Super 30 Questions for JAN-25 CA Inter

Question 1 [Topics Covered : Total Income - Indirect Method]

Statement of Profit and Loss account of Mr. BB, resident individual, age 34 years, engaged in production and marketing of diversified products, shows a net profit (before tax) of ₹72,00,000 for the financial year ended 31st March, 2024 after charge of the following items:

A: Items debited to the Statement of Profit and Loss:

(i) Depreciation as per Books of accounts: ₹24,00,000

(ii) Interest amounting to ₹60,000 for short payment of advance tax paid as per section 234B relating to the assessment year 2022-23.

(iii) Expenditure of ₹41,000 paid in cash comprising of ₹22,000 directly paid to producer of dairy farming products and ₹19,000 paid towards printing and stationery items to a trader.

(iv) ₹3,50,000 paid to a contractor for carrying out repair work at factory premises. Tax was not deducted at source on this payment.

(v) Contribution to AAM Aadmi Party: ₹3,00,000 paid by way of cheque.

(vi) Expenditure towards advertising charges in a brochure of a political party registered u/s 29A of Representation of People Act, 1951: ₹40,000 paid by way of cheque.

(vii) Interest on term loans obtained from Cooperative Bank is ₹ 2,60,000. Interest ₹ 1,60,000 not paid before the due date of filing of return of income (due date being 30.10.2024) & on 12.12.23 Co. op bank converted outstanding interest of 1,00,000 into loan and assessee deducted the said interest while computing profits and gains of business of A.Y.2024-25.

(viii) Actual contribution to the pension scheme of employees: ₹1,50,000

(ix) The assessee has made provision for Gratuity based on actuarial valuation of ₹ 5 lacs. Actual gratuity paid amounting to ₹ 1,20,000 during financial year 2023-24 was debited to provision of Gratuity Account.

(x) Employer's contribution to EPF of ₹2 lakhs for the month of March, 2024 were remitted on 8th June 2024.

(xi) Advertisement expenditure debited to profit and loss account includes the sum of ₹60,000 paid in cash to the sister of assessee, the market value of which is ₹52,000.

(xii) The opening and closing stock for the year were ₹ 55 lakhs and ₹ 54 lakhs respectively. Opening stock was overvalued by 10% and Closing stock was undervalued by 10%.

(xiii) ₹ 45,000 paid in cash to Mr. Raj employee of the company at the time of his retirement.

(xiv) Contribution of ₹ 2,50,000 to a scientific laboratory functioning at the national level with a specific direction for use of the amount for scientific research programme approved by the prescribed authority.

(xv) An amount of ₹ 5 lakhs was paid to the manager of the company under Voluntary Retirement Scheme.

(xvi) Raw material of ₹ 5,00,000 purchased on 17th March, 2024 from Mr. Kuku (a small enterprise as per MSME Act), payment made to Kuku on 15th April, 2024. There is no written agreement between parties related to payments.

B: Items credited to the Statement of Profit and Loss:

(i) Unrealised rent of ₹3,80,000 pertaining to financial year 2020-21 & 2021-22 recovered during the year in respect of a commercial property owned by the assessee, which was sold by the assessee on 23.03.2023.

(ii) Dividends from a foreign company ₹1,60,000.

(iii) Interest from banks on fixed deposits net of TDS at 10% : ₹1,35,000

(iv) The assessee had made a sale of for ₹ 20 Lakhs to M/s A. Co Engineers a sole proprietary concern, on 10-10-2022. On 01-02-2023 ₹ 10 lakhs were written off in the books as bad debts. Due to the demise of the sole proprietor, the assessee could collect only ₹ 7 Lakhs towards the final settlement on 01-03-2024. The amount recovered was shown as Bad debts recovered and credited to Statement of Profit and Loss.

(v) Trade creditors ₹5,00,000 were outstanding for more than 5 years and there is no business relationship with them. The amount was unilaterally transferred to credit of statement of profit and loss.

Additional Information:

(1) Depreciation as per Income-tax Rules: ₹28,00,000

(2) Expenditure pertaining to previous financial year allowed on due basis, but paid in current financial year in cash on 18.01.2024: ₹35,000

(3) Audit fee for the previous year 2022-23: ₹75,000. TDS deducted but not paid in the relevant previous year. However, TDS was paid on 31.12.2023.

(4) The eligible salary and dearness allowance for the pension scheme referred to u/s 80CCD is ₹10,00,000.

(5) The assessee has obtained a loan of ₹ 5 lakhs from Manu Textiles Private Limited in which he holds 16% voting rights. The accumulated profits of Manu Textiles Private Limited on the date of receipt of loan was ₹ 2 lacs.

(6) Grant received from State Government for acquisition of generator ₹10 lakhs. The generator was acquired and put to use for printing business on 01.06.2023 for ₹35 lakhs. A sum of ₹5 lakhs was paid as advance by cash to the supplier of generator.

Further following expenses related to acquisition of asset –

(a) Transportation charges paid of transporter ₹ 25,000 in cash

(b) Installation charges paid to Mr. Ali ₹ 35,000 through BHIM UPI

This adjustment is not recorded in books of account.

(7) An asset was purchased for ₹ 6,00,000 on 17-11-22 for conducting scientific research and the deduction was claimed u/s 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2023 for a consideration of ₹ 8,00,000.

(8) Employees contribution to EPF of ₹ 2 lakhs recovered from their salaries for the month of March 2024 and shown in the Balance Sheet under the head Sundry Creditors was remitted on 31st May, 2024.

(9) During the year F.Y. 2023-24, the assessee has employed 56 additional employees for leather manufacturing business. All these employees contribute to a recognized provident fund. 39 out of 56 employees joined on 1-6-2023 on a salary of ₹ 15,000 per month, 14 joined on 1-7-2023 on a salary of ₹ 45,700 per month, and 3 joined on 1-11-2023 on a salary of ₹ 22,000 per month. The salaries of 9 employees who joined on 1-6-2023 are being settled by bearer cheques every month. Audit u/s 44AB has been done before the due date.

Compute the total income & tax liability of Mr. BB for assessment year 2024-25 under default tax regime and optional tax regime and also advice the assessee that which option is more beneficial. Give brief reasons for the treatment given to each of the items taken into consideration in computation of income of the assessee.

Answer

Computation of Total Income & Tax liability Mr. BB for the A.Y. 2024-25 as per default taxation regime u/s 115BAC

	Particulars	**Amount (₹)**		
I	**Income from house property**			
	Unrealised rent [Taxable u/s 25A, even if Mr. BB is no longer the owner of commercial property]		3,80,000	
	Less: 30% of above		1,14,000	**2,66,000**

	Particulars	Amount (₹)		
II	**Profits and gains of business and profession**			
	Net profit as per the statement of profit and loss		72,00,000	
	***Add:* Items debited but to be considered separately or to be disallowed**			
	(i) **Depreciation as per Books**	24,00,000		
	(ii) **Interest u/s 234B for short payment of advance tax** [Any interest payable for default committed by assessee for discharging his statutory obligations under Income-tax Act, 1961 which is calculated with reference to the tax on income is not allow- able as deduction u/s 40(a)(ii). Since the same has been debited to statement of profit and loss, it has to be added back]	60,000		
	(iii) **Cash payment in excess of ₹10,000** [Disallowance u/s 40A(3) is attracted in respect of expenditure, for which payment exceeding ₹10,000 in a day has been made in cash. Since expenditure of ₹19,000 towards printing and stationery items is debited to the statement of profit and loss, the same has to be added back. However, payment of ₹22,000 to producer for dairy farming products is not disallowed since it is covered under the exceptions specified in Rule 6DD]	19,000		
	(iv) **Repair work paid to contractor without deduction of tax at source** [Disallowance of 30% of the amount of ₹3,50,000 paid for carrying out repair work to a contractor without deduction of tax at source would be attracted u/s 40(a)(ia)]	1,05,000		
	(v) **Contribution to political party** [Contribution to political party is not allowable as deduction while computing business profits. Since the contribution has been debited to statement of profit and loss, the same has to be added back while computing business income]	3,00,000		
	(vi) **Advertisement in brochure of a political party** [Advertisement charges paid in respect of brochure published by a political party is not allowable as deduction from business profits as per section 37. Since the expenditure has been debited to statement of profit and loss, the same has to be added back while computing business income]	40,000		
	(vii) **Interest to co-operative bank not paid before 31.10.2024 & Interest converted into loan** [Disallowance u/s 43B would be attracted for A.Y.2024-25, since the interest was not paid on or before the due date of filing of return] [1,60,000 + 1,00,000]	260,000		

	Particulars	Amount (₹)		
	Section 43B clarifies that if any sum payable by the assessee as interest on any such loan is converted into a loan or borrowing or advance, the interest so converted and not actually paid shall not be deemed as actual payment, and hence, would not be allowed as deduction.			
	(viii) **Contribution towards pension scheme of employees** [Contribution towards pension scheme, referred to in section 80CCD, of employees is allowed only to the extent of 10% of salary of the employee in the P.Y. i.e., ₹1,00,000 being 10% of ₹10,00,000. Therefore, the excess contribution of ₹50,000 [i.e., ₹1,50,000 – ₹1,00,000] is disallowed u/s 36(1)(iva).	50,000		
	(ix) **Provision for gratuity** [Provision of ₹ 5 lakhs for gratuity based on the actuarial valuation is not allowed as deduction as per section 40A(7). However, actual gratuity of ₹ 1,20,000 paid is allowable as deduction. Hence, the difference has to be added back to income (₹ 5,00,000 – ₹ 1,20,000)]	3,80,000		
	(x) **Employers' contribution to EPF** [As per section 43B, employers' contribution to EPF is allowable as deduction since the same has been deposited on or before the 'due date' of filing of return u/s 139(1). Since the same has been debited to profit and loss account, no further adjustment is necessary]	-		
	(xi) **Advertisement expenses paid to sister** [As per section 40A(2) any payment made to relative shall be disallowed to the extent unreasonable]	8,000		
	(xii) **Stock Adjustment** Overvaluation of opening stock [₹ 55,00,000 x 10/110] Undervaluation of closing stock [₹ 54,00,000 x 10/90]	11,00,000		
	(xiii) **Payment to Mr. Raj, an employee, on his retirement** [Section 40A(3) provides for disallowance@100% of the expenditure incurred exceeding ₹ 10,000 otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed. However**,** no disallowance u/s 40A(3) is to be made as the amount paid to Mr. Raj is on his retirement since such sum payable does not exceed ₹ 50,000. This exception is provided in Rule 6DD]	Nil		
	(xiv) **Contribution to National Laboratory** [As per section 35(2AA) donation to National Laboratory eligible for 100% deduction but when assessee opted section 115BAC then this deduction not allowed]	2,50,000		

	Particulars	Amount (₹)		
	(xv) **Voluntary Retirement Scheme expenditure** [Only 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 statement of profit and loss, 4/5th has to be added back [₹ 5,00,000 x 4/5]	4,00,000		
	(xvi) **Salary paid to employees through bearer cheques** [Salary paid through bearer cheques (9 employees x ₹ 15,000 x 10 months) will attract disallowance u/s 40A(3) and hence, the same has to be added back]	13,50,000		
	(xvii) **Payment made to Mr. Kuku** [Disallowance u/s 43B(h) would be attracted for A.Y.2024-25, since the amount was not paid to small enterprise within time limit of section 15 of MSMED Act, 2006] [As per section 15 of MSMED Act, 2006 Where any person purchases goods/services, from a micro/small enterprise, the payment shall be made before the date agreed upon between him and supplier in writing. In no case the period agreed upon between the supplier and the buyer in writing shall more than 45 days. If, however, there is no such agreement, the payment shall be made within 15 days of acceptance or deemed acceptance of goods/services. Since payment made after 15 days so amount disallowed in PY 23-24]	5,00,000	72,22,000	
			1,44,22,000	
	Add: **Amount taxable but not credited to statement of profit and loss**			
	Expenditure pertaining to previous financial year		35,000	
	[Cash payment in excess of ₹10,000 made in the current year in respect of expenditure allowed on mercantile basis in the previous year, would be deemed as income in the current year as per section 40A(3A).]			
	Employees' contribution to EPF [Since employees' contribution to EPF has not been deposited on or before the due date under the PF Act, the same has to be added for computing business income]		2,00,000	
	Sale of Scientific Research Asset [Sale proceeds of asset acquired for conducting scientific research taxable as business income u/s 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	
			1,52,57,000	

	Particulars	Amount (₹)		
	Less: **Items credited to statement of profit and loss, but not includible in business income/ permissible expenditure and allowances**			
	(i) Unrealised rent [Unrealised rent in respect of commercial property is taxable under the head "Income for house property". Since the said rent has been credited to the statement of profit and loss, the same has to be deducted while computing business income]	3,80,000		
	(ii) Dividend received from foreign company [Dividend received from foreign company is taxable under the head "Income from other sources". Since the said dividend has been credited to the statement of profit and loss, the same has to be deducted while computing business income]	1,60,000		
	(iii) Interest from bank fixed deposit [Interest on fixed deposit is taxable under "Income from Other Sources". Since the said interest has been credited to the statement of profit and loss, the same has to be deducted while computing business income]	1,35,000		
	(iv) Audit fees of P.Y. 2022-23 [30% of ₹75,000, being the audit fees disallowed in the P.Y. for non-remittance of TDS on or before due date of filing for P.Y. 2022-23 would be allowed in the year of payment of TDS i.e., P.Y. 2023-24]	22,500		
	(v) Bad debt recovered [Since the deduction of bad debt allowed u/s 36 was ₹ 10 lakhs out of the total debt of ₹ 20 lakhs; and the amount recovered in respect of such debt is only ₹ 7 lakhs which is not more than the amount of ₹ 10 lakhs not written off, no amount is chargeable to tax as business income. Since the amount of ₹ 7 lakhs recovered has been credited to the statement of profit and loss, it has to be reduced while computing business income.	7,00,000		
	(vi) Bad debts [The assessee had written off ₹ 10 lakh earlier, and out of the balance ₹ 10 lakhs, only ₹ 7 lakhs could be collected towards final settlement. Therefore, the balance ₹ 3 lakhs will be allowable as deduction, provided it is written off in the books of account]	3,00,000		
	(vii) Cessation of a trading liability [Remission or cessation of a trading liability, allowed as deduction in an earlier previous year, would be deemed as income in the year of remission or cessation, as per section 41(1)(a). Since the amount of ₹5 lakhs has already been credited to statement of profit and loss, no further adjustment is required]	-	16,97,500	
			1,35,59,500	

	Particulars	Amount (₹)		
	Less: **Depreciation u/s 32 as per Income tax Rules**	28,00,000		
	Depreciation on Generator Normal Depreciation [₹ 20,35,000 x 15%] Additional Deprecation [Not allowed in default tax regime] [As per explanation to section 43(1), any amount paid in single day to single person more than ₹ 10,000 otherwise by account payee cheque or DD or ECS then it should not be part of actual cost, so advance paid to supplier and transportation charges not part of actual cost. As per explanation 10 of sec 43(1), Govt. grant related to acquisition of asset shall be reduced while calculation actual cost] **Imp. BB's Note** – limit of cash payment ₹ 35,000 to transporter is only for the purpose of revenue expenses u/s 40A(3) and not for capital expenditure.	 3,05,250 -	 31,05,250	
	Profits and gains from business or profession			**1,04,54,250**
III	**Capital Gain** Sale of asset acquired for conducting scientific research Full Value of Consideration Less: cost of acquisition Short Term Capital Gain	 8,00,000 6,00,000		 **2,00,000**
IV	**Income from Other Sources**			
	Dividend from foreign company		1,60,000	
	[No deduction is allowable in respect of expenditure incurred on earning dividends except Interest]			
	Deemed dividend u/s 2(22)(e) [Loan of ₹ 5 lakhs by Manu Textiles Pvt. Ltd., a company in which the public are not substantially interested, to assessee, who is holding 16% i.e., 10% or more of the voting power of the company would be deemed to be dividend to the extent of ₹ 2 lakhs being the accumulated profits		2,00,000	
	Interest from banks on fixed deposits (Gross) [Interest on banks on fixed deposits is taxable as "Income from other sources"] [₹1,35,000 x 100/90]		1,50,000	**5,10,000**
	Gross Total Income			**1,14,30,250**
	Less: **Deduction under Chapter VI-A**			
	Deduction u/s 80JJAA [See working note below the question] [It is allowed even assessee follow default tax regime u/s 115BAC]			14,49,000
	Total income			**99,81,250**

	Particulars	Amount (₹)		
	Computation of Tax Liability			
	Upto ₹ 3,00,000			
	₹ 3,00,001 - ₹ 6,00,000 @5%	15,000		
	₹ 6,00,001 - ₹ 9,00,000 @10%	30,000		
	₹ 9,00,001 - ₹ 12,00,000 @ 15%	45,000		
	₹ 12,00,001 - ₹ 15,00,000 @ 20%	60,000		
	₹ 15,00,001 - ₹ 99,81,250 @ 30%	25,44,375	**26,94,375**	
	Add: Surcharge @10%		**2,69,438**	
			29,63,813	
	Add: Health & Education cess @ 4%		1,18,553	
	Net Tax liability		30,82,366	
	Net Tax liability (rounded off)		**30,82,370**	

Working Note - Computation of deduction u/s 80JJAA

No of eligible additional employees [56 (-) 14 = 42] [14 employees who joined on 1.7.2023 do not qualify as "additional employees" since their monthly emoluments exceed ₹ 25,000. However, 3 employees who joined on 1.11.2023 qualify as additional employees, since they have been employed for more than 150 days during the P.Y.2023-24.]	33
Additional employee cost means the total emoluments paid or payable to additional employees employed during the P.Y.2023-24. However, the additional employee cost in respect of 9 employees who joined on 1.6.2023, whose salary is paid by bearer cheques would be Nil.	
Additional employee cost [₹ 15,000 x 30 employees (39 - 9) x 10 months] + [₹ 22,000 x 3 employees x 5 months] = ₹ 45,00,000 + ₹ 3,30,000	₹ 48,30,000
Eligible deduction = 30% of ₹ 48,30,000	₹ 14,49,000

Computation of Total Income & Tax liability Mr. BB for the A.Y. 2024-25 as per Normal Provisions

	Particulars	Amount (₹)
	Total Income as per 115BAC	99,81,250
Less:	Donation to National Laboratory	2,50,000
	Additional Depreciation on Generator [₹ 20,35,000 x 20%]	4,07,000
Less:	Deduction u/s 80GGC [Contribution to pollical party is allowable as deduction, since payment is made otherwise than by cash] Expenditure incurred on advertisement in brochure published by political party not treated as contribution to such political party]	3,00,000
	Total Income as per Normal Provision	**90,24,250**
	Computation of Tax Liability	
	Upto ₹ 2,50,000	-
	₹ 2,50,001 - ₹ 5,00,000 @5%	12,500

	Particulars	Amount (₹)
	₹ 5,00,001 - ₹ 10,00,000 @20%	1,00,000
	₹ 10,00,001 - ₹ 90,24,250 @ 30%	24,07,275
		25,19,775
	Add: Surcharge @10%	2,51,978
		27,71,753
	Add: Health & Education Cess	1,10,870
	Net Tax Liability	28,82,623
	Net Tax liability (rounded off)	**28,82,620**

Conclusion: Tax as per normal provision is lower as compare to tax as per 115BAC, so assessee should opt out from default tax regime u/s 115BAC and follow normal provisions.

Question 2 [Topics Covered : PGBP 35AD, 80JJAA]

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 u/s 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 u/s 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:

1. Assuming that Mr. Kamal has fulfilled all the conditions specified for claim of deduction u/s 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 u/s 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
2. 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?

(a) ₹ 75 lakhs

(b) ₹ 140 lakhs

(c) ₹ 25 lakhs

(d) (₹ 10 lakhs)

3. Would Mr. Kamal be eligible for deduction u/s 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

Answer

1.	(d)	2.	(a)	3.	(a)				

Question 3 [Topics Covered : Total Income Indirect Method]

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	
Office rent	12,24,000	Consultancy	12,70,000	55,98,300
Printing and stationery	12,22,000	Dividend on shares of X Ltd., an Indian company (Gross)		10,524
Meeting, seminar and conference	31,600			
Purchase of car (for official use)	80,000	Income from UTI (Gross)		7,600
Repair, maintenance and petrol of car	4,000	Honorarium received from various institutions for valuation of answer papers		15,800
Travelling expenses	5,25,000			
Municipal tax paid in respect of house property	3,000			
Net Profit	9,28,224	Rent received from residential flat let out		85,600
	57,17,824			**57,17,824**

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 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

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

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

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

Particulars	₹	₹
Gross Total Income [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 u/s 115BAC]		**10,11,944**
Less: Deductions under Chapter VI-A **(See Working Note 4)**		10,000

Particulars	₹	₹
Total Income		**10,01,944**
Total Income (rounded off)		**10,01,940**
Tax on total income		
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%		
Total tax liability		1,13,082
Less: Advance tax paid		4,523
Less: TDS u/s 194 on dividend	1,052	**1,17,605**
TDS u/s 194K on income from UTI	760	70,000
Tax Payable		
Tax Payable (rounded off)		1,812
		45,793
		45,790

Since there is tax refundable under default tax regime u/s 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 u/s 115BAC.

Working Notes:

(1) Income from House Property

Particulars	₹	₹
Gross Annual Value u/s 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 u/s 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 u/s 28(iv)]		10,500
		10,51,724

Particulars	₹	₹
Less: Income credited but not taxable under this head:		
(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
		9,20,200

Notes:

(i) 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 u/s 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).

(ii) Incentive to articled assistants for passing CA Intermediate examination in their first attempt is deductible u/s 37(1).

(iii) 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.

(iv) ₹ 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
	33,924

(4) Deduction under Chapter VI-A :

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

Notes:

(i) Premium paid to insure the health of brother is not eligible for deduction u/s 80D, even though he is a dependent, since brother is not included in the definition of "family" u/s 80D.

(ii) 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 4 [Topics Covered : Total Income Direct Method]

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
	62,50,000		**62,50,000**

Following further information is given to you:

(1) He occupies 50% of the building for own residence and let out the balance for residential use at a monthly rent of ₹ 5,000. The building was constructed during the year 1997-98, when the housing loan was taken.

(2) Motor car was put to use both for official and personal purpose. One-fifth of the motor car use is for personal purpose. No car loan interest was paid during the year.

(3) The written down value of assets as on 1-4-2023 are given below:

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

Answer

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

Particulars	₹	₹	₹
Income from house property			
Self-occupied			
Annual value	Nil		
Less: Deduction u/s 24(b) Interest on housing loan			
50% of ₹ 88,000 = 44,000 but limited to	30,000		
Loss from self occupied property		(30,000)	
Let out property			
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)	
Loss from house property			(32,000)
Profits and gains of business or Profession			
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		
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
Gross Total income			**24,92,500**
Less: Deductions under Chapter VI-A			
Deduction u/s 80C			
Housing loan principal repayment	1,00,000		

Particulars	₹	₹	₹
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	
Deduction u/s 80D			
Medical insurance premium paid ₹ 18,000		18,000	1,62,000
Total income			**23,30,500**

Question 5 [Topic Covered: Total Income & Tax Liabilities]

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

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

Particulars		**₹**	**₹**
Salaries			
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	
Gross Salary		**35,86,000**	
Less: Standard deduction u/s 16(ia) [Actual salary or₹ 50,000, whichever is less]		50,000	
Net Salary			**35,36,000**
Profits and gains of business or profession			
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	
Capital Gains			**3,60,000**
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 x50]	30,00,000		
• Actual sales consideration [60,000 x 60]	36,00,000		
Long-term capital gains u/s 112A (since shares are held for a period of more than 12 months before transfer)			**6,00,000**
Income from Other Sources			
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

Particulars	**₹**	**₹**
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)]		**3,14,000**
Gross Total Income		**48,10,000**
Less: Deduction under Chapter VI-A		
Section 80C		
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
Section 80CCC		
Payment to LIC Pension Fund		25,000
		1,55,000
Restricted to ₹ 1,50,000, being the maximum allowable deduction		1,50,000
Section 80D		
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
Section 80TTB		
Deduction in respect of interest on fixed deposits and saving bank allowable as deduction u/s 80TTB, since Mr. Raghav is a senior citizen, to the extent of₹ 50,000		50,000
Total Income		**45,60,000**

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% u/s 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
Tax liability		**10,89,920**

Question 6 [Topic Covered: PGBP Presumptive]

Mr. Naveen, aged 40 years, is engaged in the manufacturing business. He follows mercantile system of accounting. The details pertaining to his business for the year ending on 31.3.2024 is as under –

Particulars	Amount (₹)
Capital receipts	1.20 crores
Turnover	2.80 crores
Amount received in cash [out of turnover]	8 lakhs
Amount received in cash [out of capital receipts]	2 lakhs
Amount received through account payee cheque/ NEFT and other prescribed mode on or before the specified date u/s 139(1) [out of turnover]	2.50 crores
Total payment	1.60 crores
Cash payment [out of total payments]	9 lakhs
Net profit as per books of account	10.50 lakhs

An analysis of profit and loss for the year ended on 31.3.2024 revealed the following information

1. Salary incudes wages of ₹ 15,000 p.m. each paid to 1 security guard, 2 housekeeping staff in cash.
2. Other administration expenses include ₹ 70,000 paid in cash (Payment in a day is less than ₹ 8,000).
3. Interest charges includes interest payable on loan to Kamal of ₹ 70,000 on which TDS has not been deducted. Loan was taken for the business purpose.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Is Mr. Naveen eligible to declare income on presumptive basis under the provisions of the Income-tax Act, 1961 for A.Y. 2024-25?
   (a) No, since turnover of Mr. Naveen exceeds the threshold limit of ₹ 2 crores.
   (b) Yes, since aggregate cash receipts during the year do not exceed 5% of total amount received.
   (c) Yes, since amount received in cash during the year do not exceed 5% of turnover.
   (d) No, as cash payments during the year exceed 5% of aggregate payments.
2. What would be your answer to MCQ 1, assuming for the purpose of answering this MCQ and MCQ 3 that Mr. Naveen has additionally received ₹ 10 lakhs by way of crossed cheque [out of turnover] during the P.Y. 2023-24?
   (a) No, since turnover of Mr. Naveen exceeds the threshold limit of ₹ 2 crore.
   (b) No, since the aggregate cash receipts during the year exceed 5% of turnover.
   (c) No, as cash payments during the year exceed 5% of aggregate payments.
   (d) No, due to both (a) and (b)
3. Is Mr. Naveen required to get his books of account audited during the P.Y. 2023-24?
   (a) No, since turnover of Mr. Naveen does not exceed the threshold limit of ₹ 10 crores.
   (b) Yes, since amount received in cash during the year exceeds 5% of turnover.
   (c) Yes, since cash payments during the year exceed 5% of aggregate payments.
   (d) No, since the amount received in cash during the year does not exceed 5% of total amount received.
4. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Naveen as per books of account?
   (a) ₹ 10,50,000
   (b) ₹ 16,11,000
   (c) ₹ 16,81,000
   (d) ₹ 16,60,000

5. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Naveen if he does not want to get his books of account audited?
   (a) ₹ 17,40,000
   (b) ₹ 16,96,000
   (c) ₹ 22,40,000
   (d) ₹ 16,80,000

Answer

1.	(c)	2.	(d)	3.	(c)	4.	(b)	5.	(a)

Question 7 [Topic Covered: SEZ, 35AD & 115BAC]

Sagar LLP is an LLP unit set up in Special Economic Zone (SEZ) in the financial year 2018-19 for manufacture of textiles. The unit fulfils all the conditions u/s 10AA of the Income-tax Act, 1961. The details of this unit for the financial year 2023-24 are given:

Particulars	₹
Profits of unit located in SEZ	58,00,000
Export sales of above unit received in India in convertible foreign exchange on or before 30.9.2024	1,00,00,000
Domestic sales of above unit	60,00,000

Sagar LLP has three partners, Mr. Ram, Mr. Shyam and Mr. Ganesh. Mr. Ram and Mr. Shyam are working partners while Mr. Ganesh is a non-working partner. All the three partners are receiving remuneration of ₹ 1 lakh per month from the LLP which is already debited to the profits and loss account of the LLP.

Apart from this, Mr. Ganesh was employed in XYZ Ltd. till 30.9.2023 and having a salary of ₹ 80,000 per month. He resigned then and decided to start his own business. He set up a warehousing facility in Pune for storage of agricultural produce, fulfilling the conditions for claim of deduction u/s 35AD. Capital expenditure in respect of warehouse amounted to ₹ 90 lakhs (including cost of land ₹ 30 lakhs) was incurred during the P.Y. 2023-24. The warehouse became operational with effect from 1st December 2023. The profit from operation of warehousing facility (before considering deduction u/s 35AD) during the F.Y. 2023-24 is ₹ 1,10,00,000.

He pays lumpsum premium of ₹ 90,000 towards health insurance for self and his wife (age 43 years) for 36 months on 01.10.2023 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

From the information given above, choose the **most appropriate answer** to the following questions –

1. What is the amount of remuneration allowable as deduction to the LLP for A.Y.2024-25 under the head "Profits and gains of business or profession"?
   (a) ₹ 36.00 lakhs
   (b) ₹ 57.30 lakhs
   (c) ₹ 35.70 lakhs
   (d) ₹ 24.00 lakhs
2. What is the amount of deduction available u/s 10AA to Sagar LLP and u/s 35AD to Mr. Ganesh while computing income under the regular provisions of the Income-tax Act, 1961 for A.Y.2024-25?
   (a) ₹ 36.25 lakhs and ₹ 60 lakhs, respectively
   (b) ₹ 21.875 lakhs and ₹ 60 lakhs, respectively
   (c) ₹ 18.125 lakhs and ₹ 60 lakhs, respectively
   (d) ₹ 21.875 lakhs and ₹ 90 lakhs, respectively

3. What is the total income of Mr. Ganesh under the regular provisions of the Income-tax Act, 1961 for A.Y.2024-25?
   (a) ₹ 52,57,500
   (b) ₹ 52,55,000
   (c) ₹ 53,05,000
   (d) ₹ 64,55,000
4. What is the tax liability (rounded off) of Mr. Ganesh under default tax regime u/s 115BAC for A.Y.2024-25?
   (a) ₹ 37,42,280
   (b) ₹ 40,18,560
   (c) ₹ 36,34,640
   (d) ₹ 40,65,200
5. What is the tax liability (rounded off) of Mr. Ganesh if he has opted out of the default tax regime for A.Y.2024-25?
   (a) ₹ 15,89,870
   (b) ₹ 24,24,460
   (c) ₹ 15,89,020
   (d) ₹ 24,90,280

Answer

1.	(d)	**2.**	(b)	**3.**	(a)	**4.**	(c)	**5.**	(b)

Question 8 [Topic Covered: Total Income & Tax Liability]

Mr. Rajesh is a working partner in M/s Sunflower Associates, a partnership firm. Mr. Rajesh has contributed ₹ 15 lakhs as capital in the firm.

Partnership deed authorises payment of interest to partners @ 13% and also payment of remuneration to partners @20,000 per month. Whole of the remuneration is allowable as deduction to M/s Sunflower Associates.

Mr. Rajesh has set up a unit in SEZ in May, 2017. The total turnover, export turnover and net profit for the year ended 31.3.2024 were ₹ 120 lakhs, ₹ 45 lakhs and ₹ 7.5 lakhs respectively. Out of the export turnover of ₹ 45 lakhs, only ₹ 40 lakhs has been received in convertible foreign exchange by 30.9.2024.

During the P.Y. 2023-24, Mr. Rajesh has commenced a business of warehousing facility for storage of edible oil. The net profit of this business as per profit & loss account is ₹ 7,50,000. The following items are debited to Profit & Loss Account:

(i) Personal drawings ₹ 70,000
(ii) Advance income-tax paid ₹ 1,00,000
(iii) Purchase of warehouse building of ₹ 10 lakhs on 10.6.2023 for the purpose of storage of edible oil.

The following items are credited to Profit & Loss account:

(i) Interest on saving bank account with post office ₹ 15,000
(ii) Interest on fixed deposit with SBI ₹ 20,000
(iii) Dividend from Indian companies (Gross) ₹ 32,000

He has paid the premium of ₹ 60,000 on life insurance policy in the name of her married daughter. The policy was taken on 1.10.2018 and the sum assured being ₹ 5,00,000.

Compute the total income and tax payable by Mr. Rajesh for the A.Y. 2024-25 under default tax regime and normal provisions of the Act.

Answer

Computation of total income of Mr. Rajesh for the A.Y. 2024-25 under default tax regime u/s 115BAC

	Particulars	Amount (in ₹)	
I	**Profits and gains of business and profession**		
	Income from firm M/s Sunflower Associates		
	Interest on capital@13% p.a. on ₹ 15 lakhs, restricted to 12%, which is the maximum deduction allowable in the hands of the firm	1,80,000	
	Salary to Mr. Rajesh as a working partner, which is allowable as deduction in the hands of firm (₹ 20,000 x 12)	2,40,000	4,20,000
	Profit from SEZ unit		
	Net profit from SEZ unit		7,50,000
	Income from warehousing facility for storage of edible oil		
	Net profit as per profit and loss account	7,50,000	
	***Less:* Income credited to profit and loss account but taxable under the head 'Income from**		
	Other Sources'		
	Interest on savings bank A/c with post office	15,000	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	32,000	
		6,83,000	
	***Add:* Payments not allowable as deduction**		
	Advance income-tax paid disallowed u/s 40(a)(ii)	1,00,000	
	Personal drawings disallowed u/s 37	70,000	
	Purchase of building	10,00,000	
		18,53,000	
	Less: Depreciation on building [₹ 10,00,000 x 10%]	1,00,000	17,53,000
II	**Income from Other Sources**		
	Interest on savings bank 15,000		
	A/c with post office		
	Less: Exempt u/s 10(15) 3,500	11,500	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	32,000	63,500
	Gross Total Income/ Total Income		29,86,500
	[No deduction u/s 80C,		
	80TTA and 10AA would be allowable]		

Computation of tax payable under default tax regime for A.Y. 2024-25

	₹	₹
Tax on total income of ₹ 29,86,500		
On first ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 - ₹ 29,86,500 [@30% of ₹ 14,86,500]	4,45,950	
		5,95,950
Add: Health and Education cess @4%		23,838
		6,19,788
Less: Advance income-tax paid		1,00,000
Tax payable		5,19,788
Tax Payable (Rounded off)		5,19,790

Computation of total income of Mr. Rajesh for the A.Y. 2024-25 under normal provisions of the Act

Particulars	**Amount (in ₹)**	
Gross Total Income as per section 115BAC	29,86,500	
***Less:* Deduction u/s 10AA**	1,25,000	**28,61,500**
[₹ 7,50,000 x 40,00,000/ ₹ 1,20,00,000 x 50%, being seventh year of operation]		
***Less:* Deduction under Chapter VI-A**		
Deduction u/s 80C		
Life insurance premium [maximum 10% of sum assured]	50,000	
Deduction u/s 80TTA		
Interest on saving bank account with post office, restricted to	10,000	60,000
Total Income		**28,01,500**

Computation of tax payable by Mr. Rajesh for A.Y. 2024-25 under the regular provisions of the Act

Particulars	**₹**	**₹**
Tax on total income of ₹ 28,01,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 - ₹ 28,01,500 [@30% of ₹ 18,01,500]	5,40,450	6,52,950
Add: Health and education cess@4%		26,118
Total tax liability		**6,79,068**

Less: Advance income-tax paid		1,00,000
Tax payable		5,79,068
Tax payable (rounded off)		**5,79,070**

Computation of adjusted total income and AMT of Mr. Rajesh for A.Y. 2024-25

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		**28,01,500**
Add: Deduction u/s 10AA		1,25,000
Adjusted Total Income		**29,26,500**
Alternative Minimum Tax@18.5%		5,41,403
Add: Health and education cess@4%		21,656
Total tax liability		**5,63,059**
Less: Advance income-tax paid		1,00,000
Tax payable		**4,63,059**
Tax payable (rounded off)		**4,63,060**

Since alternate minimum tax payable is less than the regular income-tax payable, tax payable under normal provisions of the Act is ₹ 5,79,070.

Question 9 [Topic Covered: Total Income]

Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:

(i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.

(ii) As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.

(iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before 30.9.2024. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 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 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st September 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 ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.

(vi) He also sold his vacant land on 01.12.2023 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. 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 ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

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

Answer

Computation of total income of Mr. Sunil for A.Y. 2024-25 under default tax regime u/s 115BAC

	Particulars	₹	₹	₹
I	**Income from house property Let out portion [First floor]**			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,95,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 25,000/2]		12,500	
	Net Annual Value (NAV)		2,82,500	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,82,500	84,750		
	(b) Interest on housing loan [₹ 1,50,000/2]	75,000	1,59,750	
			1,22,750	
	Self-occupied portion [Ground Floor]			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan [Not allowable u/s 115BAC]		Nil	
	Income from house property		Nil	1,22,750
II	**Profits and gains of business or profession**			
	Income from SEZ unit			40,00,000
III	**Capital Gains**			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed actual consideration by more than 10%]		15,00,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 348/100]		13,92,000	1,08,000
	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 ₹ 4 lakhs.			

	Particulars	₹	₹	₹
IV	**Income from Other Sources**			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		40,000	70,000
	Gross Total Income			**43,00,750**
	***Less*: Deduction under Chapter VI-A**			
	Deduction u/s 80JJAA			7,12,800
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 for 240 days or more during the P.Y. 2023-24 allowable as deduction [30% of ₹ 23,76,000 (12 x 18,000 x 11)]			
	As per section 115BAC, no deduction u/s 10AA or under Chapter VI-A is allowable except u/s 80JJAA			
	Total Income			**35,87,950**

Computation of tax liability of Mr. Sunil u/s 115BAC

Particulars	₹	₹
Tax on total income of ₹ 35,87,950		
Tax on LTCG of ₹ 1,08,000@20%		21,600
Tax on remaining total income of ₹ 34,79,950		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 34,79,950 [@30% of ₹ 19,79,950]	5,93,985	7,43,985
		7,65,585
Add: Health and education cess@4%		30,623
Total tax liability		7,96,208
Tax liability (rounded off)		**7,96,210**

Note - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

Computation of total income of Mr. Sunil for A.Y. 2024-25 under normal provisions of the Act

Particulars	₹	₹
Gross Total Income as per default tax regime u/s 115BAC		**43,00,750**
Less: Interest on borrowing in respect of self- occupied house property [₹ 1,50,000/2]		75,000
Gross Total Income as per section 115BAC		**42,25,750**
***Less:* Deduction u/s 10AA**		12,00,000

[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 5th year of operations]		
[Profits of the SEZ x Export Turnover received in convertible foreign exchange/Total Turnover] x 100% [₹ 40 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]		
***Less*: Deduction under Chapter VI-A**		
Deduction u/s 80C		
Repayment of principal amount of housing loan	80,000	
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Sunil	40,000	1,20,000
Deduction u/s 80JJAA [As computed above]		7,12,800
Deduction u/s 80TTA		10,000
Interest on savings bank account, restricted to ₹ 10,000		
Total Income as per regular provisions of the Act		**21,82,950**

Computation of tax liability of Mr. Sunil for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 21,82,950		
Tax on LTCG of ₹ 1,08,000@20%		21,600
Tax on remaining total income of ₹ 20,74,950		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 – ₹ 20,74,950[@30% of ₹ 10,74,950]	3,22,485	4,34,985
		4,56,585
Add: Health and education cess@4%		18,263
Total tax liability		4,74,848
Tax liability (rounded off)		**4,74,850**

Computation of adjusted total income and AMT of Mr. Sunil for A.Y. 2024-25

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	**21,82,950**
***Add:* Deduction u/s 10AA**	12,00,000
Deduction u/s 80JJAA	7,12,800
Adjusted Total Income	**40,95,750**
Alternative Minimum Tax@18.5%	7,57,714
Add: Health and education cess@4%	30,309

Particulars	₹
AMT liability	**7,88,023**
AMT liability (rounded off)	**7,88,020**

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 cess@4%. Therefore, liability as per section 115JC is ₹ 7,88,020.

Since, tax liability as per section 115BAC of **₹ 7,96,210** is higher than the tax liability of **₹ 7,88,020,** being higher of AMT liability and tax liability computed as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Sunil to exercise the option to shift out of the default tax regime u/s 115BAC. In such a case, his tax liability would be ₹ 7,88,020 and Mr. Sunil would be eligible to carry forward the AMT credit of ₹ 3,13,170 (₹ 7,88,020 - ₹ 4,74,850).

Question 10 [Topics Covered : Residential Status]

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.

(b) 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?

Answer

I. U/s 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	-	5 days
Total		177 days
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]	-	Nil
Total		16 days

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		₹	₹
Income from house property			
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 u/s 24			
30% of NAV	82,500		
Interest on loan	97,500	1,80,000	95,000
Income from other sources			
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 u/s 56(2)(x) since the aggregate of ₹ 1,72,000 exceeds ₹ 50,000. **(See Note 2 below)**		1,72,000	1,72,000
Total income			**2,67,000**

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
Total tax liability	**884**
Total tax liability (rounded off)	**880**

Notes:

1. 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.
2. 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 u/s 56(2)(x).
3. Since Miss Charlie is a non-resident for the A.Y. 2024-25, rebate u/s 87A would not be available to her, even though her total income does not exceed ₹ 5 lacs.

4. 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 u/s 24(b), for interest on housing loan in respect of let out property under regular provisions as well as u/s 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 11 [Topic Covered: Residential Status]

Ms. Rita, an Indian citizen and an MBA from Howard University, was employed in AFL LLP of Country A since June, 2016. She came to India on 15.11.2023 and joined as CEO of Autofit Ltd. Ms. Rita was in India before she left for overseas education in May, 2012 and was subsequently employed outside India and never visited India thereafter. There is no income-tax in Country A. She has earned interest income of ₹ 2,40,000 (net) in Country A and salary income from AFL LLP of ₹ 15 lakhs up to the date of her return to India in the financial year 2023-24.

Salary income (computed) of Ms. Rita from Autofit Ltd. up to 31.03.2024 is ₹ 13,50,000 and she earned dividend of ₹ 3,00,000 from shares of an Indian company.

What would be the residential status of Ms. Rita and her total income for the A.Y. 2024-25?

Answer

Determination of residential status of Ms. Rita for the A.Y. 2024 -25

As per section 6(1), in order to be a resident of India in the P.Y.2023 -24, Ms. Rita should satisfy either of the following two conditions -

(1) Her stay in India should be for a period of 182 days or more in the P.Y.2023-24; or

(2) Her stay in India should be for a period of 60 days or more in the P.Y.2023-24 and for a period of 365 days or more in the four immediately preceding previous years.

Ms. Rita's stay in India in the P.Y.2023-24 is 138 days (i.e., 16 days + 31 days +31 days + 29 days + 31 days). She left India in May, 2012 and never visited India thereafter. Her stay in India in the four immediately preceding previous years would be Nil.

Therefore, she does not satisfy either condition (1) or condition (2) for being a resident.

As per section 6(1A), an individual who is a citizen of India would be deemed to be a resident of India if his total income, other than income from foreign sources, exceed ₹ 15 lakh during the relevant previous year and he is not liable to tax in any other country by reason of his domicile or residence or any other criteria of similar nature.

Ms. Rita's total income, other than income from foreign sources, would be ₹ 16,50,000 for A.Y.2024-25 as shown below -

Particulars	₹
Salary income from Autofit Ltd. [Computed] [Accrues or arises in India]	13,50,000
Dividend from shares of an Indian company [Accrues or arises in India]	3,00,000
	16,50,000

Since Ms. Rita is a citizen of India who is not liable to pay income-tax in Country A and her total income, other than income from foreign sources, exceed ₹ 15 lakhs, she would be deemed resident in India u/s 6(1A) for A.Y.2024-25. A deemed resident is, by default, a resident but not ordinarily resident.

In case of a resident but not ordinarily resident, income accrues or arises, deemed to accrue or arise and received or deemed to be received in India, is taxable. In addition, Income which accrues or arises outside India would also be taxable if it is derived from a business controlled in or a profession set up in India.

Ms. Rita's total income for A.Y. 2024-25

Particulars	₹
Salary income from AFL LLP [Not taxable since it accrues or arises outside India]	-
Salary income from Autofit Ltd. [Computed]	13,50,000
Interest income in Country A [Not taxable since it accrues or arises outside India]	-
Dividend from shares of an Indian company	3,00,000
Total Income	**16,50,000**

Question 12 [Topic Covered: Residential Status]

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
Germany	10 January, 2024 to 24 March, 2024

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 ₹ 15,00,000. 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

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 179 days i.e., 366 days – 186 days [78 days + 34 days + 75 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
Gross Total Income			**14,60,500**
Less: Deduction u/s 80TTB			10,500
Total Income			**14,50,000**

Question 13 [Topic Covered: Salary HRA & RFA]

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 u/s 115BAC. **[SM/MTP Q.]**

Answer

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 ₹ 2,00,000 + 10% of 2,80,000)		N.A.	58,000
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	

Particulars	Option I – HRA (₹)	Option II – RFA(₹)
Gross Salary	**5,46,000**	**5,38,000**
Less: Standard deduction u/s 16(ia)	50,000	50,000
Net Salary	**4,96,000**	**4,88,000**
Less: Deduction under Chapter VI-A	-	-
Total Income	**4,96,000**	**4,88,000**
Tax on total income	**12,300**	**11,900**
Less: Rebate u/s 87A - Lower of ₹ 12,500 or income-tax of ₹ 12,300 & 11,900, since total income does not exceed ₹ 5,00,000	12,300	11,900
	Nil	Nil

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	Nil
Net Inflow	**4,98,000**	**4,80,000**

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 14 [Topic Covered: Salary]

Mr. Rohan, an employee of ABC Ltd. is posted at Mumbai. He was appointed on 1st March 2023 on the scale of ₹ 60,000 - ₹ 2,000 -₹ 80,000. Details of his other income for the previous year 2023-24 are as follows:

(i) Dearness allowance: 40% of basic salary (60% forms part of pay for retirement benefits)

(ii) Telephone allowance @₹500 per month

(iii) Both Mr. Rohan and the company contribute 15% of basic salary to RPF. Interest accrued in this Fund@12% p.a. amounted to ₹ 25,800.

(iv) The company has provided him with the rent free unfurnished accommodation in Mumbai owned by the company.

(v) The salary of ₹ 2,500 p.m. of domestic servant is reimbursed by the company.

(vi) Rohan has used his own motor car of 1.8 ltr engine capacity for both official and personal purposes. The running and maintenance costs of ₹ 50,000 are borne by the company.

(vii) Professional tax paid ₹ 2,500 of which ₹ 1,500 was paid by the employer.

(viii) During the year 2022-23, Mr. Rohan gifted a sum of ₹ 6,00,000 to Mrs. Rohan. She started a business by introducing such amount as her capital. On 1st April, 2023, her total investment in business was ₹ 10,00,000. During the previous year 2023-24, she has suffered a loss of ₹ 1,20,000 from such business

Determine the gross total income of Mr. Rohan for the A.Y. 2024-25 under normal provisions of the Act.

Answer

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

	Particulars	Amount (₹)	Amount (₹)
I	**Salaries**		
	Basic Salary (₹ 60,000 x 11 + ₹ 62,000 x 1)		7,22,000
	Dearness Allowance (40% of ₹ 7,22,000)		2,88,800
	Telephone allowance (₹ 500 x 12)		6,000
	Employer's contribution to RPF (15% of ₹ 7,22,000)	1,08,300	
	Less: Exempt [12% of salary i.e., 12% x 8,95,280 (7,22,000 + 60% of 2,88,800)	1,07,434	866
	Interest accrued in the RPF@12%	25,800	
	Less: Exempt @9.5% p.a.	20,425	5,375
	Value of Rent Free accommodation		
	From April 2023 to August 2023	56,175	
	[15% of ₹ 3,74,500 i.e., ₹ 3,00,000 (60,000 x5) + 72,000 (₹ 3,00,000 x 40% x 60%) +₹ 2,500 (₹ 500 x 5)]		
	From September 2023 to March 2024		
	[10% of ₹ 5,26,780 i.e., ₹ 4,22,000 (60,000 x 6 + 62,000 x 1) + 1,01,280 (₹ 4,22,000 x40% x 60%) + ₹ 3,500 (₹ 500 x 7)]	52,678	1,08,853
	Reimbursement of salary of domestic servant [₹ 2,500 x 12]		30,000
	Perquisite value of motor car		
	Running and maintenance costs incurred by employer	50,000	
	Less: Specified as per Rule 3 [₹ 2,400 x 12]	28,800	21,200
	Professional tax paid by employer		1,500
	Gross Salary		**11,84,594**
	Less: Deduction u/s 16		
	Standard deduction	50,000	
	Professional tax paid	2,500	52,500
	Taxable Salary		**11,32,094**
II	**Profit and gains from business or profession**		
	Where the amount of Mr. Rohan (₹ 6 lakh, in this case) is invested by Mrs. Rohan in a business as her capital, proportionate share of profit or loss, as the case may be, computing taking into account the value of the investment as on 1.4.2023 to the total investment in the business (₹ 10 lakhs) would be included in the income of Mr. Rohan [loss of ₹ 1,20,000 x 6/10]	(72,000)	-
	[Business loss of ₹ 72,000 cannot be set off against salary income. It has to be carried forward to next year]		
	Gross Total Income		**11,32,094**

Question 15 [Topic Covered: Salary]

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

Answer

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
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
Allotment of sweat equity shares		
Fair market value of 800 sweat equity shares @ ₹ 700 each	5,60,000	
Less: Amount recovered @ ₹ 450 each	3,60,000	2,00,000
Use of furniture by employee		
10% p.a. of the actual cost of ₹ 1,10,000		11,000
Use of Laptop		
Facility of use of laptop is not a taxable perquisite		Nil
Transfer of asset to employee		
Value of furniture transferred to Mr. Samaksh	1,10,000	

Particulars	**₹**	**₹**
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
Gross Salary		**15,22,291**
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000
Net Salary		**14,72,291**

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
January, 2024	13,50,000	3,937.50
February, 2024	13,50,000	3,937.50
March, 2024	13,00,000	3,792
Total value of this perquisite		**49,290.50**

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 16 [Topic Covered: House Property]

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

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 u/s 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 u/s 24		
(a) 30% of net annual value		16,800
(b) interest on borrowed capital		
Current year interest		
₹10,00,000 x 10% = ₹1,00,000	50,000	50,000
Pre-construction interest		
₹10,00,000 x 10% x 21/12 = ₹1,75,000 ₹1,75,000 allowed in 5 equal installments ₹1,75,000/5 = ₹35,000 per annum	17,500	17,500
Total deduction u/s 24	67,500	84,300
Income from house property (A)-(B)	**(67,500)**	**(28,300)**
Loss under the head "Income from house property" of Mr. Vikas (both ground floor and first floor)	**(95,800)**	

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 x 6 /12 = ₹50,000 Municipal value = 72,000 x 6/12 = ₹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 17 [Topic Covered: House Property]

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 u/s 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 u/s 115BAC(1A).

Answer

(i) If Arun and Bimal pay tax under the default tax regime u/s 115BAC

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

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

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

Particulars	₹	₹
Let-out portion (75%)		
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 u/s 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
Income from let-out portion of house property		**2,51,700**
Share of each co-owner (50%)		**1,25,850**

(ii) If Arun and Bimal have exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A)

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

Particulars	Arun (₹)	Bimal (₹)
Income from house property		
I. Self-occupied portion (25%)		
Annual value	Nil	Nil
Less: Deduction u/s 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 u/s 115BAC(1A)]		
Loss from self occupied property	37,500	37,500
II. Let-out portion (75%) – See Working Note above	(37,500)	(37,500)
Income from house property	1,25,850	1,25,850
Other Income	**88,350**	**88,350**
	2,90,000	1,80,000
Total Income	**3,78,350**	**2,68,350**

Question 18 [Topics Covered : Capital Gain Slump Sale]

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

Liabilities	₹	Assets	Unit 1 ₹	Unit 2 ₹	Total
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				
	40,00,000		**16,75,000**	**23,25,000**	**40,00,000**

Other Information:

1. 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.
2. No individual value of any asset is considered in the transfer deed.
3. Patents were acquired on 01-12-2021 on which no depreciation has been provided.
4. Furniture of Unit 2 of ₹ 5,00,000 were purchased on 01-12-2022 on which no depreciation has been provided.
5. 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

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]	78,000
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 **(Note 1)**	13,35,781
Long term capital gains arising on slump sale	**3,96,219**
(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 u/s 43(6)	
(i) Furniture ***(See Note 2)***	4,75,000
(ii) Patents ***(See Note 3)***	4,75,781

Particulars		₹
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	4,65,000
Net worth of unit 2		**13,35,781**

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	25,000
WDV as on 1.4.2023	**4,75,000**

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	90,625
WDV as on 1.4.2022	6,34,375
Less: Depreciation@25% for Financial Year 2022-23	1,58,594
WDV as on 1.4.2023	**4,75,781**

Question 19 [Topic Covered: Capital Gain]

Mr. Rajkumar bought a residential house for ₹ 5 crores in March 2016. He entered into an agreement for sale of the said residential house with Ms. Nikita (not a relative) in July 2023 for ₹ 17 crores. The sale proceeds were to be paid in the following manner:

(i) 10% through account payee bank draft on the date of agreement.

(ii) 80% on the date of the possession of the property.

(iii) Balance after the completion of the registration of the title of the property.

Ms. Nikita was handed over the possession of the property on 10.11.2023 and the registration process was completed on 05.02.2024. She paid the sale proceeds as per the sale agreement.

Value of property for stamp duty in July 2023 was ₹ 19 crores. Subsequently, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 20 crores on 05.02.2024. Mr. Rajkumar paid 1% as brokerage on sale consideration received.

Subsequent to sale, he purchased another residential house for ₹ 13 crores in Mumbai in March 2024.

You are required to compute the capital gains chargeable to tax in the hands of Mr. Rajkumar for A.Y. 2024-25.

What would be the capital gain, if any, in A.Y. 2025-26 if Mr. Rajkumar transfers the new residential house in December 2024 for ₹ 15 crores?

CII: 2015-16: 254; 2023-24: 348

Answer

Computation of capital gains of Mr. Rajkumar for A.Y. 2024-25

Particulars	₹ (in crores)
Actual sale consideration ₹ 17 crores Value adopted by Stamp Valuation Authority ₹ 19 crores [Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through prescribed electronic modes on or before the date of agreement. In this case, since advance of ₹ 1.7 crores is received by account payee bank draft, stamp duty value on the date of agreement can be adopted as the full value of consideration.	
Gross Sale consideration (Stamp duty value on the date of agreement, since it exceeds 110% of the actual consideration)	19
Less: Brokerage @1% of sale consideration (1% of ₹ 17 crores)	0.17
Net Sale consideration	18.83
Less: Indexed cost of acquisition	6.85
[₹ 5 crores x 348/254]	
Long term capital gains	11.98
[Since the residential house property was held by Mr. Rajkumar for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]	
***Less:* Exemption u/s 54**	10
Where long-term capital gains exceed ₹ 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. However, if the cost of new residential house exceeds ₹ 10 crores, the amount exceeding ₹ 10 crore would not be taken into account for exemption. Therefore, in the present case, the exemption would be available in respect of the residential house acquired in Mumbai and to the extent of ₹ 10 crores only.	
Long term capital gains chargeable to tax	**1.98**

Computation of capital gains of Mr. Rajkumar for A.Y. 2025-26

Particulars	₹ (in crores)
Sale consideration	15
Less: Cost of acquisition (-) capital gains exempt in A.Y. 2024-25 (₹ 13 – ₹ 10)	3
Short term capital gains chargeable to tax	12
Since the residential house property was held by Mr. Rajkumar for not more than 24 months immediately preceding the date of its transfer]	

Question 20 [Topic Covered: Capital gain]

Mr. Pankaj, an Indian resident, purchased a residential house property at Kanpur on 20.08.1998 for ₹ 20.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 28.5 lakhs and ₹ 25 lakhs, respectively. On 05.02.2016, Mr. Pankaj entered into an agreement with Mr. Gyan for the sale of such property for ₹ 61 lakhs and received an amount of ₹ 2.5 lakhs as advance. However, as Mr. Gyan did not pay the balance amount, Mr. Pankaj forfeited the advance.

On 10.05.2023, Mr. Pankaj sold the house property to Mr. Rohan for ₹ 1.50 crores, when the stamp duty value of the property was ₹ 2 crores. Further, he purchased two residential house properties at Delhi and Mumbai for ₹ 57 lakhs each on 28.09.2024. Mr. Pankaj has no other income during the P.Y. 2023-24.

On 31.01.2025, Mr. Pankaj decided to sell the house property at Mumbai to his brother, Mr. Gaurav, for ₹ 58 lakhs, from whom ₹ 25,000 was received in cash on 15.01.2025 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2025 on receipt of the balance amount through account payee cheque from Mr. Gaurav. The stamp duty value of house property at Mumbai on 31.01.2025 and 30.03.2025 was ₹ 61 lakhs and ₹ 64 lakhs, respectively.

Cost inflation index –

P.Y. 2023-24: 348; P.Y. 2015-16: 254; P.Y. 2001-02: 100

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

1. What shall be the indexed cost of acquisition of residential house property at Kanpur for computation of capital gains in the hands of Mr. Pankaj?
   (a) ₹ 78,30,000
   (b) ₹ 87,00,000
   (c) ₹ 90,48,000
   (d) ₹ 99,18,000
2. The amount of capital gains taxable for A.Y. 2024-25 in the hands of Mr. Pankaj for sale of residential house property at Kanpur is -
   (a) Nil
   (b) (₹ 1,00,000)
   (c) ₹ 63,00,000
   (d) ₹ 1,13,00,000
3. The amount of capital gains taxable for A.Y. 2025-26 in the hands of Mr. Pankaj for sale of residential house property at Mumbai is -
   (a) ₹ 8 lakhs
   (b) ₹ 7 lakhs
   (c) ₹ 4 lakhs
   (d) ₹ 1 lakh
4. The amount taxable u/s 56(2)(x) in the hands of Mr. Gaurav, if any, is -
   (a) Nil
   (b) ₹ 1 lakh
   (c) ₹ 3 lakhs
   (d) ₹ 6 lakhs
5. What shall be the tax credit available with Mr. Pankaj with respect to sale of property at Kanpur during P.Y. 2023-24 assuming the tax was fully deducted by Mr. Rohan?
   (a) ₹ 2,00,000
   (b) ₹ 1,50,000
   (c) ₹ 1,00,000
   (d) ₹ 87,000

6. Is Mr. Pankaj required to file his return of income for A.Y. 2024-25?
   (a) Yes, since his total income exceeds the basic exemption limit
   (b) No, since his total income does not exceed the basic exemption limit
   (c) Yes, since tax deducted in his case exceeds ₹ 25,000
   (d) Yes, since his total income before exemption u/s 54 exceeds the basic exemption limit

Answer

1.	(b)	**2.**	(d)	**3.**	(b)	**4.**	(a)	**5.**	(a)
6.	(a)								

Question 21 [Topic Covered: Capital Gain]

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].

Answer

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

Particulars	₹
Capital Gains	
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 u/s 54EC	50,00,000
Capital gains chargeable to tax for A.Y.2024-25	**21,65,192**
Business Income	
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
Business income chargeable to tax for A.Y.2024-25	**60,00,000**

Notes:

(1) The conversion of a capital asset into stock-in-trade is treated as a transfer u/s 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 u/s 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 u/s 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction u/s 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 22 [Topic Covered: IFOS & Capital Gain]

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

Computation of "Income from other sources" of Mr. A for the A.Y. 2024-25

	Particulars	₹
(1)	Cash gift is taxable u/s 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 u/s 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 u/s 56(2)(x) since the difference exceeds ₹ 2,00,000, being the higher of ₹ 50,000 and 10% of consideration	3,00,000
	Income from Other Sources	**9,35,000**

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 u/s 56(2)(x) as per section 49(4)]	5,00,000
Short-term capital gains	**2,00,000**

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 23 [Topic Covered: IFOS LIP & Mix]

Mr. Akash (aged 47 years) is a CEO of BAC Enterprises (P) Ltd. During the P.Y.2023-24, he has earned the following income -

- Salary of ₹ 45 lakhs
- long-term capital gain on sale of listed equity shares (STT paid) amounting to ₹ 6,54,000
- dividend of ₹ 12,00,000 from shares of Indian companies
- interest on saving bank account with SBI of ₹ 16,000
- interest on fixed deposits with BOB of ₹ 45,000

Mr. Akash has made the following payments towards medical insurance premium for health policies taken for his family members:

- Medical premium for his spouse aged 43 years: ₹ 13,500 (by cheque)
- Medical premium for his mother aged 65 years: ₹ 26,670 (by cheque)
- Preventive health check-up of ₹ 5,500 each for his wife and mother in cash.

Mr. Akash also incurred medical expenses, by credit card, of ₹ 17,000 for the treatment of his mother and of ₹ 27,000 for his father who is 67 years old.

He has multiple life insurance policies. The details of such policies are given hereunder:

Particulars	X	Y	Z	A	B (Term insurance policy)
Date of issue	1.4.2017	1.4.2023	1.4.2025	1.4.2024	1.3.2023
Annual premium (excluding GST)	₹ 40,000	₹ 3,00,000	₹ 2,00,000	₹ 2,50,000	₹ 80,000
GST@18%	₹ 7,200	₹ 54,000	₹ 36,000	₹ 45,000	14,400
Total premium	₹ 47,200	₹ 3,54,000	₹ 2,36,000	₹ 2,95,000	₹ 94,400
Date of maturity	31.3.2026	31.3.2032	31.3.2034	31.3.2033	28.3.2056
Consideration received on maturity (including bonus)	₹ 7,00,000	₹ 36,00,000	₹ 28,00,000	₹ 30,00,000	-
Sum assured	₹ 5,00,000	₹ 33,00,000	₹ 25,00,000	₹ 27,00,000	₹ 2,00,00,000

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below, based on the provisions of the Income-tax Act, 1961 -

1. Which are the life insurance policies in respect of which Mr. Akash would be eligible for exemption u/s 10(10D) in respect of maturity proceeds? Choose the option most beneficial to Mr. Akash.
   (a) X, Y and Z
   (b) X and Y
   (c) X, Z and A
   (d) Y and Z
2. What would be your answer to MCQ 1, if Mr. Akash surrendered LIC A in A.Y. 2026-27 and claimed exemption u/s 10(10D) in respect of such LIC? This information is only for the purpose of this MCQ.
   (a) X, Y and Z
   (b) X and Y
   (c) X, Z and A
   (d) Y and Z
3. What would be the amount of deduction available to Mr. Akash under Chapter VI-A for the A.Y. 2024-25 if he has exercised the option to shift out of the default tax regime?
   (a) ₹ 82,170
   (b) ₹ 78,500
   (c) ₹ 2,28,500
   (d) ₹ 2,32,170
4. What is Mr. Akash's tax liability for A.Y.2024-25 under the default tax regime u/s 115BAC?
   (a) ₹ 16,97,350
   (b) ₹ 16,80,190
   (c) ₹ 18,41,270
   (d) ₹ 18,84,170
5. What is Mr. Akash's tax liability for A.Y.2024-25 if he has exercised the option to shift out of the default tax regime?
   (a) ₹ 17,30,470
   (b) ₹ 18,93,720
   (c) ₹ 17,29,210
   (d) ₹ 17,27,500

Answer

1.	(a)	**2.**	(c)	**3.**	(c)	**4.**	(b)	**5.**	(a)

Question 24 [Topic Covered: Clubbing “Cross Gift”]

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

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.

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 u/s 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 25 [Topics Covered : Clubbing of Income]

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.

(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

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 u/s 16(ia)				-
Salary of Komal	50,000	8,00,000		
Less: Standard deduction u/s 16(ia)	5,50,000			-
[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.]	50,000	5,00,000		-
Business Income				
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]		15,60,000		-
Interest on Fixed Deposit earned by Mrs. Komal		50,000		50,000
Total Income (before including minor's income)	[22,500/90 x 100 x 2]		[45,000/90 x 100]	
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]		-		9,00,000
[Exemption of ₹ 1,500 u/s 10(32) in respect of the income of each child so included not available under 115BAC]	60,000 -	29,10,000 60,000		9,50,000
Gross Total Income		**29,70,000**		**9,50,000**

Question 26 [Topic Covered: Set-off & C/F]

Mr. Mayank, a resident individual, furnished the following information in respect of income earned and losses incurred by him for the F.Y. 2023-24

Particulars	Amount (₹)
Income from Salary (Computed)	27,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has been paid both at the time of acquisition and sale	(1,25,000)
Income from let out property in Kanpur	5,50,000
Loss from let out property in Delhi	(3,75,000)
Interest on self-acquired property in Mumbai	(1,50,000)
Net winnings from online games (Net of TDS)	35,000
Profit and gains from manufacturing business (after deducting normal depreciation of ₹ 2,00,000 and additional depreciation of ₹ 50,000)	36,86,000

The other details of losses and unabsorbed depreciation pertaining to A.Y. 2023-24 are as follows:

Particulars	Amount
Business loss from manufacturing business	(5,35,000)
Unabsorbed normal depreciation	(2,10,000)
Loss from the activity of owning and maintaining the race horses	(1,50,000)
Loss from let out property in Delhi	(2,10,000)

Mr. Mayank filed his return of income for A.Y. 2023-24 on 28.7.2023 and opted for section 115BAC. Compute the Gross total income of Mr. Mayank for the A.Y. 2024-25 and the amount of loss, if any, that can be carried forward if he wants to continue with the provisions u/s 115BAC.

Answer

Computation of gross total income of Mr. Mayank for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from Salary (Computed)		27,40,000
Income from house property		
Income from let out property in Kanpur	5,50,000	
Less: Set off of loss from let out property in Delhi	(3,75,000)	
Less: Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Mayank is paying tax u/s 115BAC]	-	
Less: Loss from let out property in Delhi of A.Y. 2023-24 cannot be set off against income from house property of A.Y. 2024-25 since	-	
Mr. Mayank has paid tax u/s 115BAC during the A.Y. 2023-24 and no deduction in respect of loss of house property of that year will be allowed in any subsequent year.		1,75,000
Profits and gains from business or profession		
Profits from manufacturing business	36,86,000	
Add: Additional depreciation not allowable in case of section 115BAC	50,000	
	37,36,000	
Less: Brought forward business loss of A.Y. 2023-24	(5,35,000)	
Less: Unabsorbed normal depreciation	(2,10,000)	29,91,000
Capital Gains		
Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid can be set off only against long term capital gains.	(1,25,000)	
Hence, it has to be carried forward		-
Income from Other Sources		
Net winnings from online games [₹ 35,000/70%]		50,000
Gross Total Income		**59,56,000**

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Brought forward loss from the activity of owning and maintaining the race horses of A.Y. 2023-24 can be set off only against the income from the activity of owning and maintaining race horses. Hence, it has to be carried forward.	1,50,000
Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid	1,25,000

Question 27 [Topic Covered: TDS & TCS]

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:

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 –

1. 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
2. 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
3. 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

4. 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
5. 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

1.	**(a)**	**2.**	**(d)**	**3.**	**(a)**	**4.**	**(a)**	**5.**	**(d)**

Question 28 [Topic Covered: TDS & TCS]

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
- 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 Dubaibased 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:

1. 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?
   - (a) Yes; TCS of ₹ 2,000 on 29.9.2023 and TCS of ₹ 27,000 on 1.1.2024
   - (b) Yes; TCS of ₹ 500 on 29.9.2023 and TCS of ₹ 27,000 on 1.1.2024
   - (c) Yes; TCS of ₹ 500 on 29.9.2023 and TCS of ₹ 6,750 on 1.1.2024
   - (d) No tax is required to be collected at source since receipts do not exceed ₹ 7 lakh
2. 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?
   - (a) 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
   - (b) Yes; TCS of ₹ 17,500 on 11.10.2023 and TCS of ₹ 17,500 on 10.1.2024
   - (c) Yes; TCS of ₹ 1,750 on 11.10.2023 and TCS of ₹ 1,750 on 10.1.2024
   - (d) 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
3. 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

1.	**(c)**	**2.**	**(c)**	**3.**	**(a)**	**4.**	**(d)**	**5.**	**(d)**
6.	**(b)**								

Question 29 [Topic Covered: TDS & TCS]

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 u/s 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

(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 × 3 × 9% × 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 u/s 10(10D) in the hands of Mr. X. Therefore, tax is required to be deducted@5% u/s 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 u/s 10(10D) in his hands. Hence, no tax is required to be deducted at source u/s 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 u/s 10(10D) in the hands of Mr. Z, the tax deduction provisions u/s 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 u/s 194-IB. Thus, ₹ 27,500 [₹ 55,000 x 5% x 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 x 5% x 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 x 20% x 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 x 20% x 7], but the same has to be restricted to ₹ 55,000, being rent for December, 2023.

(vii) TDS provisions u/s 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 u/s 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 u/s 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 u/s 194J is, however, not applicable in respect of sum paid to a director.

Therefore, tax@10% has to be deducted at source u/s 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 form 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 u/s 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 u/s 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) <u>On payment of sale consideration for purchase of residential house property</u> – 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) <u>On payment of call centre service charges</u> **-** 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) <u>On payment of prize winnings of ₹ 21,000</u> -Tax is deductible @ 30% u/s 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 30 [Topic Covered: Return Filing]

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 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. 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.

Answer

Requirement of filing return of income

(i)	Yes, Mr. Albert is required to file his return of income for A.Y.2024-25. As per section 139(1)(b), an individual is required to file his return if his total income, without giving effect to deductions under, *inter alia,* 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, *inter alia*, 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.
(ii)	Yes, Mr. Ashish is required to file his return of income for A.Y.2024-25. 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). ***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.*
(iii)	Yes, M/s. ABC & Co. is required to file its return of income for A.Y.2024-25. 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.
(iv)	Yes, XYZ (P) Ltd. is required to file its return of income for A.Y.2024-25. 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.
(v)	Yes, Mr. Vallish is required to file his return of income for A.Y.2024-25. Gift of ₹ 50 lakhs received from son is not taxable u/s 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. 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, *inter alia*, the deposit in his savings account is ₹ 50 lakhs or more during the previous year. 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.

(vi)	Mrs. Sudha's income from house property would be ₹ 2,10,000 (₹ 3,00,000 *less* 30% of net 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 BONUS 1 [Topic Covered: Return Filing]

(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 u/s 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 u/s 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

(i) If any person fails to furnish a return within the time allowed to him u/s 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 u/s 139(1)

Carry forward and set-off of certain losses: Business loss, speculation business loss, loss from specified business u/s 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 u/s 139(1).

Interest u/s 234A: Interest u/s 234A@1% per month or part of the month for the period commencing from the date immediately following the due date u/s 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 u/s 234F: Fee of ₹ 5,000 would be payable u/s 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 u/s 44AB. Therefore, Mrs. Hetal cannot furnish her return of income for A.Y.2024-25 through a Tax Return Preparer.

Question BONUS 2 [Topic Covered: Residential Status, PAN & Adv Tax]

(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

(a) U/s 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
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 u/s 44AD.

Profits and gains from business computed u/s 44AD:

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

An eligible assessee opting for computation of profits and gains of business on presumptive basis u/s 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

Particulars	**Amount in ₹**	
Total Income	**8,30,000**	
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
Tax liability		**81,640**

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 – BONUS 3 [Topic Covered: Salary, Clubbing & Capital Gain]

(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:

(i) He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.

(ii) He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.

(iii) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.

(iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.

(v) He is receiving ₹5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.

(vi) The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution.

(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

(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 u/s 10(13A)	36,000	18,000
(i) House rent allowance actually received = ₹ 6,000 x 9 =₹ 54,000		
(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		
Gratuity	3,50,000	
Less: Least of the following exempt u/s 10(10)(ii)	3,50,000	Nil
(i) Actual Gratuity received ₹ 3,50,000		
(ii) 15 days salary for every year of completed service [15/26 x₹ 25,000 x 26] = ₹ 3,75,000		
(iii) Notified limit = ₹ 20,00,000		
Leave encashment	3,15,000	
Less: Least of the following exempt u/s 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 x ₹ 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]		
Uncommuted Pension received [₹ 5,000 x 1) + (₹ 5,000 x 2 x 40%)		9,000
Commuted Pension received	3,00,000	
Less: Exempt u/s 10(10A)		
1/3 x ₹ 3,00,000/60% x 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

Particulars	₹	₹
Mobile Phone received as gift from colleagues (Neither taxable under the head "Salaries" nor "Income from other sources", since taxability provisions u/s 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
Gross Salary		**4,50,333**
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000
Net Salary		**4,00,333**

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

Particulars	₹	₹
Capital Gains		
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		
Long term capital gain		**7,20,000**

(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 u/s 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 give case, since Mr. Subhash Aggarwal received the house property on total partition of the HUF, it would not be taxable in his hand.