₹
<b>Long-term capital gains</b>				
<b>Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)</b>				
Compensation received		12,00,000		
Less: Indexed cost of acquisition [₹ 2,00,000 x 348/117]		<u>5,94,872</u>		
Long-term capital gain [since such plot is held for more than 24 months]		6,05,128		
Less: Exemption u/s 54D				
- Acquisition of industrial plot within 3 years		<u>6,00,000</u>		
			<u>5,128</u>	2,05,128
<b>III. Income from other sources</b>				
Winning from lottery [₹ 31,500 x 100/70]			45,000	
Interest on enhanced compensation		54,000		
Less: 50% of enhanced compensation		<u>27,000</u>	<u>27,000</u>	<u>72,000</u>
<b>Gross Total Income</b>				27,35,128
Less: <b>Deduction under Chapter VI-A</b>				
<b>Deduction under section 80EEB</b>				
Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of				<u>1,50,000</u>
<b>Total Income</b>				<u>25,85,128</u>

**Computation of tax liability of Mr. Shivansh for A.Y.2024-25**

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 5,128		1,026
Tax on winning from lottery @30% of ₹ 45,000		13,500
Tax on total income (excluding LTCG and winning from lottery) of ₹ 25,35,000		
Upto ₹ 3,00,000 [since Mr. Shivansh, a senior citizen, he is eligible for higher exemption limit]		Nil
₹ 3,00,001 – ₹ 5,00,000[@5% of ₹ 2.00 lakh]	10,000	
₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 25,35,000 [@30% of ₹ 15,35,000]	<u>4,60,500</u>	
		<u>5,70,500</u>
		5,85,026
Add: Health and education cess@4%		<u>23,401</u>
<b>Tax liability</b>		<u>6,08,427</u>
<b>Tax liability (rounded off)</b>		<b>6,08,430</b>

### Question 3

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

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

#### Other Information:

- Land of Unit 2 was purchased at ₹ 5,00,000 in the year 2004 and revalued at ₹ 7,50,000 as on 31.3.2023.
- No individual value of any asset is considered in the transfer deed.
- Patents were acquired on 01-12-2021 on which no depreciation has been provided.
- Furniture of Unit 2 of ₹ 5,00,000 were purchased on 01-12-2022 on which no depreciation has been provided.
- Fair market value of capital asset transferred by way of slump sale of Unit 2 is ₹ 18,10,000. Compute the capital gain for A.Y. 2024-25.

### Answer 3

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

#### Computation of capital gain on slump sale of Unit 2

Particulars	₹
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., ₹ 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., ₹ 18,00,000) whichever is higher]	18,10,000
Less: Expenses on sale [professional fees & brokerage]	<u>78,000</u>
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 (Note 1)	<u>13,35,781</u>
<b>Long term capital gains arising on slump sale</b>	<b><u>3,96,219</u></b>
(The capital gains is long-term as the Unit 2 is held for more than 36 months)	

### Notes

**1. Computation of net worth of Unit 2**

Particulars	₹
(1) Book value of non-depreciable assets	
(i) Land (Revaluation not to be considered)	5,00,000
(ii) Debtors	3,50,000
(2) Written down value of depreciable assets under section 43(6)	
(i) Furniture ( <i>See Note 2</i> )	4,75,000
(ii) Patents ( <i>See Note 3</i> )	<u>4,75,781</u>
Aggregate value of total assets	18,00,781
Less: Current liabilities of Unit 2	
Bank Loan [₹ 8,50,000 x 30%]	2,55,000
Trade Creditors [₹ 4,50,000 x 20%]	90,000
Unsecured Loan [₹ 4,00,000 x 30%]	1,20,000
<b>Net worth of unit 2</b>	<u><b>13,35,781</b></u>

**2. Written down value of furniture as on 1.4.2023**

Value of patents	₹
Cost as on 1.12.2022	5,00,000
Less: Depreciation @ 10% x 50% for Financial Year 2022-23	<u>25,000</u>
<b>WDV as on 1.4.2023</b>	<b>4,75,000</b>

**3. Written down value of patents as on 1.4.2023**

Value of patents	₹
Cost as on 1.12.2021	7,25,000
Less: Depreciation @ 25% x 50% for Financial Year 2021-22	<u>90,625</u>
WDV as on 1.4.2022	6,34,375
Less: Depreciation@25% for Financial Year 2022-23	<u>1,58,594</u>
<b>WDV as on 1.4.2023</b>	<b>4,75,781</b>

**Question 4**

Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2023-24, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2024-25 as per default taxation regime of section 115BAC.

- (i) Dividend of ₹ 22,500 and ₹ 45,000 is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.
- (ii) Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is ₹ 8,50,000 and ₹ 5,50,000, respectively.
- (iii) Business income earned by Mr. Samrat from his sole proprietary business is ₹ 15,60,000
- (iv) Interest on fixed deposit earned by Mrs. Komal of ₹ 9,00,000.

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- (v) Their son, Akash, aged 10 years having PAN, received interest of ₹ 54,000 from bank on a fixed deposit created by his grandfather in his name.

**Answer 4**

**Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2022-24**

Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
Salary of Samrat	8,50,000			-
Less: Standard deduction under section 16(ia)	<u>50,000</u>	8,00,000		-
Salary of Komal	5,50,000			-
Less: Standard deduction under section 16(ia)	<u>50,000</u>	5,00,000		-
[Salary earned by Mrs. Komal has to be included in the total income of Mr. Samrat, since he has substantial interest in the concern (i.e., having 24% voting power in ABC (P) Ltd., along with his wife) and Mrs. Komal does not have any professional qualification for the job.]				
Business Income		15,60,000		-
Dividend income from ABC (P) Ltd. [Taxable in the hands of Mr. Samrat as per section 60, since he transferred the income i.e., dividend without transferring the asset i.e., shares]	[22,500/90 x 100 x 2]	50,000	[45,000/90 x 100]	50,000
Interest on Fixed Deposit earned by Mrs. Komal				
<b>Total Income (before including minor's income)</b>		-		<u>9,00,000</u>
Income of minor child to be included in Mr. Samrat's income, since his total income before including minor's income is higher than that of Mrs. Komal. [₹ 54,000/90 x 100]	60,000	29,10,000		9,50,000
[Exemption of ₹ 1,500 u/s 10(32) in respect of the income of each child so included not available under 115BAC]	-	60,000		
<b>Gross Total Income</b>		<b>29,70,000</b>		<b>9,50,000</b>

**Question 5**

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2023 and came to India for the first time on 16.03.2023. She left for USA on 19.9.2023. She returned to India again on 27.03.2024. While in India, she had purchased a show room in Mumbai on 30.04.2023, which was leased out to a company on a rent of ₹ 25,000 p.m. from 1.05.2023. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹ 97,500 upto 31.03.2024. She had received the following cash gifts from her relatives and friends during 1.4.2023 to 31.3.2024:

- From parents of husband ₹ 51,000



- From married sister of husband ₹ 11,000
  - From two very close friends of her husband (₹ 1,51,000 and ₹ 21,000) ₹ 1,72,000
- (a) Determine her residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the Assessment Year 2024-25 if she opts out of the default tax regime u/s 115BAC.
- (a) Would her residential status undergo any change, assuming that she is a person of Indian origin and her total income from Indian sources is ₹18,00,000 and she is not liable to tax in USA? **[SM Q.]**

**Answer 5**

I. Under section 6(1), an individual is said to be resident in India in any previous year, if he/she satisfies any one of the following conditions:

- (i) He/she has been in India during the previous year for a total period of 182 days or more, or
- (ii) He/she has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he/she is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Miss Charlie, an American National, for A.Y.2024-25 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2024-25 i.e., P.Y.2023-24 and in the preceding four assessment years.

Her stay in India during the previous year 2023-24 and in the preceding four years are as under:

**P.Y. 2023-24**

01.04.2023 to 19.09.2023	-	172 days
27.03.2024 to 31.03.2024	-	<u>5 days</u>
<b>Total</b>		<u>177 days</u>

**Four preceding previous years**

P.Y. 2022-23 [1.4.2022 to 31.3.2023] -	-	16 days
P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	Nil
P.Y.2019-20 [1.4.2019 to 31.3.2020]	-	<u>Nil</u>
<b>Total</b>		<u>16 days</u>

The total stay of the assessee during the previous year in India was less than 182 days and during the four years preceding this year was for 16 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2024-25.

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

Particulars	₹	₹
<b>Income from house property</b>		
Show room located in Mumbai remained on rent from 01.05.2023 to 31.03.2024 @ ₹ 25,000/- p.m.	2,75,000	
Gross Annual Value [₹ 25,000 x 11] (See Note 1 below)		
Less: Municipal taxes	Nil	
Net Annual Value (NAV)	2,75,000	
Less: Deduction under section 24		
30% of NAV	82,500	

Particulars	₹	₹
Interest on loan	97,500	1,80,000
<b>Income from other sources</b>		95,000
Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x), if the aggregate value of such gifts exceeds ₹ 50,000.		
- ₹50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of 'relative' and gifts from a relative are not chargeable to tax.		Nil
- ₹11,000 received from married sister of husband is exempt, since sister-in-law falls within the definition of relative and gifts from a relative are not chargeable to tax.		Nil
- Gift received from two friends of husband ₹ 1,51,000 and ₹ 21,000 aggregating to ₹ 1,72,000 is taxable under section 56(2)(x) since the aggregate of ₹ 1,72,000 exceeds ₹ 50,000. (See Note 2 below)		1,72,000
<b>Total income</b>		<b>2,67,000</b>

**Computation of tax liability by Miss Charlie for the A.Y. 2024-25**

Particulars	₹
Tax on total income of ₹ 2,67,000	850
Add: Health and Education cess@4%	34
<b>Total tax liability</b>	<b>884</b>
<b>Total tax liability (rounded off)</b>	<b>880</b>

**Notes:**

- Actual rent received has been taken as the gross annual value in the absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.
- If the aggregate value of taxable gifts received from non-relatives exceed ₹ 50,000 during the year, the entire amount received (i.e. the aggregate value of taxable gifts received) is taxable. Therefore, the entire amount of ₹ 1,72,000 is taxable under section 56(2)(x).
- Since Miss Charlie is a non-resident for the A.Y. 2024-25, rebate under section 87A would not be available to her, even though her total income does not exceed ₹ 5 lacs.
- The tax liability of Miss Charlie would be the same even if she opts to pay tax as per section 115BAC, since she would be eligible for deduction under section 24(b), for interest on housing loan in respect of let out property under regular provisions as well as under section 115BAC of the Income-tax Act, 1961.

**II. Residential status of Miss Charlie in case she is a person of Indian origin and her total income from Indian sources exceeds ₹ 18,00,000**

If she is a person of Indian origin and her total income from Indian sources exceeds ₹ 15,00,000 (₹ 18,00,000, in her case), the condition of stay in India for a period exceeding 120 days during the previous year and 365 days during the four immediately preceding previous years would be applicable for being treated as a resident. Since her stay in India exceeds 120 days in the P.Y.2023-24 but the period of her stay in India during the four immediately preceding previous years is less than 365 days (only 16 days), her residential status as per section 6(1) would continue to be same i.e., non-resident in India.

Further, since she is not a citizen of India, the provisions of section 6(1A) deeming an individual to be a citizen of India would not get attracted in her case, even though she is a person of Indian origin and her total income from Indian sources exceeds ₹ 15,00,000 and she is not liable to pay tax in USA.

Therefore, her residential status would be non-resident in India for the previous year 2023-24.

### Question 6

Ms. Purvi, aged 55 years, is a Chartered Accountant in practice. She maintains her accounts on cash basis. Her Income and Expenditure account for the year ended March 31, 2024 reads as follows:

Expenditure	(₹)	Income	(₹)	(₹)
Salary to staff	15,50,000	Fees earned:		
Stipend to articled Assistants	1,37,000	Audit	27,88,000	
Incentive to articled Assistants	13,000	Taxation services	15,40,300	55,98,300
		Consultancy	12,70,000	
		Dividend on shares of X Ltd., an Indian company (Gross)		10,524
Office rent	12,24,000	Income from UTI (Gross)		7,600
Printing and stationery	12,22,000	Honorarium received from various institutions for valuation of answer papers		15,800
Meeting, seminar and conference	31,600	Rent received from residential flat let out		85,600
Purchase of car (for official use)	80,000			
Repair, maintenance and petrol of car	4,000			
Travelling expenses	5,25,000			
Municipal tax paid in respect of house property	3,000			
Net Profit	9,28,224			
	<b>57,17,824</b>			<b>57,17,824</b>

#### Other Information:

- (i) Allowable rate of depreciation on motor car is 15%.
- (ii) Value of benefits received from clients during the course of profession is ₹ 10,500.
- (iii) Incentives to articled assistants represent amount paid to two articled assistants for passing CA Intermediate Examination at first attempt.
- (iv) Repairs and maintenance of car include ₹ 2,000 for the period from 1-10-2023 to 30-09-2024.
- (v) Salary includes ₹ 30,000 to a computer specialist in cash for assisting Ms. Purvi in one professional assignment.
- (vi) The travelling expenses include expenditure incurred on foreign tour of ₹ 32,000 which

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was within the RBI norms.

- (vii) Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to ₹ 5,000 and ₹ 10,000, respectively, paid in cash.
- (viii) She invested an amount of ₹ 10,000 in National Saving Certificate.
- (ix) She has paid ₹ 70,000 towards advance tax during the P.Y. 2023-24.

Compute the total income and tax payable by Ms. Purvi for the A.Y. 2024-25 in a most beneficial manner.

**Answer 6**

**Computation of total income and tax payable by Ms. Purvi for the A.Y. 2024-25  
under default tax regime under section 115BAC**

Particulars	₹	₹
Income from house property (See Working Note 1)		57,820
Profit and gains of business or profession (See Working Note 2)		9,20,200
Income from other sources (See Working Note 3)		33,924
<b>Gross Total Income</b>		<b>10,11,944</b>
Less: Deductions under Chapter VI-A [not allowable under default tax regime]		-
<b>Total Income</b>		<b>10,11,944</b>
<b>Total Income (rounded off)</b>		<b>10,11,940</b>
<b>Tax on total income</b>		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 6,00,000 @5%	15,000	
₹ 6,00,001 - ₹ 9,00,000 @10%	30,000	
₹ 9,00,001 - ₹ 10,11,940 @ 15%	16,791	61,791
Add: Health and Education cess @ 4%		2,472
<b>Total tax liability</b>		<b>64,263</b>
Less: Advance tax paid		70,000
Less: Tax deducted at source on dividend income from an Indian company u/s 194	1,052	
Tax deducted at source on income from UTI u/s 194K	760	1,812
<b>Tax Payable/(Refundable)</b>		<b>(7,549)</b>
<b>Tax Payable/(Refundable) (rounded off)</b>		<b>(7,550)</b>

**Computation of total income and tax payable under normal provisions of the Act**

Particulars	₹	₹
<b>Gross Total Income</b>		<b>10,11,944</b>
[Income under the “Income from house property” “Profits and gains from business or profession” and “Income from other sources” would remain the same even if Ms. Purvi opts out of the default tax regime under section 115BAC]		
Less: Deductions under Chapter VI-A (See Working Note 4)		10,000
<b>Total Income</b>		<b>10,01,944</b>

Particulars	₹	₹
<b>Total Income (rounded off)</b>		<b>10,01,940</b>
<b>Tax on total income</b>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	
₹ 5,00,000 - ₹ 10,00,000 @20%	1,00,000	
₹ 10,00,000 – ₹ 10,01,940 @ 30%	582	
Add: Health and Education cess @ 4%		1,13,082
<b>Total tax liability</b>		<b>4,523</b>
Less: Advance tax paid		
Less: TDS u/s 194 on dividend	1,052	<b>1,17,605</b>
TDS u/s 194K on income from UTI	760	70,000
<b>Tax Payable</b>		<b>1,812</b>
<b>Tax Payable (rounded off)</b>		<b>45,793</b>
		<b>45,790</b>

Since there is tax refundable under default tax regime under section 115BAC and tax payable under the regular provisions of the Income-tax Act, 1961, it would be beneficial for Ms. Purvi to pay tax under default tax regime under section 115BAC.

**Working Notes:**

**(1) Income from House Property**

Particulars	₹	₹
Gross Annual Value under section 23(1)	85,600	
Less: Municipal taxes paid	3,000	
Net Annual Value (NAV)	82,600	
Less: Deduction u/s 24@30% of NAV	24,780	57,820

**Note** - Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent.

**(2) Income under the head “Profits & Gains of Business or Profession”**

Particulars	₹	₹
Net profit as per Income and Expenditure account		9,28,224
Add: Expenses debited but not allowable		
(i) Salary paid to computer specialist in cash disallowed u/s 40A(3), since such cash payment exceeds ₹ 10,000	30,000	
(ii) Amount paid for purchase of car is not allowable under section 37(1) since it is a capital expenditure	80,000	
(ii) Municipal taxes paid in respect of residential flat let out	3,000	1,13,000
		10,41,224
Add: Value of benefit received from clients during the course of profession [taxable as business income under section 28(iv)]		10,500
		10,51,724
Less: Income credited but not taxable under this head:		

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Particulars	₹	₹
(i) Dividend on shares of X Ltd., an Indian company (taxable under the head "Income from other sources")	10,524	
(ii) Income from UTI (taxable under the head "Income from other sources")	7,600	
(iii) Honorarium for valuation of answer papers	15,800	
(iv) Rent received from letting out of residential flat	85,600	1,19,524
		9,32,200
Less: Depreciation on motor car @15% (See Note (i) below)		12,000
		<b>9,20,200</b>

#### Notes:

- It has been assumed that the motor car was put to use for more than 180 days during the previous year and hence, full depreciation @ 15% has been provided for under section 32(1)(ii).  
**Note:** Alternatively, the question can be solved by assuming that motor car has been put to use for less than 180 days and accordingly, only 50% of depreciation would be allowable as per the second proviso below section 32(1)(ii).
- Incentive to articled assistants for passing CA Intermediate examination in their first attempt is deductible under section 37(1).
- Repairs and maintenance paid in advance for the period 1.4.2024 to 30.9.2024 i.e. for 6 months amounting to ₹ 1,000 is allowable since Ms. Purvi is following the cash system of accounting.
- ₹ 32,000 expended on foreign tour is allowable as deduction assuming that it was incurred in connection with her professional work. Since it has already been debited to income and expenditure account, no further adjustment is required.

#### (3) Income from other sources

Particulars	₹
Dividend on shares of X Ltd., an Indian company (taxable in the hands of shareholders)	10,524
Income from UTI (taxable in the hands of unit holders)	7,600
Honorarium for valuation of answer papers	15,800
	<b>33,924</b>

#### (4) Deduction under Chapter VI-A :

Particulars	₹
Deduction under section 80C (Investment in NSC)	10,000
Deduction under section 80D (See Notes (i) & (ii) below)	Nil
<b>Total deduction under Chapter VI-A</b>	<b>10,000</b>

#### Notes:

- Premium paid to insure the health of brother is not eligible for deduction under section 80D, even though he is a dependent, since brother is not included in the definition of "family" under section 80D.
- Premium paid to insure the health of major son is not eligible for deduction, even though he is a dependent, since payment is made in cash.

**Question 7**

Mr. Rajiv, aged 50 years, a resident individual and practicing Chartered Accountant, furnishes you the receipts and payments account for the financial year 2023-24.

**Receipts and Payments Account**

Receipts	₹	Payments	₹
Opening balance (1.4.2023) Cash on hand and at Bank	12,000	Staff salary, bonus and stipend to articled clerks	21,50,000
Fee from professional services (Gross)	59,38,000	Other administrative expenses	11,48,000
Rent	50,000	Office rent	30,000
Motor car loan from Canara Bank (@ 9% p.a.)	2,50,000	Housing loan repaid to SBI (includes interest of ₹ 88,000)	1,88,000
		Life insurance premium (10% of sum assured)	24,000
		Motor car (acquired in Jan. 2024 by A/c payee cheque)	4,25,000
		Medical insurance premium (for self and wife)(paid by A/c Payee cheque)	18,000
		Books bought on 1.07.2023 (annual publications by A/c payee cheque)	20,000
		Computer acquired on 1.11.2023 by A/c payee cheque (for professional use)	30,000
		Domestic drawings	2,72,000
		Public provident fund subscription	20,000
		Motor car maintenance	10,000
		Closing balance (31.3.2024) Cash on hand and at Bank	19,15,000
	<b>62,50,000</b>		<b>62,50,000</b>

Following further information is given to you:

- (1) He occupies 50% of the building for own residence and let out the balance for residential use at a monthly rent of ₹ 5,000. The building was constructed during the year 1997-98, when the housing loan was taken.
- (2) Motor car was put to use both for official and personal purpose. One-fifth of the motor car use is for personal purpose. No car loan interest was paid during the year.
- (3) The written down value of assets as on 1-4-2023 are given below:

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Furniture & Fittings	₹ 60,000
Plant & Machinery (Air-conditioners, Photocopiers, etc.)	₹ 80,000
Computers	₹ 50,000

**Note:** Mr. Rajiv follows regularly the cash system of accounting.

Compute the total income of Mr. Rajiv for the assessment year 2024-25, assuming that he has shifted out of the default tax regime u/s 115BAC. **[SM Q.]**

**Answer 7**

**Computation of total income of Mr. Rajiv for the assessment year 2024-25**

Particulars	₹	₹	₹
<b>Income from house property</b>			
<b>Self-occupied</b>			
Annual value	Nil		
Less: Deduction under section 24(b) Interest on housing loan			
50% of ₹ 88,000 = 44,000 but limited to	30,000		
Loss from self occupied property		(30,000)	
<b>Let out property</b>			
Annual value (Rent receivable has been taken as the annual value in the absence of other information)	60,000		
Less: Deductions u/s 24 30% of			
Net Annual Value	18,000		
Interest on housing loan (50% of ₹ 88,000)	44,000	62,000	(2,000)
<b>Loss from house property</b>			(32,000)
<b>Profits and gains of business or Profession</b>			
Fees from professional services		59,38,000	
Less: Expenses allowable as deduction Staff salary, bonus and stipend	21,50,000		
Other administrative expenses	11,48,000		
Office rent	30,000		
Motor car maintenance (10,000 x 4/5)	8,000		
Car loan interest – not allowable (since the same has not been paid and the assessee follows cash system of accounting)	Nil	33,36,000	
		26,02,000	
Motor car Depreciation ₹ 4,25,000 x 7.5% x 4/5	25,500		
Books being annual publications@40%	8,000		
Furniture and fittings@10% of ₹ 60,000	6,000		



Particulars	₹	₹	₹
Plant and machinery@15% of ₹ 80,000	12,000		
Computer@40% of ₹ 50,000	20,000		
Computer (New) ₹ 30,000 @ 40% x 50%	6,000	77,500	25,24,500
<b>Gross Total income</b>			<b>24,92,500</b>
Less: Deductions under Chapter VI-A			
<b>Deduction under section 80C</b>			
Housing loan principal repayment	1,00,000		
PPF subscription	20,000		
Life insurance premium	24,000		
Total amount of ₹ 1,44,000 is allowed as deduction since it is within the limit of ₹ 1,50,000		1,44,000	
<b>Deduction under section 80D</b>			
Medical insurance premium paid ₹ 18,000		18,000	1,62,000
<b>Total income</b>			<b>23,30,500</b>

### Question 8

From the following details, compute the total income and tax liability of Siddhant, aged 31 years, of Delhi both as per section 115BAC and as per the regular provisions of the Income-tax Act, 1961 for the A.Y.2024-25. Advise Mr. Siddhant whether he should opt for section 115BAC:

Particulars	₹
Salary including dearness allowance	4,35,000
Bonus	15,000
Salary of servant provided by the employer	12,000
Rent paid by Siddhant for his accommodation	49,600
Bills paid by the employer for gas, electricity and water provided free of cost at the above flat	11,000

Siddhant purchased a flat in a co-operative housing society in Delhi for ₹ 4,75,000 in April, 2016, which was financed by a loan from Life Insurance Corporation of India of ₹ 1,60,000@15% interest, his own savings of ₹ 65,000 and a deposit from a nationalized bank for ₹ 2,50,000 to whom this flat was given on lease for ten years. The rent payable by the bank was ₹ 3,500 per month. The following particulars are relevant:

- Municipal taxes paid by Mr. Siddhant ₹ 4,300 (per annum)
- House Insurance ₹ 860
- He earned ₹ 2,700 in share speculation business and lost ₹ 4,200 in cotton speculation business.
- In the year 2020-21, he had gifted ₹ 30,000 to his wife and ₹ 20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest@19% per annum.
- Siddhant received a gift of ₹ 30,000 each from four friends.
- He contributed ₹ 50,000 to Public Provident Fund.

Answer 8

**Computation of total income and tax liability of Siddhant under default tax regime under section 115BAC for the A.Y. 2024-25**

Particulars	₹	₹
<b>Salary Income</b>		
Salary including dearness allowance		4,35,000
Bonus		15,000
Value of perquisites:		
(i) Salary of servant	12,000	
(ii) Free gas, electricity and water	11,000	23,000
		4,73,000
Less: Standard deduction under section 16(ia)		50,000
		4,23,000
<b>Income from house property</b>		
Gross Annual Value (GAV) (Rent receivable is taken as GAV in the absence of other information) (₹ 3,500 × 12)	42,000	
Less: Municipal taxes paid	4,300	
Net Annual Value (NAV)	37,700	
Less: Deductions under section 24		
(i) 30% of NAV	₹ 11,310	
(ii) Interest on loan from LIC @15% of ₹ 1,60,000 [See Note 2]	₹ 24,000	
	35,310	2,390
<b>Income from speculative business</b>		
Income from share speculation business	2,700	
Less: Loss of ₹ 4,200 from cotton speculation business set-off to the extent of ₹ 2,700	2,700	Nil
Balance loss of ₹ 1,500 from cotton speculation business has to be carried forward to the next year as it cannot be set off against any other head of income.		
<b>Income from Other Sources</b>		
(i) Income on account of interest earned from advancing money gifted to his minor son is includible in the hands of Siddhant as per section 64(1A) [Exemption under section 10(32) would not be available]	3,800	
(ii) Interest income earned from advancing money gifted to wife has to be clubbed with the income of the assessee as per section 64(1)	5,700	
(iii) Gift received from four friends (taxable under section 56(2)(x) as the aggregate amount received during the year exceeds ₹ 50,000)	1,20,000	1,29,500
<b>Gross Total Income</b>		<b>5,54,890</b>
Deduction under section 80C [No deduction under Chapter VI-A would be allowed as per section 115BAC(2)]		Nil
<b>Total Income</b>		<b>5,54,890</b>

Particulars	₹
Tax on total income [5% of ₹ 2,54,890 (₹ 5,54,890 - ₹ 3,00,000)]	12,745
Less: Rebate u/s 87A, since total income does not exceed ₹ 7,00,000	12,745
<b>Tax liability</b>	<b>Nil</b>

**Computation of total income and tax liability of Siddhant for the A.Y. 2024-25 under normal provisions of the Act**

Particulars	₹	₹
<b>Gross total income (as per default scheme)</b>		<b>5,54,890</b>
Less: Exemption u/s 10(32) in respect of interest		
income of minor son included in the hands of Siddhant		1,500
<b>Gross total income (under the normal provisions of the Act)</b>		<b>5,53,390</b>
Less: <b>Deductions under Chapter VI-A</b>		
Under section 80C [Contribution to PPF]		50,000
<b>Total Income</b>		<b>5,03,390</b>

Particulars	₹
Tax on total income [5% of ₹ 2,50,000 + 20% of ₹ 3,390]	13,178
Add: HEC @4%	527
<b>Tax liability</b>	<b>13,705</b>
<b>Tax liability (Rounded off)</b>	<b>13,710</b>

Since his total income as per the normal provisions of the Act exceeds ₹ 5,00,000, he would not be eligible for rebate under section 87A.

Since Mr. Siddhant is not liable to pay any tax under default tax regime under section 115BAC, it would be beneficial for him to **not** to exercise the option of shift out of the default tax regime for A.Y.2024-25.

**Notes:**

- (1) It is assumed that the entire loan of ₹ 1,60,000 is outstanding as on 31.3.2024;
- (2) Since Siddhant's own flat in a co-operative housing society, which he has rented out to a nationalized bank, is also in Delhi, he is not eligible for deduction under section 80GG in respect of rent paid by him for his accommodation in Delhi, since one of the conditions to be satisfied for claiming deduction under section 80GG is that the assessee should not own any residential accommodation in the same place.

**Question 9**

Mr. X, an individual set up a unit in Special Economic Zone (SEZ) in the financial year 2019-20 for production of washing machines. The unit fulfills all the conditions of section 10AA of the Income-tax Act, 1961. During the financial year 2022-23, he has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. It fulfills all the conditions of section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 75 lakhs (including cost of land ₹ 10 lakhs). The warehouse became operational with effect from 1st April, 2023 and the expenditure of ₹ 75 lakhs was capitalized in the books on that date.

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Relevant details for the F.Y. 2023-24 are as follows:

Particulars	₹
Profit of unit located in SEZ	40,00,000
Export turnover received in India in convertible foreign exchange on or before 30.9.2024	80,00,000
Domestic sales of above unit	20,00,000
Profit from operation of warehousing facility (before considering deduction under Section 35AD)	1,05,00,000

Compute income-tax (including AMT under Section 115JC) liability of Mr. X for A.Y. 2024-25 both as per section 115BAC and as per regular provisions of the Income-tax Act, 1961 for A.Y. 2024-25. Advise Mr. X whether he should pay tax under default tax regime or normal provisions of the Act.

#### Answer 9

#### Computation of total income and tax liability of Mr. X for A.Y.2024-25 (under default tax regime under section 115BAC)

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
Profit from unit in SEZ		40,00,000
Profit from operation of warehousing facility	1,05,00,000	
Less: Depreciation under section 32		
On building @10% of ₹ 65 lakhs <sup>1</sup> (normal depreciation under section 32 is allowable)	6,50,000	98,50,000
<b>Total Income</b>		<b>1,38,50,000</b>
<b>Computation of tax liability as per section 115BAC</b>		
Tax on ₹ 1,38,50,000		38,55,000
Add: Surcharge@15%		5,78,250
		44,33,250
Add: Health and Education cess@4%		1,77,330
<b>Total tax liability</b>		<b>46,10,580</b>

#### Notes:

- (1) Deductions u/s 10AA and 35AD are **not** allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.
- (2) Mr. X is **not** liable to alternate minimum tax u/s 115JC under default tax regime under section 115BAC.

#### Computation of total income and tax liability of Mr. X for A.Y.2024-25 (under the regular provisions of the Income-tax Act, 1961)

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
Profit from unit in SEZ	40,00,000	
Less: Deduction u/s 10AA [See Note (1) below]	32,00,000	
Business income of SEZ unit chargeable to tax		8,00,000

<sup>1</sup> Assuming the capital expenditure of ₹ 65 lakhs is incurred entirely on buildings.

Particulars	₹	₹
Profit from operation of warehousing facility	1,05,00,000	
Less: Deduction u/s 35AD [See Note (2) below]	65,00,000	
Business income of warehousing facility chargeable to tax		40,00,000
<b>Total Income</b>		<b>48,00,000</b>
Computation of tax liability (under the normal/regular provisions)		
Tax on ₹ 48,00,000		12,52,500
Add: Health and Education cess@4%		50,100
<b>Total tax liability</b>		<b>13,02,600</b>

**Computation of adjusted total income of Mr. X for levy of Alternate Minimum Tax**

Particulars	₹	₹
<b>Total Income (computed above as per regular provisions of income tax)</b>		<b>48,00,000</b>
Add: Deduction under section 10AA		32,00,000
		80,00,000
Add: Deduction under section 35AD	65,00,000	
Less: Depreciation under section 32		
On building @10% of ₹65 lakhs <sup>1</sup>	6,50,000	58,50,000
<b>Adjusted Total Income</b>		<b>1,38,50,000</b>
Alternate Minimum Tax@18.5%		25,62,250
Add: Surcharge@15% (since adjusted income > ₹ 1 crore)		3,84,338
		29,46,588
Add: Health and Education cess@4%		1,17,863
		30,64,451
<b>Tax liability u/s 115JC (rounded off)</b>		<b>30,64,450</b>

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, tax liability as per section 115JC is ₹ 30,64,450.

Since the tax liability of Mr. X under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him **to opt out of the default tax regime under section 115BAC for A.Y. 2024-25**. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess over regular tax.

**AMT Credit to be carried forward under section 115JEE**

	₹
Tax liability under section 115JC	30,64,450
Less: Tax liability under the regular provisions of the Income- tax Act, 1961	13,02,600
	<b>17,61,850</b>

<sup>1</sup> Assuming the capital expenditure of ₹65 lakhs is incurred entirely on buildings.

**Notes:**

(1) Deduction under section 10AA in respect of Unit in SEZ =

$$\text{Profit of the Unit in SEZ} \times \frac{\text{Export turnover of the Unit in SEZ}}{\text{Total turnover of the Unit in SEZ}}$$

$$₹40,00,000 \times \frac{₹80,00,000}{₹1,00,00,000} = ₹32,00,000$$

(2) Deduction@100% of the capital expenditure is available under section 35AD for A.Y.2024-25 in respect of specified business of setting up and operating a warehousing facility for storage of agricultural produce which commences operation on or after 01.04.2009.

Further, the expenditure incurred, wholly and exclusively, for the purposes of such specified business, shall be allowed as deduction during the previous year in which he commences operations of his specified business if the expenditure is incurred prior to the commencement of its operations and the amount is capitalized in the books of account of the assessee on the date of commencement of its operations.

Deduction under section 35AD would, however, **not** be available on expenditure incurred on acquisition of land.

In this case, since the capital expenditure of ₹ 65 lakhs (i.e., ₹ 75 lakhs – ₹ 10 lakhs, being expenditure on acquisition of land) has been incurred in the F.Y.2022-23 and capitalized in the books of account on 1.4.2023, being the date when the warehouse became operational, ₹ 65,00,000, being 100% of ₹ 65 lakhs would qualify for deduction under section 35AD.

**Question 10**

Compute total income and tax liability thereon of Mr. Raghav for the A.Y. 2024-25 from the following details:

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2023-24 are:

(i) Basic Salary	1,70,000 p.m.
(ii) Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
(iii) Commission	32,000 p.m.
(iv) Transport Allowance	5,000 p.m.
(v) Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2023 after completing 10 years and 5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972.

He started business of hiring of goods vehicle, purchased 4 small goods vehicle on 10th December,2023 and 4 heavy vehicles having gross weight of 20 MTs each on 1st January, 2024. He did not maintain books of accounts for the business of hiring of goods vehicle. Mr. Shivpal, his very close friend gifted him ₹ 2 lakhs to purchase the vehicles.

He was holding 30% equity shares in TSP (P) Ltd., an Indian company. The paid up share capital of company as on 31st March, 2023 was ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each. Company allotted shares to shareholders on 1st October, 2013.

He sold all these shares on 30th April, 2023 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Raghav has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.

On 12.2.2024, interest of fixed deposits of ₹ 90,000 credited to his SBI Bank. On 30.4.2023, ₹ 5,500 and on 30.12.2023, ₹ 8,500 credited to interest on saving bank A/c with SBI Bank.

He deposited ₹ 1,10,000 in PPF A/c. He paid insurance premium of ₹ 20,000 on his life policy

during the financial year 2023-24. The policy was taken in April 2011 and sum assured was ₹ 3,00,000. He also made payment of ₹ 25,000 towards L.I.C. pension fund and premium of ₹ 40,000 towards mediclaim policy for self and ₹ 20,000 for his wife. All the payment he made by A/c payee cheque.

There was no change in salary of Mr. Raghav from last two years. Assume he has exercised the option to shift out of the default tax regime u/s 115BAC. **[MTP Q.]**

Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2023-24	348

**Answer 10**

**Computation of Total Income of Mr. Raghav for the A.Y.2024-25**

Particulars	₹	₹
<b>Salaries</b>		
Basic Salary = 1,70,000 x 8	13,60,000	
Dearness Allowance = 80,000 x 8	6,40,000	
Commission = 32,000 x 8	2,56,000	
Transport Allowance = 5,000 x 8	40,000	
Medical reimbursement [Fully taxable]	40,000	
Gratuity – Amount received	25,00,000	
Less: Least of the following exempt u/s 10(10)		
(i) Actual Gratuity received ₹ 25,00,000		
(ii) ½ month's salary for every year of completed service [ ½ x 2,50,000 (Basic salary plus DA) + x 10] = ₹ 12,50,000		
(iii) Notified limit of ₹ 20,00,000		
Least of the above is exempt	12,50,000	
	12,50,000	
<b>Gross Salary</b>	<b>35,86,000</b>	
Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 50,000, whichever is less]	50,000	
<b>Net Salary</b>		<b>35,36,000</b>
<b>Profits and gains of business or profession</b>		
Income from business of hiring goods vehicle		
Other than heavy goods vehicles = 4 x (₹ 7,500 p.m.) x (4 months)	1,20,000	
Heavy goods vehicles = 4 x (20 MTs x ₹ 1,000 per MT) x (3 months)	2,40,000	
<b>Capital Gains</b>		<b>3,60,000</b>

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Particulars	₹	₹
On transfer of 60,000 shares (2,00,000 x 30%)		
Sales consideration [60,000 x ₹ 60 per share]	36,00,000	
Less: Cost of acquisition, higher of –	30,00,000	
- Actual cost [60,000 x ₹ 40 per share]	24,00,000	
- Lower of		
• FMV on 31.1.2018 [60,000 x 50]	30,00,000	
• Actual sales consideration [60,000 x 60]	36,00,000	
<b>Long-term capital gains u/s 112A (since shares are held for a period of more than 12 months before transfer)</b>		<b>6,00,000</b>
<b>Income from Other Sources</b>		
Gift from friend taxable u/s 56(2)(x) since the same exceeds ₹ 50,000. It is fully taxable		2,00,000
Interest on Saving A/c with SBI Bank		14,000
Interest on Fixed deposits with SBI Bank		1,00,000
[Since interest is credited after deduction of at source @ 10%, as the amount of interest exceeds ₹ 50,000, amount included in the total income need to be grossed up (₹ 90,000 x 100/90)]		<b>3,14,000</b>
<b>Gross Total Income</b>		<b>48,10,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
<b>Section 80C</b>		
Deposits in PPF A/c		1,10,000
Life Insurance premium [fully deductible, since, in respect of a policy taken before 1.4.2012, the actual premium paid (₹ 20,000) or 20% of the sum assured (₹ 3,00,000 x 20%= ₹ 60,000), whichever is lower, has to be deducted]		20,000
		1,30,000
<b>Section 80CCC</b>		
Payment to LIC Pension Fund		25,000
		1,55,000
Restricted to ₹ 1,50,000, being the maximum allowable deduction		1,50,000
<b>Section 80D</b>		
Medical insurance premium for self and spouse ₹ 60,000, allowable to the extent of ₹ 50,000, since Mr. Raghav is a senior citizen		50,000
<b>Section 80TTB</b>		
Deduction in respect of interest on fixed deposits and saving bank allowable as deduction under section 80TTB, since Mr. Raghav is a senior citizen, to the extent of ₹ 50,000		50,000
<b>Total Income</b>		<b>45,60,000</b>



Computation of tax liability of Mr. Raghav for A.Y. 2024-25

Particulars	₹	₹
Tax on total income of ₹ 45,60,000		
Tax on long-term capital gains of ₹ 6,00,000 arising from transfer of listed shares @10% under section 112A after deducting ₹ 1 lakh.		50,000
Tax on other income of ₹ 39,60,000 [₹ 45,60,000 – ₹ 6,00,000 capital gains]		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹ 3,00,000@5%]	10,000	
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	
₹ 10,00,001 – ₹ 39,60,000 [i.e., ₹ 29,60,000@30%]	8,88,000	9,98,000
		10,48,000
Add: Health and Education cess@4%		41,920
<b>Tax liability</b>		<b>10,89,920</b>

**Question 11**

Mr. Dheeraj, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024: **[RTP N-21 Q.]**

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.
- (ii) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2015.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (vi) He also sold his vacant land on 01.12.2023 for ₹ 13.50 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 3.8 lakhs. This land was acquired by him on 15.9.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.  
The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100 respectively.
- (vii) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings.

Answer 11

**Computation of total income of Mr. Dheeraj for A.Y. 2024-25 as per normal provisions**

	Particulars	₹	₹	₹
I	<b>Income from house property</b>			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹30,000/2]		15,000	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
	Self-occupied portion [Ground Floor]		1,33,300	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
			(90,000)	
	Income from house property [₹ 1,33,300 – ₹ 90,000]			43,300
II	<b>Profits and gains of business or profession</b>			
	Income from SEZ unit			45,00,000
III	<b>Capital Gains</b>			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Actual consideration of ₹ 13.50 lakhs, since stamp duty value of ₹ 14 lakhs does not exceed actual consideration by more than 10%]		13,50,000	
	Less: Indexed Cost of acquisition [₹ 3,80,000 x 348/100]		13,22,400	27,600
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 3.8 lakhs.			
IV	<b>Income from Other Sources</b>			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		45,000	75,000
	<b>Gross Total Income</b>			<b>46,45,900</b>
	<b>Less: Deduction u/s 10AA</b>			<b>13,50,000</b>
	[Since the industrial undertaking is established in SEZ,			

Particulars	₹	₹	₹
it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2023-24 being the 3rd year of operations]			
[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
[₹ 45 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]			
<b>Less: Deduction under Chapter VI-A</b>			
<b>Deduction under section 80C</b>			
Repayment of principal amount of housing loan	95,000		
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Dheeraj	49,000	1,44,000	
<b>Deduction under section 80JJAA</b>		9,43,200	
30% of the employee cost of the new employees employed during the P.Y. 2022-23 allowable as deduction [30%of₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x11) + ₹ 7,68,000 (8 x 12,000 x 8)]			
<b>Deduction under section 80TTA</b>			
Interest on savings bank account, restricted to ₹ 10,000		10,000	
			10,97,200
<b>Total income</b>			<b>21,98,700</b>

**Computation of tax liability of Mr. Dheeraj for A.Y.2024-25 under the normal provisions**

Particulars	₹	₹
Tax on total income of ₹ 21,98,700		
Tax on LTCG of ₹ 27,600@20%		5,520
Tax on remaining total income of 21,71,100		
Upto₹ 2,50,000		Nil
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100[@30% of ₹ 11,71,100]	3,51,330	4,63,830
		4,69,350
Add: Health and education cess@4%		18,774
Total tax liability		4,88,124
Tax liability (rounded off)		4,88,120

**Computation of tax liability of Mr. Dheeraj for A.Y.2023-24 under the special provisions of**

the Act (Alternate Minimum Tax)

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	21,98,700
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	44,91,900
AMT@18.5%	8,31,002
Add: HEC@4%	33,240
AMT liability	8,64,242
AMT liability (rounded off)	8,64,240

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 44,91,900 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 8,64,240. In this case, AMT credit of ₹ 3,76,120 (₹ 8,64,240 – ₹ 4,88,120) can be carried forward.

Mr. Dheeraj also can opt to pay tax as per the provisions of section 115BAC if tax liability thereunder is lower. In such case, the AMT provisions would not apply on him. The computation of total income and tax liability as per the provisions of section 115BAC would be as follows:

**Computation of total income of Mr. Dheeraj as per section 115BAC for A.Y. 2024-25**

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		46,45,900
Add: Interest on borrowing in respect of self-occupied house property not allowable as deduction as per section 115BAC		90,000
<b>Gross Total Income as per section 115BAC</b>		<b>47,35,900</b>
Less: Deduction under section 80JJAA		
30% of the employee cost of the new employees employed during the P.Y. 2023-24 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]	9,43,200	
No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA		9,43,200
<b>Total income</b>		<b>37,92,700</b>

**Computation of tax liability as per section 115BAC**

Particulars	₹	₹
Tax on total income of ₹ 37,92,700		
Tax on LTCG of ₹ 27,600@20%		5,520
Tax on remaining total income of ₹ 37,65,100		
Upto ₹ 3,00,000		Nil
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3.00 lakhs]	15,000	

Particulars	₹	₹
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3.00 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3.00 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3.00 lakhs]	60,000	
₹ 15,00,001 – ₹ 37,65,100 [@30% of ₹ 22,65,100]	6,79,530	8,29,530
		8,35,050
Add: Health and education cess@4%		33,402
Total tax liability		8,68,452
Tax liability (rounded off)		8,68,450

Since tax liability as per section 115BAC is higher than the tax liability of ₹ 8,64,240 being higher of AMT liability and tax liability computed as per normal provisions of the Income- tax Act, 1961, it is beneficial for Mr. Dheeraj not to exercise option under section 115BAC. In such case, his tax liability, therefore, would be ₹ 8,64,240. Moreover, Mr. Dheeraj would also be eligible to claim carry forward of AMT credit of ₹ 3,76,120.

### Question 12

Mr. Rakesh, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2024 [MTP Q.]

- (i) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2024 is ₹ 2,30,000.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 25 lakhs.
- (iii) He also sold his vacant land on 10.11.2023 for ₹13 lakhs. The stamp duty value of land at the time of transfer was ₹ 17.85 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 5 lakhs. This land was acquired by him on 05.08.1995 for ₹ 1.75 lakhs. He had incurred registration expenses of ₹ 20,000 at that time. The cost of inflation index for the year 2023-24 and 2001-02 are 348 and 100 respectively.
- (iv) Received ₹ 40,000 as interest on saving bank deposits.
- (v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year. Both floor are of equal size.
- (vi) He paid insurance premium of ₹ 39,000 on life insurance policy of son, who is not dependent on him and ₹ 48,000 on life insurance policy of his dependent father.
- (vii) He paid tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child.

You are required to compute the total income and tax liability of Mr. Rakesh under normal provisions as well as under section 115BAC for the A.Y. 2024-25. Ignore AMT provisions.

### Answer 12

#### Computation of total income of Mr. Rakesh for A.Y. 2024-25

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	Particulars	₹	₹	₹
I	<b>Income from house property</b> <b>Let out portion [First floor]</b> Gross Annual Value [Rent received is taken as GAV, in the absence of other information] Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 60,000/2]  Net Annual Value (NAV) Less: Deduction u/s 24 (a) 30% of ₹ 1,98,000		2,28,000 30,000 1,98,000 59,400	
			1,38,600	
	<b>Self-occupied portion [Ground Floor]</b> Annual Value [No deduction is allowable in respect of municipal taxes paid]		Nil	1,38,600
II	<b>Profits and gains of business or profession</b> Income from SEZ unit			25,00,000
III	<b>Capital Gains</b> Long-term capital gains on sale of land (since held for more than 24 months) Full Value of Consideration [Higher of stamp duty value of ₹ 17.85 lakhs and Actual consideration of ₹ 13 lakhs, since stamp duty value exceeds actual consideration by more than 10%]		17,85,000	
	Less: Indexed Cost of acquisition [₹ 5,00,000 x 348/100] Cost of acquisition Higher of - - Actual cost ₹ 1.75 lakhs + ₹ 0.20 lakhs = ₹ 1.95 lakhs and - Fair Market Value (FMV) as on 1.4.2001 = ₹ 5 lakhs		17,40,000	45,000
IV	<b>Income from Other Sources</b> Royalty from artistic book Less: Expenses incurred for earning royalty		2,88,000 40,000	
	Interest on savings bank deposits		2,48,000 40,000	
				2,88,000

Particulars	₹	₹	₹
<b>Gross Total Income</b>			<b>29,71,600</b>
Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2023-24, being the 3rd year of operations] [Profits of the SEZ x Export Turnover/Total Turnover] x 100%[₹ 25 lakhs x ₹ 140 lakhs/ ₹ 200 lakhs x 100%]			17,50,000
<b>Less: Deduction under Chapter VI-A</b>			
<b>Deduction under section 80C</b>			
Tuition fee paid for maximum of two children is allowable (₹ 14,000 x 2)	28,000		
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Rakesh	39,000		
Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Rakesh	-	67,000	
<b>Deduction under section 80QQB</b>			
Royalty [₹ 2,88,000 x 15/18 = ₹ 2,40,000, restricted to amount brought into India in convertible foreign exchange ₹ 2,30,000 minus ₹ 40,000 expenses already allowed as deduction while computing royalty income]		1,90,000	
<b>Deduction under section 80TTA</b>			
Interest on savings bank account, restricted to ₹ 10,000		10,000	
			2,67,000
			9,54,600

**Computation of tax liability of Mr. Rakesh for A.Y.2024-25 under the normal provisions of the Act**

Particulars	₹	₹
Tax on total income of ₹ 9,54,600		
Tax on LTCG of ₹ 45,000@20%		9,000
Tax on remaining total income of 9,09,600		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 9,09,600[@20% of ₹ 4,09,600]	81,920	94,420
		1,03,420
Add: Health and education cess@4%		4,137
Total tax liability		1,07,557
Tax liability (rounded off)		1,07,560

Computation of tax liability of Mr. Rakesh as per section 115BAC for A.Y.2024-25

Particulars	₹
Gross total Income as per regular provisions of the Act	29,71,600
Less: Deduction u/s 10AA/ Deduction under Chapter VI-A [No deduction under section 10AA or under Chapter VI-A is allowed]	-
<b>Total Income as per section 115BAC</b>	<b>29,71,600</b>
Tax on total income of ₹ 29,71,600	
Tax on LTCG of ₹ 45,000@20%	9,000
Tax on remaining total income of 29,26,600	
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3.00 lakh]	15,000
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3.00 lakh]	30,000
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3.00 lakh]	45,000
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3.00 lakh]	60,000
₹ 15,00,001 – ₹ 29,26,600 [@30% of ₹ 14,26,600]	4,27,980
	5,77,980
Add: Health and education cess@4%	23,479
Total tax liability	6,10,459
Tax liability (rounded off)	6,10,460
Since tax liability as per section 115BAC is higher than the tax liability under normal provisions of the Act, it is beneficial for Mr. Rakesh not to exercise option under section 115BAC.	

Question 13

[MTP Q.]

- (a) Mr. Thomas, a citizen of Japan, comes to India for the first time during the P.Y. 2019-20. During the financial years 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24, he was in India for 50 days, 65 days, 95 days, 150 days and 75 days, respectively. Determine his residential status for the A.Y. 2024-25. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2024-25 of the following transactions entered by him.
- (1) Interest received from Mr. Michel, a non-resident outside India (The borrowed fund is used by Mr. Michel for investing in Indian company's debt fund for earning interest).
  - (2) He is also engaged in the business of running news agency and earned income of ₹ 5 lakhs from collection of news and views in India for transmission outside India.
  - (3) He entered into an agreement with ABC & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Steel manufacturing plant, in India. He charged ₹ 15 lakhs for these services from ABC & Co.
- (b) Mr. Naksh has undertaken certain transactions during the F.Y.2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –



S.No.	Transaction
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2023-24 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds
3.	Applied for issue of credit card to SBI
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

- (c) Ms. Soha (aged 35 years), a resident individual, is a dealer of scooters. During the previous year 2023-24, total turnover of her business was ₹ 110 lakhs (out of which ₹ 25 lakhs was received by way of account payee cheques and balance in cash). Ms. Soha does not opt to pay tax as per the provisions of section 115BAC.

What would be your advice to Ms. Soha relating to the provisions of advance tax with its due date along with the amount payable, assuming that she wishes to make maximum tax savings.

**Answer 13**

- (a) Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

During the previous year 2023-24, Mr. Thomas was in India for 75 days and during the 4 years preceding the previous year 2023-24, he was in India for 360 days (i.e. 50+ 65+ 95+ 150 days).

The total stay of the Mr. Thomas during the previous year in India was less than 182 days and during the four years preceding this year was for 360 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, he would be treated as non-resident for the Assessment Year 2024-25.

- (1) Not taxable, since interest payable by a non-resident to another non-resident would be deemed to accrue or arise in India only if the borrowed fund is used for the purposes of business or profession carried on by him in India. In this case, it is used for investing in Indian company's debt fund for earning interest and not for the purposes of business or profession. Hence, it is not taxable in India.
- (2) No income shall be deemed to accrue or arise to Mr. Thomas through or from activities which are confined to the collection of news and views in India for transmission outside India. Hence, ₹ 10 lakhs is not taxable in India in the hands of Mr. Thomas.
- (3) ₹ 10 lakhs is deemed to accrue or arise in India to Mr. Thomas, a non-resident, since it represents royalty/fees for technical services paid for services utilized in India, in this case, for setting up a Steel manufacturing plant in India. Hence, the same would be taxable in India in the hands of Mr. Thomas.

- (b)

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2023-24 by account payee cheque to LIC for insuring life of self and spouse	No, since the amount paid does not exceed ₹ 50,000 in the F.Y.2023-24.
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds	Yes, since the amount paid exceeds ₹ 50,000

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	<b>Transaction</b>	<b>Is quoting of PAN mandatory in related documents?</b>
3.	Applied to SBI for issue of credit card.	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Dubai for 3 days to visit	No, since the amount was paid by account payee cheque, quoting of PAN is not mandatory even though the payment exceeds ₹ 50,000

**(c) Computation of advance tax of Ms. Soha under Presumptive Income scheme as per section 44AD**

The total turnover of Ms. Soha, a dealer of scooter, is ₹ 110 lakhs. Since her total turnover from such business is less than ₹ 200 lakhs and she does not wish to get his books of account audited, she can opt for presumptive tax scheme under section 44AD.

**Profits and gains from business computed under section 44AD:**

<b>Particulars</b>	<b>₹</b>
6% of ₹ 25 lakhs, being turnover effected through account payee cheque	1,50,000
8% of ₹ 85 lakhs, being cash turnover	6,80,000
	<b>8,30,000</b>

An eligible assessee opting for computation of profits and gains of business on presumptive basis under section 44AD in respect of eligible business is required to pay advance tax of the whole amount on or before 15th March of the financial year.

**Computation of tax liability of Ms. Soha as per normal provisions of Income-tax Act, 1961**

<b>Particulars</b>	<b>Amount in ₹</b>	
<b>Total Income</b>	<b>8,30,000</b>	
Tax on 8,30,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000@5%	12,500	
₹ 5,00,001 – ₹ 8,30,000@20%	66,000	78,500
Add: Health and Education cess@4%		3,140
<b>Tax liability</b>		<b>81,640</b>

Accordingly, she is required to pay advance tax of ₹ 81,640 on or before 15th March of the financial year. However, any amount by way of advance tax on or before 31st March of the financial year shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of the Act.

**Question 14**

Mr. Kashyap, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent free accommodation which is owned by the company. The HRA amount payable was ₹ 8,000 per month. The rent for the hired accommodation was ₹ 6,500 per month at New Delhi. Advice Mr. Kashyap whether it would be beneficial for him to avail HRA or Rent Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Kashyap has opted option to shift out of the default tax regime under section 115BAC. **[SM/MTP Q.]**

Answer 14

Computation of tax liability of Kashyap under both the options

Particulars	Option I – HRA (₹)	Option II – RFA (₹)
Basic Salary (₹ 40,000 x 12 Months)	4,80,000	4,80,000
Perquisite value of rent-free accommodation (15% of ₹ 4,80,000)	N.A.	72,000
House rent Allowance (₹ 8,000 x 12 Months) ₹ 96,000		
Less: Exempt u/s 10(13A) – least of the following -		
- 50% of Basic Salary ₹ 2,40,000		
- Actual HRA received ₹ 96,000		
- Rent paid less 10% of salary ₹30,000 ₹ 30,000	66,000	
<b>Gross Salary</b>	<b>5,46,000</b>	<b>5,52,000</b>
Less: Standard deduction u/s 16(ia)	50,000	50,000
<b>Net Salary</b>	<b>4,96,000</b>	<b>5,02,000</b>
Less: Deduction under Chapter VI-A	-	-
<b>Total Income</b>	<b>4,96,000</b>	<b>5,02,000</b>
<b>Tax on total income</b>	<b>12,300</b>	<b>12,900</b>
Less: Rebate under section 87A - Lower of ₹ 12,500 or income-tax of ₹ 12,300, since total income does not exceed ₹ 5,00,000	12,300	Nil
	Nil	12,900
Add: Health and Education cess@4%	Nil	516
Total tax payable	Nil	13,416
<b>Tax Payable (Rounded off)</b>	<b>Nil</b>	<b>13,420</b>

Cash Flow Statement

Particulars	Option I – HRA	Option II – RFA
Inflow: Salary	5,76,000	4,80,000
Less: Outflow: Rent paid	(78,000)	-
Tax on total income	Nil	(13,420)
<b>Net Inflow</b>	<b>4,98,000</b>	<b>4,66,580</b>

Since the net cash inflow under Option I (HRA) is higher than in Option II (RFA), it is beneficial for Mr. Kashyap to avail Option I, i.e., House Rent Allowance

Question 15

Compute the gross total income of Mr. Farhan and show the items eligible for carry forward and the assessment years upto which such losses can be carry forward from the following information furnished by him for the year ended 31-03-2024, Assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

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Particulars	Amount (₹)
Loss from speculative business MNO	12,000
Income from speculative business BPO	25,000
Loss from specified business covered under section 35AD	45,000
Income from salary (computed)	4,18,000
Loss from house property	2,20,000
Income from trading business	2,80,000
Long-term capital gain from sale of urban land	2,05,000
Long-term capital loss on sale of equity shares (STT not paid)	85,000
Long-term capital loss on sale of listed equity shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Short-term capital loss under section 111A	85,000

Following are the brought forward losses:

- (1) Brought forward loss from speculative business MNO ₹ 18,000 relating to A.Y. 2020-21.
- (2) Brought forward loss from trading business of ₹ 12,000 relating to A.Y. 2018-19
- (3) Unabsorbed depreciation ₹ 1,00,000 relating to A.Y. 2023-24

Assume Mr. Farhan has furnished his return of income on or before the due date specified under section 139(1) in all the above previous years. **[MTP Q.]**

**Answer 15**

**Computation of Gross total income of Mr. Farhan for the A.Y.2024-25**

Particulars	₹	₹
<b>Salaries</b>		
Income from Salary	4,18,000	
<b>Less:</b> Loss from house property set-off against salary	(2,00,000)	2,18,000
[As per section 71(3A), loss from house property to the extent of ₹ 2,00,000 can be set-off against any other head of income.]		
<b>Profits and gains of business or profession</b>		
Income from trading business	2,80,000	
<b>Less:</b> Brought forward loss from trading business of A.Y. 2018-19 can be set off against current year income from trading business as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted, has not expired.	(12,000)	
<b>Less:</b> Unabsorbed depreciation	(1,00,000)	1,68,000
<b>Income from speculative business BPO</b>	25,000	
<b>Less:</b> Loss from speculative business MNO set-off as per section 73(1)	(12,000)	
Loss from speculative business MNO brought forward from A.Y. 2020-21 as per section 73(2), can be set off to the extent of ₹ 13,000. Balance loss will be lapsed, since four years his expired	(13,000)	-
<b>Capital Gains</b>		

Particulars	₹	₹
Long term capital gain on sale of urban land	2,05,000	
<b>Less:</b> Long term capital loss on sale of shares (STT not paid) set-off as per section 71(3)	(85,000)	
<b>Less:</b> Long-term capital loss on sale of listed equity shares on which STT is paid can also be set-off as per section 71(3), since long-term capital arising on sale of such shares is taxable under section 112A	(1,10,000)	
<b>Less:</b> Short-term capital loss under section 111A as per section 71(2)	(10,000)	-
<b>Gross Total Income</b>		<b>3,86,000</b>

**Items eligible for carried forward to A.Y.2025-26**

Particulars	₹
<b>Loss from house property</b> As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., upto A.Y. 2032-33, in this case.	20,000
<b>Loss from specified business under section 35AD</b> Loss from specified business under section 35AD can be set-off only against profits of any other specified business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business .	45,000
<b>Short-term capital loss under section 111A</b> Short-term capital loss under section 111A can be set-off against long term or short term capital gains. If it cannot be so set-off, it has to be carried forward to the next year for set-off against capital gains, if any, in that year. It can be carried forward for a maximum of eight assessment years, i.e., upto A.Y.2032-33, in this case, as specified under section 74(1).	75,000

**Question 16**

Mr. Karan gifted a sum of ₹ 9 lakhs to his brother's minor son on 1-5-2023. On the same date, his brother gifted debentures worth ₹ 10 lakhs to Mrs. Karan. Son of Mr. Karan's brother invested the amount in fixed deposit with Canara Bank @ 9% p.a. interest and Mrs. Karan received interest of ₹ 81,000 on these debentures during the previous year 2023-24. Discuss the tax implications under the provisions of the Income- tax Act, 1961.

**Answer 16**

In the given case, Mr. Karan gifted a sum of ₹ 9 lakhs to his brother's minor son on 1.5.2023 and simultaneously, his brother gifted debentures worth ₹ 10 lakhs to Mr. Karan's wife on the same date. Mr. Karan's brother's minor son invested the gifted amount of ₹ 9 lakhs in fixed deposit with Canara Bank.

These transfers are in the nature of cross transfers. Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfers are so intimately connected to form part of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted.

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As per section 64(1A), all income of a minor child is includible in the hands of the parent, whose total income, before including minor's income is higher. Accordingly, the interest income arising to Mr. Karan's brother's son from fixed deposits would be included in the total income of Mr. Karan's brother, assuming that Mr. Karan's brother's total income is higher than his wife's total income, before including minor's income. Mr. Karan's brother can claim exemption of ₹ 1,500 under section 10(32). Interest on debentures arising in the hands of Mrs. Karan would be taxable in the hands of Mr. Karan as per section 64(1)(iv).

This is because both Mr. Karan and his brother are the indirect transferors of the income to their spouse and minor son, respectively, with an intention to reduce their burden of taxation.

In the hands of Mr. Karan, interest received by his spouse on debentures of ₹ 9 lakhs alone would be included and not the entire interest income on the debentures of ₹10 lakhs, since the cross transfer is only to the extent of ₹ 9 lakhs.

Hence, only proportional interest (i.e., 9/10th of interest on debentures received) ₹ 72,900 would be includible in the hands of Mr. Karan.

The provisions of section 56(2)(x) are not attracted in respect of sum of money transferred or value of debentures transferred, since in both the cases, the transfer is from a relative.

### Question 17

Examine the TDS/TCS implications in the cases mentioned hereunder—

- (i) On 1.6.2023, Mr. Ganesh made three nine months fixed deposits of ₹ 3 lakh each, carrying interest@9% p.a. with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2024.
- (ii) On 1.10.2023, Mr. Rajesh started a six months recurring deposit of ₹ 2,00,000 per month@8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2024
- (iii) Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2024, towards maturity proceeds of LIC policy taken on 1.4.2021, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000.
- (iv) Mr. Y, a resident, is due to receive ₹ 3.95 lakhs on 31.3.2024 on LIC policy taken on 31.3.2012, for which the sum assured is ₹ 3.50 lakhs and the annual premium is ₹ 30,100.
- (v) Mr. Z, a resident, is due to receive ₹ 95,000 on 1.8.2022 towards maturity proceeds of LIC policy taken on 1.8.2017 for which the sum assured is ₹ 90,000 and the annual premium was ₹ 10,000.
- (vi) Mr. X, a salaried individual, pays rent of ₹ 55,000 per month to Mr. Y from June, 2022 for immovable property. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.  
Would your answer change if Mr. X vacated the premises on 31st December, 2022? Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?
- (vii) XYZ Ltd. makes a payment of ₹ 28,000 to Mr. Ganesh on 2.8.2022 towards fees for professional services and another payment of ₹ 25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions under section 194J are attracted.
- (viii) Payment of ₹ 2,00,000 to Mr. R by S Ltd., a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect alongwith his PAN.
- (ix) ABC and Co. Ltd. paid ₹ 19,000 to one of its directors as sitting fees on 01-01-2024.
- (x) Fee paid on 1.12.2023 to Dr. Srivatsan by Sundar (HUF) ₹ 35,000 for surgery performed on a member of the family.
- (xi) ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2024 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

- (xii) Mr. Rohit transferred a residential house property to Mr. Arun for ₹ 45 lacs. The stamp duty value of such property is ₹ 55 lacs.
- (xiii) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call centre. On 18-03-2024, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28-03-2024 by Jigar Limited.
- (xiv) Ms. Mohit won a lucky draw prize of ₹ 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.

**Answer 17**

- (i) XYZ Bank has to deduct tax at source @10% u/s 194A, since the aggregate interest on fixed deposit with the three branches of the bank is ₹ 60,750 [ $3,00,000 \times 3 \times 9\% \times 9/12$ ], which exceeds the threshold limit of ₹ 40,000. Since XYZ Bank has adopted CBS, the aggregate interest credited/paid by all branches has to be considered. Since the aggregate interest of ₹ 60,750 exceeds the threshold limit of ₹ 40,000, tax has to be deducted @10% u/s 194A.
- (ii) No tax has to be deducted u/s 194A by PQR Bank on the interest of ₹ 28,000 falling due on recurring deposit on 31.3.2024 to Mr. Rajesh, since such interest does not exceed the threshold limit of ₹ 40,000.
- (iii) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 4.50 lakhs due on 31.3.2024 are not exempt under section 10(10D) in the hands of Mr. X. Therefore, tax is required to be deducted @5% under section 194DA on the amount of income comprised therein i.e., on ₹ 75,000 (₹ 4,50,000, being maturity proceeds - ₹ 3,75,000, being the aggregate amount of insurance premium paid).
- (iv) Since the annual premium is less than 20% of sum assured in respect of a policy taken before 1.4.2012, the sum of ₹ 3.95 lakhs due to Mr. Y would be exempt under section 10(10D) in his hands. Hence, no tax is required to be deducted at source under section 194DA on such sum payable to Mr. Y.
- (v) Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 95,000 due on 1.8.2022 would not be exempt under section 10(10D) in the hands of Mr. Z, the tax deduction provisions under section 194DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.
- (vi) Since Mr. X pays rent exceeding ₹ 50,000 per month in the F.Y. 2023-24, he is liable to deduct tax at source @5% of such rent for F.Y. 2023-24 under section 194-IB. Thus, ₹ 27,500 [ $₹ 55,000 \times 5\% \times 10$ ] has to be deducted from rent payable for March, 2024.  
If Mr. X vacated the premises in December, 2023, then tax of ₹ 19,250 [ $₹ 55,000 \times 5\% \times 7$ ] has to be deducted from rent payable for December, 2023.  
In case Mr. Y does not provide his PAN to Mr. X, tax would be deductible @20%, instead of 5%.  
In case 1 above, this would amount to ₹ 1,10,000 [ $₹ 55,000 \times 20\% \times 10$ ], but the same has to be restricted to ₹ 55,000, being rent for March, 2024.  
In case 2 above, this would amount to ₹ 77,000 [ $₹ 55,000 \times 20\% \times 7$ ], but the same has to be restricted to ₹ 55,000, being rent for December, 2023.
- (vii) TDS provisions under section 194J would not get attracted, since the limit of ₹ 30,000 is applicable for fees for professional services and fees for technical services, separately. It is assumed that there is no other payment to Mr. Ganesh towards fees for professional services and fees for technical services during the P.Y.2023-24
- (viii) No tax is required to be deducted at source under section 194C by M/s S Ltd. on payment to transporter Mr. R, since he satisfies the following conditions:  
-He owns ten or less goods carriages at any time during the previous year.  
-He is engaged in the business of plying, hiring or leasing goods carriages;



-He has furnished a declaration to this effect along with his PAN.

- (ix) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of ₹ 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director.

Therefore, tax@10% has to be deducted at source under section 194J in respect of the sum of ₹ 19,000 paid by ABC Ltd. to its director.

Therefore, the amount of tax to be deducted at source: = ₹ 19,000 x 10% = ₹ 1,900

- (x) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.

Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 194J) in respect of fees for professional service if such sum or aggregate of such sum exceeds ₹ 50 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2023 for a personal purpose, therefore, section 194J is not attracted. Section 194M would have been attracted, if the payment or aggregate of payments exceeded ₹ 50 lakhs in the P.Y.2023-24. However, since the payment does not exceed ₹ 50 lakh in this case, there is no liability to deduct tax at source under section 194M also.

- (xi) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 2,50,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 2,50,000.

- (xii) On payment of sale consideration for purchase of residential house property – As per section 194-IA if consideration or SDV is 50 lakhs or more then TDS @1% applicable on consideration or SDV whichever is higher. Mr. Arun is required to deduct tax at source u/s 194-IA on 55 lakhs i.e., 55,000.

- (xiii) On payment of call centre service charges - Since Rashi Limited is engaged only in the business of operation of call centre, Jigar Limited is required deduct tax at source@2% on the amount of ₹ 70,000 u/s 194J on 18.3.2024 i.e., at the time of credit of call centre service charges to the account of Rashi Limited, since the said date is earlier than the payment date i.e., 28.3.2024.

- (xiv) On payment of prize winnings of ₹ 21,000 -Tax is deductible @ 30% under section 194B by M/s. Maximus Retail Ltd., from the prize money of ₹ 21,000 payable to the customer, since the winnings exceed ₹ 10,000.

### **Question 18**

- (i) Mr. Sudarshan, due to inadvertent reasons, failed to file his Income-tax return for the assessment year 2024-25 on or before the due date of filing such return of income.
- (a) Can he file the above return after due date of filing return of income? If yes, which is the last date for filing the above return?
- (b) What are the consequences of non-filing the return within the due date under section 139(1)?
- (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply?
- (iii) Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books



of account for the financial year ended on 31st March, 2024 audited under section 44AB. Her total income for the assessment year 2024-25 is ₹ 6,35,000. She wants to furnish her return of income for assessment year 2024-25 through a tax return preparer. Can she do so?

**Answer 18**

- (i) If any person fails to furnish a return within the time allowed to him under section 139(1), he may furnish the belated return for any previous year at any time -
  - (a) 3 months prior to the end of the relevant assessment year; or
  - (b) before the completion of the assessment,
 whichever is earlier.

The last date for filing return of income for A.Y.2024-25, therefore, is 31st December 2024. Thereafter, Mr. Sudarshan cannot furnish a belated return after this date.

**Consequences for non-filing return of Income within the due date under section 139(1)**

**Carry forward and set-off of certain losses:** Business loss, speculation business loss, loss from specified business under section 35AD, loss under the head “Capital Gains”; and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward for set-off against income of subsequent years, where a return of income is not furnished within the time allowed under section 139(1).

**Interest under section 234A:** Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

**Fee under section 234F:** Fee of ₹ 5,000 would be payable under section 234F, if the return of income is not filed on or before the due date specified in section 139(1). However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

- (ii) **Persons to whom provisions of section 139AA relating to quoting of Aadhar Number does not apply**

The provisions of section 139AA relating to quoting of Aadhar Number would not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
  - (ii) a non-resident as per Income-tax Act, 1961;
  - (iii) of the age of 80 years or more at any time during the previous year;
  - (iv) not a citizen of India
- (iii) Section 139B provides a scheme for submission of return of income for any assessment year through a Tax Return Preparer. However, it is not applicable to persons whose books of account are required to be audited under section 44AB. Therefore, Mrs. Hetal cannot furnish her return of income for A.Y.2024-25 through a Tax Return Preparer.

**Question 19**

Determine the residential status and total income of Mr. Raghu for the assessment year 2024-25 from the information given below. Assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A)

Mr. Raghu (age 62 years), an American citizen, is employed with a multinational company in Gurugram. Mr. Raghu holds a senior level position as researcher in the company, since 2009. To share his knowledge and finding in research, company gave him an opportunity to travel to other group companies outside India while continuing to be based at the Gurugram office.

The details of his travel outside India for the financial year 2023-24 are as under:

Country	Period of stay
USA	25 August, 2023 to 10 November, 2023
UK	20 November, 2023 to 23 December, 2023

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Germany	10 January, 2024 to 24 March, 2024
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During the last four years preceding the previous year 2023-24, he was present in India for 380 days. During the last seven previous years preceding the previous year 2023-24, he was present in India for 700 days. During the P.Y. 2023-24, he earned the following incomes:

- (1) Salary ₹ 15,80,000. The entire salary is paid by the Indian company in his Indian bank account.
- (2) Dividend amounting to ₹ 48,000 received from Treat Ltd., a Singapore based company, which was transferred to his bank account in Singapore.
- (3) Interest on fixed deposit with Punjab National Bank (Delhi) amounting to ₹ 10,500 was credited to his saving account.

[MTP Q.]

### Answer 19

#### *Determination of residential status*

Mr. Raghu would be a resident in India in P.Y. 2023-24, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If he satisfies any one of the mentioned above, he is a resident. If both the above conditions are not satisfied, he would be a non-resident.

During the P.Y. 2023-24 Mr. Raghu stayed in India for 180 days i.e., 366 days – 186 days [78 days + 34 days + 74 days] and 380 days i.e., more than 365 days during the 4 preceding previous years. He satisfies the second basic condition for being a resident. Hence, he is a resident in India for A.Y.2024-25.

A person would be “Not ordinarily Resident” in India in any previous year, if such person, inter alia:

- (a) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or
- (b) has during the 7 previous years immediately preceding the relevant previous year been in India for 729 days or less.

For the previous year 2023-24, Mr. Raghu would be “Resident but not ordinarily resident” since he stayed for less than 729 days during the 7 previous years immediately preceding P.Y. 2023-24.

#### **Computation of total income of Mr. Raghu for A.Y.2024-25**

Particulars		Amount (₹)
(1)	Salary from Indian company received in a bank account in India	15,00,000
	Less: Standard deduction u/s 16(ia)	50,000
		14,50,000
(2)	Dividend of ₹ 48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the resident but not ordinarily resident since the income has neither accrued or arisen in India nor has it been received in India.	Nil
(3)	Interest on fixed deposit with PNB credited to his savings bank account is taxable in the hands of Mr. Raghu as Income from other sources, since it has accrued and arisen in India and is also received in India.	10,500
<b>Gross Total Income</b>		<b>14,60,500</b>
Less: Deduction u/s 80TTB		10,500
<b>Total Income</b>		<b>14,50,000</b>

### Question 20

From the following details, find out the salary chargeable to tax for the A.Y.2024-25 assuming he has shifted out for the provisions of section 115BAC-

Mr. X is a regular employee of Rama & Co., in Gurgaon. He was appointed on 1.1.2023 in the scale of ₹ 20,000 - ₹ 1,000 - ₹ 30,000. He is paid 10% D.A. & Bonus equivalent to one month pay based on salary of March every year. He contributes 15% of his pay and D.A. towards

his recognized provident fund and the company contributes the same amount. DA forms part of pay for retirement benefits.

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

- (i) Facility of laptop costing ₹ 50,000.
- (ii) Company reimbursed the medical treatment bill of his brother of ₹ 25,000, who is dependent on him.
- (iii) The monthly salary of ₹ 1,000 of a house keeper is reimbursed by the company.
- (iv) A gift voucher of ₹ 10,000 on the occasion of his marriage anniversary.
- (v) Conveyance allowance of ₹ 1,000 per month is given by the company towards actual reimbursement of conveyance spent on official duty.
- (vi) He is provided personal accident policy for which premium of ₹ 5,000 is paid by the company.
- (vii) He is getting telephone allowance @₹ 500 per month.

**[SM Q.]**

**Answer 20**

**Computation of taxable salary of Mr. X for A.Y. 2024-25**

Particulars	₹
Basic pay [(₹ 20,000×9) + (₹ 21,000×3)] = ₹ 1,80,000 + ₹ 63,000	2,43,000
Dearness allowance [10% of basic pay]	24,300
Bonus	21,000
Employer's contribution to Recognized Provident Fund in excess of 12% (15%-12% =3% of ₹ 2,67,300) [See Note 1 below]	8,019
<b>Taxable allowances</b>	
Telephone allowance	6,000
<b>Taxable perquisites</b>	
Rent-free accommodation [See Note 1 & 2 below]	44,145
Medical reimbursement	25,000
Reimbursement of salary of housekeeper	12,000
Gift voucher [See Note 5 below]	10,000
<b>Gross Salary</b>	<b>3,93,464</b>
Less: Deduction under section 16(ia) – Standard deduction	50,000
<b>Salary income chargeable to tax</b>	<b>3,43,464</b>

**Notes:**

1. Since dearness allowance forms part of salary for retirement benefits, the requisite value of rent-free accommodation and employer's contribution to recognized provident fund have been accordingly worked out.
2. Where the accommodation is taken on lease or rent by the employer, the value of rent-free accommodation provided to employee would be actual amount of lease rental paid or payable by the employer or 15% of salary, whichever is lower.

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

- (i) Basic salary i.e., ₹ 2,43,000
- (ii) Dearness allowance (assuming that it is included for calculating retirement benefits) i.e.

₹ 24,300

(iii) Bonus i.e., ₹ 21,000

(iv) Telephone allowance i.e., ₹ 6,000

Therefore, salary works out to

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

15% of salary = ₹ 2,94,300 × 15/100 = ₹ 44,145

Value of rent-free house = Lower of rent paid by the employer (i.e.

₹ 1,20,000) or 15% of salary (i.e., ₹ 44,145).

Therefore, the perquisite value is ₹ 44,145.

3. Facility of use of laptop is not a taxable perquisite.
4. Conveyance allowance is exempt since it is based on actual reimbursement for official purposes.
5. The value of any gift or voucher or token in lieu of gift received by the employee or by member of his household below ₹ 5,000 in aggregate during the previous year is exempt. In this case, the gift voucher was received on the occasion of marriage anniversary and the sum exceeds the limit of ₹ 5,000.

Therefore, the entire amount of ₹ 10,000 is liable to tax as perquisite.

**Note** - An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable. In such a case, the value of perquisite would be ₹ 5,000.

6. Premium of ₹ 5,000 paid by the company for personal accident policy is not liable to tax.

### Question 21

Mr. Samaksh is a Marketing Manager in Smile Ltd. From the following information, you are required to compute his income chargeable under the head salary for assessment year 2024-25. Assume he has shifted out of default taxation regime u/s 115BAC

- (i) Basic salary is ₹ 70,000 per month.
- (ii) Dearness allowance @ 40% of basic salary
- (iii) He is provided health insurance scheme approved by IRDA for which ₹ 20,000 incurred by Smile Ltd.
- (iv) Received ₹ 10,000 as gift voucher on the occasion of his marriage anniversary from Smile Ltd.
- (v) Smile Ltd. allotted 800 sweat equity shares in August 2023. The shares were allotted at ₹ 450 per share and the fair market value on the date of exercising the option by Mr. Samaksh was ₹ 700 per share.
- (vi) He was provided with furniture during September 2019. The furniture is used at his residence for personal purpose. The actual cost of the furniture was ₹ 1,10,000. On 31st March, 2024, the company offered the furniture to him at free of cost. No amount was recovered from him towards the furniture till date.
- (vii) Received ₹ 10,000 towards entertainment allowance.
- (viii) Housing Loan @ 4.5% p.a. provided by Smile Ltd., amount outstanding as on 01.04.2023 is ₹ 15 Lakhs. ₹ 50,000 is paid by Mr. Samaksh every quarter towards principal starting from June 2023. The lending rate of SBI for similar loan as on 01.04.2023 was 8%.
- (ix) Facility of laptop costing ₹ 50,000

[MTP Q.]

### Answer 21

#### Computation of income under the head "Salaries" of Mr. Samaksh for the A.Y.2024-25

Particulars	₹	₹
Basic Salary [₹70,000 x 12 months]		8,40,000
Dearness allowance [40% of ₹8,40,000]		3,36,000
Entertainment allowance		10,000

Particulars	₹	₹
Interest on housing loan given at concessional rate, would be perquisite, since the amount of loan exceeds ₹ 20,000, For computation, the lending rate of SBI on 1.4.2023 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%) [See Working Note]		49,291
Health insurance premium paid by the employer [tax free perquisite]		Nil
Gift voucher on the occasion of his marriage anniversary [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household exceeding ₹ 5,000 in aggregate during the previous year is fully taxable] (See note below)		10,000
<b>Allotment of sweat equity shares</b>		
Fair market value of 800 sweat equity shares @ ₹ 700 each	5,60,000	
Less: Amount recovered @ ₹ 450 each	3,60,000	2,00,000
<b>Use of furniture by employee</b>		
10% p.a. of the actual cost of ₹ 1,10,000		11,000
<b>Use of Laptop</b>		
Facility of use of laptop is not a taxable perquisite		Nil
<b>Transfer of asset to employee</b>		
Value of furniture transferred to Mr. Samaksh	1,10,000	
Less: Normal wear and tear @10% for each completed year of usage on SLM basis [1,10,000 x 10% x 4 years (from September 2019 to September 2023)]	44,000	66,000
<b>Gross Salary</b>		<b>15,22,291</b>
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000
<b>Net Salary</b>		<b>14,72,291</b>

**Working Note:**

**Computation of perquisite value of loan given at concessional rate**

For computation, the lending rate of SBI on 1.4.2023 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%)

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3.5% for the month (₹)
April, 2023	15,00,000	4,375
May, 2023	15,00,000	4,375
June, 2023	14,50,000	4,229
July, 2023	14,50,000	4,229
August, 2023	14,50,000	4,229
September, 2023	14,00,000	4,083
October, 2023	14,00,000	4,083
November, 2023	14,00,000	4,083
December, 2023	13,50,000	3,937.50

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Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3.5% for the month (₹)
January, 2024	13,50,000	3,937.50
February, 2024	13,50,000	3,937.50
March, 2024	13,00,000	3,792
<b>Total value of this perquisite</b>		<b>49,290.50</b>

**Note:** An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable. In such a case, the value of perquisite would be ₹ 5,000 and gross salary and net salary would be ₹ 15,17,291 and ₹ 14,67,291, respectively.

**Question 22**

- (a) You are required to compute the income from salary of Mr. Raja from the following particulars for the year ended 31-03-2024 assume he opted out from default tax regime u/s 115BAC:
- He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
  - He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.
  - On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
  - He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
  - He is receiving ₹5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.
  - The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution.
- (b) Mr. Gyaanchand purchased 1200 shares of "A" limited at ₹ 130 per share on 26.02.1979. "A" limited issued him 600 bonus shares on 20.02.2002. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was ₹ 900 per share and ₹ 2,000 per share as on 31.01.2018. On 07.07.2023 Mr. Gyaanchand sold all 1800 shares @ ₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute capital gain chargeable to tax in the hands of Mr. Gyaanchand for the A.Y.2024-25.
- (c) Aggarwal & Sons, HUF purchased a house property in the year 1950 for ₹ 50,000. On 31.10.2023, the HUF was totally partitioned and the aforesaid house property was given to Mr. Subhash Aggarwal, a member of the family. Fair Market value of the house as on 31.10.2023 was ₹ 21,00,000. FMV of the house as on 1.4.2001 was ₹ 3,50,000. What will be the tax implications in the hands of Mr. Subhash Aggarwal and the HUF?

**Answer 22**

(a) *Computation of income under the head "Salaries" of Mr. Raja for the A.Y.2024-25*

Particulars	₹	₹
Basic Salary = ₹ 25,000 x 9 months		2,25,000
House Rent Allowance = ₹ 6,000 x 9 months	54,000	
Less: Least of the following exempt under section 10(13A)	36,000	18,000
(i) House rent allowance actually received = ₹ 6,000 x 9 = ₹ 54,000		

Particulars	₹	₹
(ii) Rent paid (-) 10% of salary for the relevant period [₹ 58,500 (i.e., ₹ 6,500 x 9) (-) ₹ 22,500 (10% of salary i.e., 10% of ₹ 2,25,000 (Basic Salary))] = ₹ 36,000		
(iii) 50% of salary for the relevant period [50% of ₹ 2,25,000 (Basic salary)] ₹ 1,12,500		
<b>Gratuity</b>		
Less: Least of the following exempt under section 10(10)(ii)	3,50,000	
	3,50,000	Nil
(i) Actual Gratuity received ₹ 3,50,000		
(ii) 15 days salary for every year of completed service [ $15/26 \times ₹ 25,000 \times 26$ ] = ₹ 3,75,000		
(iii) Notified limit = ₹ 20,00,000		
<b>Leave encashment</b>	3,15,000	
Less: Least of the following exempt under section 10(10AA)	2,50,000	65,000
(i) ₹ 25,00,000		
(ii) Leave salary actually received ₹ 3,15,000		
(iii) ₹ 2,50,000, being 10 months' salary x ₹ 25,000		
(iv) Cash equivalent of leave standing at the credit of the employee based on the average salary of last 10 months' (max. 30 days per year of service) for every year of actual service rendered for the employer from whose service he has retired		
$375/30 \times ₹ 25,000 = ₹ 3,12,500$		
[Leave Due = Leave allowed – Leave taken]		
= 750 (30 days per year × 25 years) – 375 days (15 days x 25)		
= 375 days]		
<b>Uncommuted Pension received</b> [₹ 5,000 x 1) + (₹ 5,000 x 2 x 40%)		9,000
<b>Commuted Pension received</b>	3,00,000	
Less: Exempt under section 10(10A)		
$1/3 \times ₹ 3,00,000/60\% \times 100\%$	1,66,667	1,33,333
Gift Voucher [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household not exceeding ₹ 5,000 in aggregate during the previous year is exempt]		Exempt



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Particulars	₹	₹
Mobile Phone received as gift from colleagues (Neither taxable under the head “Salaries” nor “Income from other sources”, since taxability provisions under section 56(2)(x) are not attracted in respect of mobile phone received from colleagues, as mobile phone is not included in the definition of “property” thereunder)		Nil
<b>Gross Salary</b>		<b>4,50,333</b>
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000
<b>Net Salary</b>		<b>4,00,333</b>

*(b) Computation of capital gain of Mr. Gyaanchand for the A.Y.2024-25*

Particulars	₹	₹
<b>Capital Gains</b>		
In respect of 600 shares (bonus shares)		
Full value of consideration [600 shares x ₹ 2,400 per share]	14,40,000	
Less: Cost of acquisition [600 shares x ₹ 2,000]	12,00,000	2,40,000
Higher of (i) and (ii), below		
(i) Nil, being cost of acquisition		
(ii) ₹ 2,000 per share, being the lower of FMV as on 31.1.2018 - ₹ 2,000 per share Sale consideration – ₹ 2,400 per share		
In respect of 1,200 original shares		
Full value of consideration [1,200 shares x ₹ 2,400]	28,80,000	
Less: Cost of acquisition [1,200 shares x ₹ 2,000]	24,00,000	4,80,000
Higher of (i) and (ii), below		
(i) ₹ 900, being original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹ 900), at the option of the assessee		
(ii) ₹ 2,000 per share, being the lower of FMV as on 31.1.2018 - ₹ 2,000 per share Sale consideration – ₹ 2,400 per share		
<b>Long term capital gain</b>		<b>7,20,000</b>

*(c) Tax implications in the hands of HUF*

As per section 47, any distribution of capital assets on the total or partial partition of a HUF would not be regarded as transfer for the purpose of capital gains tax.

In this case, Aggarwal & Sons, HUF transferred the asset to Mr. Subhash Aggarwal, a member of HUF on total partition of the HUF. Hence, the transaction would not be regarded as transfer.

**Tax implications in the hands of Mr. Subhash Aggarwal**

If an immovable property is received by any person without consideration, the stamp duty value of such property would be taxed as the income of the recipient under section 56(2)(x), if it exceeds ₹ 50,000. However, it would not be taxable as income if the transfer is by way of a transfer, inter alia, on total or partial partition of a HUF.

In the given case, since Mr. Subhash Aggarwal received the house property on total partition of the HUF, it would not be taxable in his hand.



### Question 23

Mr. Naveen and Mr. Vikas constructed their houses on a piece of land purchased by them at Delhi. The built up area of each house was 1,800 sq. ft. ground floor and an equal area in the first floor. Naveen started construction on 1-04-2021 and completed on 1-04-2023. Vikas started the construction on 1-04-2021 and completed the construction on 30-09-2023. Naveen occupied the entire house on 01-04-2023. Vikas occupied the ground floor on 01-10-2023 and let out the first floor for a rent of ₹20,000 per month. However, the tenant vacated the house on 31-12-2023 and Vikas occupied the entire house during the period 01-01-2024 to 31-03-2024.

**Following are the other information**

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

Naveen has availed a housing loan of ₹ 15 lakhs @ 12% p.a. on 01-04-2021. Vikas has availed a housing loan of ₹ 10 lakhs @ 10% p.a. on 01-07-2021. No repayment was made by either of them till 31-03-2024. Compute income from house property for Naveen and Vikas for the previous year 2023-24 if both exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A). [MTP Q.]

**Answer 23**

**Computation of income from house property of Mr. Naveen for A.Y. 2024-25**

Particulars	₹	₹
Annual value is nil (since house is self occupied)		Nil
Less: Deduction under section 24(b)		
Interest paid on borrowed capital ₹15,00,000 @ 12%	1,80,000	
Pre-construction interest ₹3,60,000/5	72,000	
	2,52,000	
As per second proviso to section 24(b), interest deduction restricted to		2,00,000
Loss under the head “Income from house property” of Mr. Naveen		(2,00,000)

**Computation of income from house property of Mr. Vikas for A.Y. 2024-25**

Particulars	Ground floor Self occupied)	First floor
Gross annual value (See Note below)	Nil	60,000
Less: Municipal taxes (for first floor)		4,000
Net annual value(A)	Nil	56,000
Less: Deduction under section 24		
(a) 30% of net annual value		16,800
(b) interest on borrowed capital		

Particulars	Ground floor Self occupied)	First floor
Current year interest $\text{₹}10,00,000 \times 10\% = \text{₹}1,00,000$	50,000	50,000
Pre-construction interest $\text{₹}10,00,000 \times 10\% \times 21/12 = \text{₹}1,75,000$ $\text{₹}1,75,000$ allowed in 5 equal installments $\text{₹}1,75,000/5 = \text{₹}35,000$ per annum	17,500	17,500
Total deduction under section 24	67,500	84,300
<b>Income from house property (A)-(B)</b>	<b>(67,500)</b>	<b>(28,300)</b>
<b>Loss under the head "Income from house property" of Mr. Vikas (both ground floor and first floor)</b>	<b>(95,800)</b>	

**Note:** Computation of Gross Annual Value (GAV) of first floor of Vikas's house

If a single unit of property (in this case the first floor of Vikas's house) is let out for some months and self-occupied for the other months, then the Expected Rent of the property shall be taken into account for determining the annual value. The Expected Rent shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

The Expected Rent is the higher of fair rent and municipal value. This should be considered for 6 months since the construction of property was completed only on 30.9.2023.

Expected rent = ₹50,000 being higher of -

Fair rent =  $1,00,000 \times 6/12 = \text{₹}50,000$  Municipal value =  $72,000 \times 6/12 = \text{₹}36,000$

Actual rent = ₹60,000 (₹20,000 p.m. for 3 months from October to December, 2023)

Gross Annual Value = ₹60,000 (being higher of Expected Rent of ₹50,000 and actual rent of ₹60,000).

### Question 24

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 2015-2016. The property consists of eight identical units and is situated at Cochin.

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

	₹
(i) Repairs	40,000
(ii) Insurance premium (paid)	15,000
(iii) Interest payable on loan taken for construction of house	3,00,000

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

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

The other income of Mr. Arun and Mr. Bimal are ₹ 2,90,000 and ₹ 1,80,000, respectively, for the financial year 2023-24.

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

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

**Answer 24**

**(i) If Arun and Bimal pay tax under the default tax regime under section 115BAC**

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

Particulars	Arun (₹)	Bimal(₹)
<b>Income from house property</b>		
<b>I. Self-occupied portion (25%)</b>		
Annual value	Nil	Nil
Less: Deduction under section 24(b)	Nil	Nil
Loss from self-occupied property	Nil	Nil
<b>II. Let-out portion (75%) – See Working Note below</b>		
	1,25,850	1,25,850
Income from house property	1,25,850	1,25,850
<b>Other Income</b>	2,90,000	1,80,000
<b>Total Income</b>	<b>4,15,850</b>	<b>3,05,850</b>

**Working Note – Computation of Income from Let-Out Portion of House Property**

Particulars	₹	₹
<b>Let-out portion (75%)</b>		
Gross Annual Value		
(a) Municipal value (75% of ₹ 9 lakh)	6,75,000	
(b) Actual rent [(₹ 12000 x 6 x 12) – (₹ 12,000 x 1 x 4)]	8,16,000	
= ₹ 8,64,000 - ₹ 48,000		
- whichever is higher		8,16,000
Less: Municipal taxes 75% of ₹ 1,80,000 (20% of ₹ 9 lakh)		1,35,000
Net Annual Value (NAV)		6,81,000
Less: Deduction under section 24		
(a) 30% of NAV	2,04,300	
(b) Interest on loan taken for the house [75% of ₹ 3 lakh]	2,25,000	4,29,300
<b>Income from let-out portion of house property</b>		<b>2,51,700</b>
<b>Share of each co-owner (50%)</b>		<b>1,25,850</b>

- (ii) If Arun and Bimal have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)

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

Particulars	Arun (₹)	Bimal(₹)
<b>Income from house property</b>		
<b>I. Self-occupied portion (25%)</b>		
Annual value	Nil	Nil
Less: Deduction under section 24(b)		
Interest on loan taken for construction ₹ 37,500 (being 25% of ₹ 1.5 lakh) [Allowable since they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)]	37,500	37,500
Loss from self occupied property	(37,500)	(37,500)
<b>II. Let-out portion (75%) – See Working Note above</b>	1,25,850	1,25,850
Income from house property	<b>88,350</b>	<b>88,350</b>
<b>Other Income</b>	2,90,000	1,80,000
<b>Total Income</b>	<b>3,78,350</b>	<b>2,68,350</b>

**Question 25**

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

	(₹ in lakhs)
WDV of Plant and Machinery on 31.3.2023	30.00
Depreciation including additional depreciation for P.Y. 2022-23	4.75
New machinery purchased on 1-9-2023	10.00
New machinery purchased on 1-12-2023	8.00
Computer purchased on 3-1-2024	4.00

**Additional information:**

- All assets were purchased by A/c payee cheque.
- All assets were put to use immediately.
- New machinery purchased on 1-12-2023 and computer have been installed in the office.
- During the year ended 31-3-2023, a new machinery had been purchased on 31-10-2022, for ₹ 10 lakhs. Additional depreciation, besides normal depreciation, had been claimed thereon.
- Depreciation rate for machinery may be taken as 15%.
- The assessee has no brought forward business loss or unabsorbed depreciation as on 1.4.2023.

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

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

Answer 25

Computation of written down value of block of assets of Venus Ltd. as on 31.3.2024

Particulars	Plant & Machinery (₹ in lacs)	Computer (₹ in lacs)
<b>Written down value (as on 31.3.2023)</b>	<b>30.00</b>	<b>Nil</b>
Less: Depreciation including additional depreciation for P.Y. 2022-23	4.75	-
<b>Opening balance as on 1.4.2023</b>	<b>25.25</b>	
Add: Actual cost of new assets acquired during the year		
New machinery purchased on 1.9.2023	10.00	-
New machinery purchased on 1.12.2023	8.00	-
Computer purchased on 3.1.2024	-	4.00
	<b>43.25</b>	<b>4.00</b>
Less: Assets sold/discarded/destroyed during the year	Nil	Nil
<b>Written Down Value (as on 31.03.2024)</b>	<b>43.25</b>	<b>4.00</b>

(i) If Mr. Venus exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

In this case, since his income would be computed under the optional tax regime as per the normal provisions of the Act, he would be entitled for normal depreciation and additional depreciation, subject to fulfilment of conditions.

Computation of depreciation for A.Y. 2024-25

	Particulars	Plant & Machinery (₹ in lacs)	Computer (₹ in lacs)
<b>I.</b>	<b>Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation</b>		
	<b><u>Normal Depreciation</u></b>		
	- WDV of plant and machinery (₹ 25.25 lacs x 15%)	3.79	-
	- New Machinery purchased on 1.9.2023 (₹ 10 lacs x 15%)	1.50	-
	(A)	<b>5.29</b>	-
	<b><u>Additional Depreciation</u></b>		
	New Machinery purchased on 1.9.2023 (₹ 10 lakhs x 20%)	2.00	-
	Balance additional depreciation in respect of new machinery purchased on 31.10.2022 and put to use for less than 180 days in the P.Y. 2022-23 (₹ 10 lakhs x 20% x 50%)	1.00	
	(B)	<b>3.00</b>	

<b>II.</b>	<b>Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation, if any</b>		
	New machinery purchased on 1.12.2023 [₹ 8 lacs x 7.5% (i.e., 50% of 15%)]	0.60	-
	Computer purchased on 3.1.2023 [₹ 4 lacs x 20% (50% of 40%)]	-	0.80
	(C)	0.60	0.80
	<b>Total Depreciation (A+B+C)</b>	<b>8.89</b>	<b>0.80</b>

**Notes:**

(1) As per section 32(1)(ia), additional depreciation is allowable in the case of any new machinery or plant acquired and installed after 31.3.2005, by an assessee engaged, inter alia, in the business of manufacture or production of any article or thing, at the rate of 20% of the actual cost of such machinery or plant.

However, additional depreciation shall not be allowed in respect of, inter alia,–

- (i) any office appliances or road transport vehicles;
- (ii) any machinery or plant installed in, inter alia, office premises.

In view of the above provisions, additional depreciation cannot be claimed in respect of -

- (i) Machinery purchased on 1.12.2023, installed in office and
- (ii) Computer purchased on 3.1.2024, installed in office.

(2) Balance additional depreciation@10% on new plant or machinery acquired and put to use for less than 180 days in the year of acquisition which has not been allowed in that year, shall be allowed in the immediately succeeding previous year.

Hence, in this case, the balance additional depreciation@10% (i.e., ₹ 1 lakhs, being 10% of ₹ 10 lakhs) in respect of new machinery which had

been purchased during the previous year 2022-23 and put to use for less than 180 days in that year can be claimed in P.Y. 2023-24 being immediately succeeding previous year.

**(i) If Mr. Venus pays tax under default tax regime under section 115BAC**

In this case, under the default tax regime as per section 115BAC, he would be entitled only for normal depreciation but not additional depreciation.

**Computation of depreciation for A.Y. 2024-25**

	Particulars	Plant & Machinery (₹ in lacs)	Computer (₹ in lacs)
<b>I.</b>	<b>Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation</b>		
	<b><u>Normal Depreciation</u></b>		
	- WDV of plant and machinery (₹ 25.25 lacs x 15%)	3.79	-
	- New Machinery purchased on 1.9.2023 (₹ 10 lacs x 15%)	1.50	-
	(A)	5.29	-

	Particulars	Plant & Machinery (₹ in lacs)	Computer (₹ in lacs)
II.	<b>Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation</b> <b>Normal Depreciation</b> New machinery purchased on 1.12.2023 [₹ 8 lacs x 7.5% (i.e., 50% of 15%)] Computer purchased on 3.1.2023 [₹ 4 lacs x 20% (50% of 40%)]	0.60	-
	(C)	-	0.80
	<b>Total Depreciation (A+B+C)</b>	0.60	0.80
		<b>5.89</b>	<b>0.80</b>

### Question 26

Mrs. Harshita purchased a land at a cost of ₹ 35 lakhs in the financial year 2004-05 and held the same as her capital asset till 20th March, 2023.

She started her real estate business on 21st March, 2023 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹ 210 lakhs.

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

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

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

[Cost Inflation Index: F.Y. 2004-05: 113; F.Y. 2022-23: 331, F.Y. 2022-23: 348]. **[SM Q.]**

### Answer 26

#### Computation of capital gains and business income of Harshita for A.Y. 2024-25

Particulars	₹
<b>Capital Gains</b>	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,10,00,000
Less: Indexed cost of acquisition [₹35,00,000 × 331(2022-23)/113(2004-05)]	1,02,52,212
	1,07,47,788
Proportionate capital gains arising during A.Y. 2024-25 [₹ 1,07,47,788 x 2/3]	71,65,192
Less: Exemption under section 54EC	50,00,000
<b>Capital gains chargeable to tax for A.Y.2024-25</b>	<b>21,65,192</b>

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Particulars	₹
<b>Business Income</b>	
Sale price of flats [10 × ₹ 30 lakhs]	3,00,00,000
Less: Cost of flats	
Fair market value of land on the date of conversion [₹ 210 lacs × 2/3]	1,40,00,000
Cost of construction of flats [10 × ₹ 10 lakhs]	1,00,00,000
<b>Business income chargeable to tax for A.Y.2024-25</b>	<b>60,00,000</b>

**Notes:**

- (1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade (i.e., P.Y.2022-23, in this case).
- (2) However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade (i.e., P.Y.2022-23) and not up to the year of sale of stock-in-trade (i.e., P.Y.2023-24).
- (4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.  
In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2023-24, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2024-25.
- (5) On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock-in-trade.
- (6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be ₹ 50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.

Therefore, even though investment of ₹ 50 lakhs has been made in bonds of NHAI during the P.Y. 2023-24 and investment of ₹ 50 lakhs has been made in bonds of RECL during the P.Y. 2024-25, both within the stipulated six month period, the maximum deduction allowable for A.Y. 2024-25, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2023-24, is only ₹ 50 lakhs.

**Question 27**

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

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

Mr. A purchased from his friend Mr. C, who is also a dealer in shares, 1000 shares of X Ltd.



@ ₹ 400 each on 19th June, 2023, the fair market value of which was ₹ 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2023.

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

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

Compute the income of Mr. A chargeable under the head “Income from other sources” and “Capital Gains” for A.Y. 2024-25. **[SM Q.]**

**Answer 27**

**Computation of “Income from other sources” of Mr. A for the A.Y. 2024-25**

	Particulars	₹
(1)	Cash gift is taxable under section 56(2)(x), since it exceeds ₹ 50,000	75,000
(2)	Since bullion is included in the definition of property, therefore, when bullion is received without consideration, the same is taxable, since the aggregate fair market value exceeds ₹ 50,000	60,000
(3)	Stamp value of plot of land at Faridabad, received without consideration, is taxable under section 56(2)(x)	5,00,000
(4)	Difference of ₹ 2 lakh in the value of shares of X Ltd. purchased from Mr. C, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. A. Since Mr. A is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. A.	-
(5)	Difference between the stamp duty value of ₹ 23 lakh on the date of booking and the actual consideration of ₹ 20 lakh paid is taxable under section 56(2)(x) since the difference exceeds ₹ 2,00,000, being the higher of ₹ 50,000 and 10% of consideration	3,00,000
<b>Income from Other Sources</b>		<b>9,35,000</b>

**Computation of “Capital Gains” of Mr. A for the A.Y.2024-25**

Particulars	₹
Sale Consideration	7,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x) as per section 49(4)]	5,00,000
<b>Short-term capital gains</b>	<b>2,00,000</b>

**Note** – The resultant capital gains will be short-term capital gains since for calculating the period of holding, the period of holding of previous owner is not to be considered.

**Question 28**

Kishore & Sons is a dealer of coal. Its turnover for the F.Y. 2022-23 was ₹ 12 crores. The State Government of Hyderabad granted a lease of coal mine to Kishore & Sons on 1.5.2023 and charged ₹ 11 crores for the lease. Kishore & Sons sold coal of ₹ 95 lakhs to M/s BAC Co. during the P.Y. 2023-24. M/s XYZ Ltd. purchased coal of ₹ 55 lakhs from Kishore & Sons for trading purpose in July 2023. Turnover of M/s XYZ Ltd. during the P.Y. 2022-23 was ₹ 12 crores. PAN is duly furnished by the buyer and seller to each other. Details of sale to and payments from M/s BAC Co. by Kishore & Sons are as follows:

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S. No.	Date of sale	Date of receipt/ Payment	Amount (₹)
1	29.05.2023	10.05.2023	35,00,000
2	30.06.2023	10.07.2023	25,00,000
3	25.11.2023	25.10.2023	8,00,000
4	20.01.2024	22.01.2024	15,00,000
5	01.03.2024	15.02.2024	12,00,000

Turnover of M/s BAC Co. during the P.Y. 2022-23 was ₹ 11 crores. The above amounts were credited to Kishore & Sons account in the books of M/s BAC Co. on the date of sale. M/s BAC Co. furnishes a declaration to Kishore & Sons that coal is to be utilised for generation of power.

Based on the above facts, choose the **most appropriate answer** to Q. No. 1 to 5 –

- I. Who is required to deduct/collect tax at source in respect of lease of coal mine by the State Government of Hyderabad to Kishore & Sons and at what rate?
  - (a) State Government of Hyderabad is liable to collect tax at source @ 2% on ₹ 11 crores
  - (b) State Government of Hyderabad is liable to collect tax at source @0.1% on ₹ 10.50 crores, being the amount exceeding ₹ 50 lakhs
  - (c) Kishore & Sons is liable to deduct tax at source @0.1% on ₹ 10.50 crores, being the amount exceeding ₹ 50 lakhs
  - (d) Neither State Government of Hyderabad is liable to collect tax at source nor Kishore & Sons is liable to deduct tax at source
- II. Is Kishore & Sons required to collect tax at source in respect of the sale transactions with M/s BAC Co. If yes, when and what is the amount of tax to be collected?
  - (a) Yes; ₹ 1,000 on 30.6.2023, ₹ 800 on 25.10.2023, ₹ 1,500 on 20.1.2024 and ₹ 1,200 on 15.2.2024
  - (b) Yes; ₹ 35,000 on 10.5.2023, ₹ 25,000 on 30.6.2023, ₹ 8,000 on 25.10.2023, ₹ 15,000 on 20.1.2024 and ₹ 12,000 on 15.2.2024
  - (c) Yes; ₹ 1,000 on 10.7.2023, ₹ 800 on 25.10.2023, ₹ 1,500 on 22.1.2024 and ₹ 1,200 on 15.2.2024
  - (d) No, Kishore & Sons is not liable to collect tax at source
- III. Is Kishore & Sons required to collect tax at source in respect of the sale transaction with M/s XYZ Ltd. If yes, what is the amount of tax to be collected?
  - (a) Yes; ₹ 55,000
  - (b) Yes; ₹ 5,500
  - (c) Yes; ₹ 500
  - (d) No, Kishore & Sons is not liable to collect tax at source
- IV. Is M/s BAC Co. required to deduct tax at source in respect of the purchase transactions with Kishore & Sons. If yes, when and what is the amount of tax to be deducted?
  - (a) Yes; ₹ 1,000 on 30.6.2023, ₹ 800 on 25.10.2023, ₹ 1,500 on 20.1.2024 and ₹ 1,200 on 15.2.2024
  - (b) Yes; ₹ 3,500 on 10.5.2023, ₹ 2,500 on 30.6.2023, ₹ 800 on 25.10.2023, ₹ 1,500 on 20.1.2024 and ₹ 1,200 on 15.2.2024
  - (c) Yes; ₹ 1,000 on 10.7.2023, ₹ 800 on 25.10.2023, ₹ 1,500 on 22.1.2024 and ₹ 1,200 on 15.2.2024
  - (d) No, M/s BAC Co. is not liable to deduct tax at source
- V. Assume for the purpose of this MCQ, M/s BAC Co.'s turnover for the F.Y. 2022-23 was ₹

9 crore, who will be required to deduct/ collect tax at source in respect of transactions between Kishore & Sons and M/s BAC Co. and at what rate?

- (a) Kishore & Sons is liable to collect tax at source @1% of ₹ 95 lakhs
- (b) Kishore & Sons is liable to collect tax at source @0.1% of ₹ 45 lakhs, being the sum exceeding ₹ 50 lakhs
- (c) M/s BAC Co. is liable to deduct tax at source @0.1% of ₹ 45 lakhs, being the sum exceeding ₹ 50 lakhs
- (d) Neither Kishore & Sons is liable to collect tax at source nor M/s BAC Co. is liable to deduct tax at source

**Answer 28**

Question No.	Answer
I	(a)
II	(d)
III	(a)
IV	(a)
V	(d)

**Question 29**

Examine whether the following persons are required to file return of income for A.Y.2024-25, giving brief reasons for your answer –

(i)	Mr. Albert, aged 31 years, whose turnover from business is ₹ 70 lakhs for the P.Y.2023-24 and whose total income computed as per books of account is ₹ 2 lakhs. This is the first year of his business. He has no other income. He is not claiming any deduction under Chapter VI-A or section 10AA.
(ii)	Mr. Ashish, aged 42 years, has gross receipts of ₹ 5 lakhs from profession and profits and gains of ₹ 2.50 lakhs (computed) from profession for the P.Y. 2023-24. In addition, he has interest of ₹ 4 lakhs on fixed deposits and ₹ 50,000 from savings bank account.
(iii)	M/s. ABC & Co., a law firm, whose gross receipts from profession for the P.Y.2023-24 is ₹ 9 lakhs.
(iv)	XYZ (P) Ltd. which has incurred expenditure of an amount of ₹ 95,000 towards consumption of electricity in the F.Y.2023-24.
(v)	Mr. Vallish, aged 58 years, who has deposited ₹ 50 lakhs in his savings bank account with SBI on 28th March, 2024. The said sum was received as a gift from his son, Mr. Rishi, aged 30 years, who is employed in a company. Mr. Vallish used the said sum to purchase a flat for ₹ 30 lakhs on 25th April, 2024 for self-residence. The balance money was transferred to a 1-year fixed deposit on 28th April, 2024. Mr. Vallish does not maintain any other bank account. He is not in receipt of any other source of income other than interest on this fixed deposit.
VI	Mr. Ravi Prakash, a resident Indian aged 52 years, gifted a sum of ₹ 30 lakhs to his wife Mrs. Sudha on the occasion of her 50th birthday. Out of the said sum, Mrs. Sudha purchased a car for ₹ 29,52,000 inclusive of RTO charges of ₹ 2,15,000, insurance of ₹ 51,575, extended warranty of ₹ 25,255 and accessories charges of ₹ 35,460 during the P.Y. 2023-24. These charges were shown separately in the invoice. Mrs. Sudha's furnished her Aadhaar No. to the dealer. She is a housewife

	<p>and does not have any income except rental income of ₹ 25,000 p.m. in respect of a house property gifted to her by her father.</p> <p>Mr. Ravi Prakash is of the opinion that his wife is not required to furnish return of income, since her total income does not exceed the basic exemption limit. Examine.</p>
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**Answer 29**

**Requirement of filing return of income**

(i)	<p>Yes, Mr. Albert is required to file his return of income for A.Y.2024-25.</p> <p>As per section 139(1)(b), an individual is required to file his return if his total income, without giving effect to deductions under, <i>inter alia</i>, Chapter VI-A and section 10AA, exceeds the basic exemption limit. In this case, Mr. Albert's total income of ₹ 2,00,000 is lower than the basic exemption limit of ₹ 2,50,000 or ₹ 3,00,000. However, such person referred to in section 139(1)(b) who is not required to file his return on account of his total income being lower than the basic exemption limit would be required to file return of income if, <i>inter alia</i>, his turnover in business exceeds ₹ 60 lakhs. In this case, since Mr. Albert's turnover from business for the P.Y.2023-24 is ₹ 70 lakhs, he has to file return of his income for A.Y.2024-25.</p>
(ii)	<p>Yes, Mr. Ashish is required to file his return of income for A.Y.2024-25.</p> <p>Mr. Ashish's total income for A.Y.2024-25 without giving effect to Chapter VI-A deductions is ₹ 7 lakhs [₹ 2.50 lakhs from profession + ₹ 4 lakhs interest on fixed deposits + ₹ 0.50 lakhs interest on savings bank account], which exceeds the basic exemption limit of ₹ 2,50,000. Hence, he is required to file his return of income for A.Y.2024-25 as per section 139(1)(b).</p> <p><i>Note - The threshold limit of ₹ 10 lakhs for gross receipts in profession has to be looked into only in a case where an individual referred to in section 139(1)(b) is not required to file his return of income thereunder i.e., only if Ashish's total income without giving effect to Chapter VI-A deductions is lower than the basic exemption limit.</i></p>
(iii)	<p>Yes, M/s. ABC &amp; Co. is required to file its return of income for A.Y.2024-25.</p> <p>As per section 139(1)(a), a firm is compulsorily required to file its return of income. The threshold limit of ₹ 10 lakhs for gross receipts in profession is relevant only for a person other than a company or a firm.</p>
(iv)	<p>Yes, XYZ (P) Ltd. is required to file its return of income for A.Y.2024-25.</p> <p>As per section 139(1)(a), a company has to mandatorily file its return of income. The condition of filing of return of income where expenditure towards consumption of electricity exceeds ₹ 1 lakh applies to a person other than a company or a firm.</p>
(v)	<p>Yes, Mr. Vallish is required to file his return of income for A.Y.2024-25.</p> <p>Gift of ₹ 50 lakhs received from son is not taxable under section 56(2)(x) in the hands of Mr. Vallish, since his son is his relative, and gifts from a relative are excluded from the applicability of section 56(2)(x). The only income of Mr. Vallish for the P.Y.2023-24 would be interest on savings account for a period of 4 days from 28th March, 2024 to 31st March, 2025 on ₹ 50 lakhs, which would be lower than the basic exemption limit. As per section 139(1)(b), an individual is required to file his return if his total income exceeds the basic exemption limit. In this case, Mr. Vallish's total income is lower than the basic exemption limit of ₹ 2,50,000 or ₹ 3,00,000.</p> <p>However, such person referred to in section 139(1)(b) who is not required to file his return on account of his total income being lower than the basic exemption limit would be required to file return of income if, <i>inter alia</i>, the deposit in his savings account is ₹ 50 lakhs or more during the previous year.</p> <p>Since a deposit of ₹ 50 lakhs has been made in the savings account of Mr. Vallish in the P.Y.2023-24, he is required to file his return of income for A.Y.2024-25.</p>
(vi)	<p>Mrs. Sudha's income from house property would be ₹ 2,10,000 (₹ 3,00,000 less 30% of net</p>

annual value). Since this is her only source of income, her gross total income/total income for A.Y.2024-25 would be ₹ 2,10,000, which is lower than the basic exemption limit. Hence, she is not required file her return of income for A.Y.2024-25 as per section 139(1)(b), since her gross total income/total income does not exceed the basic exemption limit of ₹ 2,50,000.

However, proviso of section 139(1) provides that a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if he/she fulfills such other conditions as may be prescribed under Rule 12AB.

Rule 12AB, *inter alia*, prescribes that any person other than a company or a firm, who is not required to furnish a return u/s 139(1), has to file income-tax return in the prescribed form and manner on or before the due date if, the aggregate of tax deducted at source and tax collected at source during the previous year, in case of such person, is ₹ 25,000 or more.

Accordingly, it has to be examined whether, in Mrs. Sudha's case, the requirement to file return for A.Y.2024-25 arises due to TDS/TCS, in her case, exceeding ₹ 25,000 in the P.Y.2024-25.

As per section 206C(1F), every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, has to collect tax from the buyer @1% of the sale consideration.

Accordingly, dealer of the car is required to collect tax at source of ₹ 26,247 @1% on ex-showroom price i.e., ₹ 26,24,710 (₹ 29,52,000 – ₹ 2,15,000 – ₹ 51,575 – ₹ 25,255 – ₹ 35,460) from Mrs. Sudha, being the buyer of the car.

Hence, as per the seventh proviso to section 139(1) read with Rule 12AB, Mrs. Sudha is required to mandatorily file her return of income for A.Y.2024-25, even though her gross total income/total income does not exceed the basic exemption limit, since tax collected at source during the P.Y. 2023-24, in her case is ₹ 26,247 which exceeds the threshold of ₹ 25,000.

### Question 30

#### Case Scenario I

The following details pertain to Mr. Sahil and his best friend Mr. Akhil:

#### Mr. Sahil

Particulars	Amount (₹)
Amount remitted to his elder son Aarav, who is pursuing twoyear MBA Program from Columbia University, USA	
- Out of own savings through HDFC Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) of the RBI	3,50,000
• towards tuition fees on 5.7.2023	
• to meet day to day expenses for study purposes	
- 10.5.2023	1,20,000
- 29.9.2023	90,000
- 01.1.2024	1,35,000

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Particulars	Amount (₹)
- Through Axis Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) out of	
• loan (towards tuition fees) on	
- 11.10.2023	3,50,000
- 10.01.2024	3,50,000
• Own savings (to meet day to day expenses) on 1.7.2023	1,50,000
To complete the formalities of admission, Mr. Sahil visited the USA from 10.4.2023 to 13.4.2023 for which he purchased a tour package from M/s Gate 2 Travel, a foreign tour operator and remits money under LRS on 5.4.2023. International travel tickets and hotel accommodation are included in the said package.	5,20,000

Mr. Sahil has furnished undertakings containing the details of earlier remittances to HDFC bank and Axis bank. He has also furnished his PAN to the authorized dealers and to the seller of overseas tour program package.

**Mr. Akhil**

Mr. Akhil, an Indian citizen got a job offer from M/s Wellbeing Inc., a Dubai-based company of AED 10,500 per month. He left for Dubai on 29.3.2023 and joined M/s Wellbeing Inc. on 1st April 2023. He returned to India on 15.12.2023 on leaves for 15 days. On 23.12.2023, he went on 7 days tour to Bali with his wife and son. Thereafter, he directly went to Dubai with his wife and son. On 16.12.2023, he purchased a tour package for Bali from Make Your Trip, an Indian tour operator for which he paid ₹ 7,50,000 towards flight tickets and hotel accommodation. During F.Y. 2023-24, he has business income of ₹ 4,20,000 from a retail shop in India and interest on fixed deposit and savings account with Canara Bank of ₹ 1,20,000 and ₹ 8,000, respectively.

He is not liable to pay any tax in Dubai. Assume 1 AED = ₹ 23.

From the information given above, choose the most appropriate answer to

Q. 1 to Q. 6:

- Is HDFC Bank required to collect tax at source on the amount remitted by Mr. Sahil? If so, what is the amount of tax to be collected?
  - Yes; TCS of ₹ 2,000 on 29.9.2023 and TCS of ₹ 27,000 on 1.1.2024
  - Yes; TCS of ₹ 500 on 29.9.2023 and TCS of ₹ 27,000 on 1.1.2024
  - Yes; TCS of ₹ 500 on 29.9.2023 and TCS of ₹ 6,750 on 1.1.2024
  - No tax is required to be collected at source since receipts do not exceed ₹ 7 lakh
- Is Axis Bank required to collect tax at source on the amount remitted by Mr. Sahil? If so, what is the amount of tax to be collected?
  - Yes; TCS of ₹ 7,500 on 1.7.2023; TCS of ₹ 1,750 on 11.10.2023 and TCS of ₹ 1,750 on 10.1.2024
  - Yes; TCS of ₹ 17,500 on 11.10.2023 and TCS of ₹ 17,500 on 10.1.2024
  - Yes; TCS of ₹ 1,750 on 11.10.2023 and TCS of ₹ 1,750 on 10.1.2024
  - No tax is required to be collected at source, on the remittances for education and for other purposes since each receipt does not exceed ₹ 7 lakh
- Is tax required to be collected at source on the amount remitted for tour package to USA by Mr. Sahil? If so, what is the amount of tax to be collected?

- (a) Yes; TCS of ₹ 26,000  
 (b) Yes; TCS of ₹ 1,04,000  
 (c) No tax is required to be collected at source, since tour package is purchased from a foreign tour operator  
 (d) No tax is required to be collected at source, since receipt does not exceed ₹ 7 lakh
4. Does Make Your Trip require to collect tax at source on the amount received for tour package to Bali from Mr. Akhil? If so, what is the amount of tax to be collected?  
 (a) Yes; ₹ 2,500 is required to be collected at source  
 (b) Yes; ₹ 37,500 is required to be collected at source  
 (c) Yes; ₹ 45,000 is required to be collected at source  
 (d) No tax is required to be collected at source
5. What is the total income of Mr. Akhil for the A.Y. 2024-25? Assume he has shifted out of the default tax regime u/s 115BAC.  
 (a) ₹ 33,88,000  
 (b) ₹ 5,48,000  
 (c) ₹ 33,96,000  
 (d) ₹ 5,40,000
6. What would be the amount of the tax liability (computed in the most beneficial manner) of Mr. Akhil for the A.Y. 2024-25?  
 (a) ₹ 7,47,550  
 (b) ₹ 12,900 (c) Nil  
 (d) ₹ 12,480

**Answer 30**

Question No.	Answer
1	C
2	C
3	A
4	D
5	D
6	B