

QUESTION BANK

FOR JAN 25

(CONTAINING RTP, MTP AND PYQ)



WITNESS UNMATCHED CONCEPTUAL TEACHING FOR CA INTERMEDIATE

By CA POOJA DATTE

COMBINED QUESTION – PGBP BASED

Question 1

Mr. Manohar, a resident individual, age 53 years provides consultancy services in the field of Taxation. His Income and Expenditure account for the year ended 31st March 2024 is as follows:

(RTP M-20 Q)

Income and Expenditure account for the year ending 31st March, 2024

Expenditure	Amount (₹)	Income	Amount (₹)
To Salary	4,00,000	By Consulting fees	58,00,000
To Motor car expenses	88,000	By Share of Profit from HUF	55,000
To Depreciation	87,500	By Interest on bank fixed deposits	25,000
To Medical expenses	70,000	By Interest on income tax refund	26,000
To Purchase of computer	90,000		
To Bonus	25,000		
To General expenses	1,05,000		
To Office & administrative	1,15,000		
To Excess of income over Expenditure	49,25,000		
	59,06,000		59,06,000

The following other information relates to the financial year 2023-24:

- (1) Salary includes a payment of ₹ 22,000 per month to his sister-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is ₹ 18,000 per month.
- (2) Witten down value of the assets as on 1st April, 2023 are as follow:
 - Motor Car (25% used for personal use) ₹ 3,50,000
 - Furniture and Fittings ₹ 80,000
- (3) Medical expenses include:
 - Family planning expenditure ₹ 15,000 incurred for the employees which was revenue in nature.
 - Medical expenses for his father ₹ 55,000. (Father's age is 65 years and he is not covered under any medical insurance policy). ₹ 2,500 incurred in cash and remaining by credit card.
- (4) The computer was purchased on 5th June, 2023 on credit. The total invoice was paid in the following manner:
 - ₹ 18,000 paid in cash as down payment on the date of purchase.
 - Remaining amount was paid through account payee cheque on 10th August, 2023.
- (5) Bonus was paid on 30th September, 2024.
- (6) General expenses include commission payment of ₹ 42,000 to Mr. Mahesh for the promotion of business on 17th September, 2023 without deduction of tax at source.
- (7) He also received gold coins from a family friend on the occasion of marriage anniversary on 15th November, 2023. The market value of the coins on the said date was ₹ 85,000.

The consultancy fees for the previous year 2022-23 was ₹ 52,50,300.

Compute the total income and the tax liability of Mr. Manohar for the AY 2024-25. Assume he has exercised the option to shift out of the default tax regime u/s 115BAC

Answer 1

Computation of Total Income of Mr. Manohar for the A.Y.2025-26

Particulars	₹	₹
Profit and gains from business or profession		
Net income as per Income and Expenditure Account		49,25,500
Add: Expenses debited but not allowable		
Excess salary of ₹ 4,000 per month to sister-in-law [not disallowed since sister-in-law does not fall within the definition of 'relative' u/s 2(41)]	-	
Motor car expenses attributable to personal use not allowable (₹ 88,000 x 25%)	22,000	
Depreciation as per books of account	87,500	
Medical expenses of ₹ 15,000 for family planning expenditure for the employees [disallowed, since such expenditure is allowable to company assessee only]	15,000	
Medical expenditure of ₹ 55,000 incurred for his father, not allowable, since it is personal in nature]	55,000	
Purchase of computer (not allowable since it is capital in nature)	90,000	
Bonus (allowed since it is paid on the due date of filing of return of income i.e., on 30.9.2025) [For the P.Y.2024-25, the gross receipts i.e., fees of Mr. Manohar from consultancy services is ₹ 58 lakhs (exceeding ₹ 50 lakhs), he has to get his books of account audited u/s 44AB, in which case, his due date for filing return of income would be 30.9.2025]	-	
Commission paid without deduction of tax at source [Mr. Manohar would be liable to deduct tax at source u/s 194-H on commission paid during the P.Y.2024-25, since his gross receipts from profession during the P.Y.2023-24 exceeded the monetary limit specified in section 44AB i.e., ₹ 50 lakhs. Thus, 30% disallowance would be attracted since he has not deducted tax at source on the commission]	12,000	2,82,100
Less: Income credited but not taxable or taxable under any other head		51,07,600
Share of profit from HUF (Exempt)	55,000	
Interest on bank fixed deposit	25,000	
Interest on income-tax refund	26,000	
		1,06,000
		51,01,600
Less: Depreciation allowable under the Income-tax Act, 1961 [See Working Note]		76,175
		50,25,425
Income from Other Sources		
Interest on bank fixed deposits	25,000	
Interest on income-tax refund	26,000	
Value of gold coins received from a family friend on the occasion of marriage anniversary (taxable u/s 56(2)(x), as the fair market value of such coins exceeds ₹ 50,000)	85,000	1,36,000
Gross Total Income		51,61,425
Less: Deduction under Chapter VI-A		

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Section 80D		50,000
Medical expenses for father (Deduction allowable to the extent of ₹ 50,000 since father, aged 65 years, is a senior citizen and is not covered under any medical insurance policy)		
Total Income		51,11,425
Total Income (Rounded off)		51,11,430

Computation of tax liability of Mr. Manohar for A.Y. 2025-26

Particular	₹	₹
Tax on total income of ₹ 51,11,430		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000 @5%	12,500	
₹ 5,00,001 - ₹ 10,00,000 @20%	1,00,000	
Above ₹ 10,00,001 i.e., 41,11,430 @30%	12,33,429	13,45,929
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000]		1,34,593
		14,80,522
Less: Marginal Relief:		
Excess tax payable [14,80,522 - 13,12,500, being the amount of tax payable on total income of ₹ 50 lakhs]	1,68,022	
Amount of income in excess of ₹ 50,00,000	1,11,430	56,592
		14,23,930
Add: Health & Education cess@4%		56,957
Tax liability		14,80,887
Tax liability (rounded off)		14,80,890

Working note:

Computation of depreciation allowable as per Income-tax Act, 1961

Particulars	₹
On Motor Car	
₹ 3,50,000 x 15% x 75%	39,375
On Furniture and fittings	
₹ 80,000 x 10%	8,000
On Computer	
₹ 72,000 x 40% [Actual cost of the computer is ₹ 72,000 (i.e., ₹ 90,000 - ₹ 18,000).	
₹ 18,000 paid otherwise than by way of account payee cheque/bank draft or use of ECS is not includible in actual cost.	28,800
	76,175

Question 2

Mr. Suraj aged 50 years, a resident individual, engaged in a wholesale business of health products. He is also a partner in XYZ & Co., a partnership firm. The following details are made available for the year ended 31.3.2024:

Sl. No.	Particulars	₹	₹
(i)	Interest on capital received from XYZ & Co., at 15% [in accordance with the partnership deed]		1,50,000
(ii)	Share of profit from the firm		35,000
(iii)	Salary as working partner (fully allowed in the hands of the firm)		1,00,000
(iv)	Interest from bank on fixed deposit (Net of TDS)		40,500
(v)	Interest on saving bank account		12,300
(vi)	Income-tax refund received relating to assessment year 2023-24 including interest of 2,300		34,500
(vii)	Net profit from wholesale business		
	Amounts debited include the following:		5,60,000
	• Depreciation as per books	34,000	
	• Motor car expenses	40,000	
	• Municipal taxes for the shop	7,000	
	(For two half years; payment for one half year made on 12.7.2024 and for the other on 31.12.2024)		
	Salary to manager by way of a single cash payment	21,000	
(viii)	The WDV of the assets (as on 1.4.2023) used in above wholesale business is as under:		
	• Computers	2,40,000	
	• Computer Printer	1,50,000	
(ix)	Motor car acquired on 31.12.2023 (20% used for personal use)	6,80,000	
(x)	He owned a house property in Mumbai which was sold in January, 2018. He received arrears of rent in respect of the said property in October, 2023.		1,15,000
(xi)	LIP paid for independent son	60,000	
(xii)	PPF of his wife	70,000	
(xii)	Health insurance premium paid towards a policy covering her mother aged 75 by way of cheque. She is not dependent on him.	35,000	
(xiii)	Contribution toward Prime Minister National Relief Fund	50,000	

You are required to compute the total income of the Mr. Suraj for the assessment year 2024-25 and the closing WDV of each block of assets. Assume he has exercised the option to shift out of the default tax regime u/s 115BAC.

[RTP N-20 Q.]

Answer 2

Computation of total income of Mr. Suraj for the A.Y.2025-26

Particulars	₹	₹
Income from house property		

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Arrears of rent (taxable u/s 25A even if Mr. Suraj is not the owner of the house property in the P.Y.2024-25)	1,15,000	
Less: Deduction@30%	34,500	80,500
Income chargeable under this head Profits and gains of business or profession		
Income from wholesale business		
Net profit as per books	5,60,000	
Add: Amount debited to P & L A/c, not allowable as deduction		
• Depreciation as per books	34,000	
• Disallowance of municipal taxes paid for the second half year u/s 43B, since the same was paid after the due date of filing of return (₹ 7,000/2)	3500	
• Disallowance u/s 40A(3) in respect of salary paid in cash since the same exceeds 10,000	21,000	
• 20% of car expenses for personal use	8000	
	6,26,000	
• Less: Depreciation allowable (Note 1)	1,96,800	
	4,29,700	

Notes:

(1) Depreciation allowable under the Income-tax Rules, 1962

Particulars		₹	₹
Income from firm			
Share of profit from the firm is exempt u/s 10(2A)	-		
Interest on capital from partnership firm (Note 2)	1,20,000		
Salary as working partner fully taxable	1,00,000	2,20,000	6,49,700
Income from other sources			
Interest on bank fixed deposit (Gross)		45,000	
Interest on saving bank account		12,300	
Interest on income-tax refund		2,300	59,600
Gross total income			7,89,800
Less: Deduction under Chapter VIA (Note 3)			2,25,000
Total Income			5,64,800

(2) Only to the extent the interest is allowed as deduction in the hands of the firm, the same is includible as business income in the hands of the partner. Since interest is paid in accordance with partnership deed, maximum interest allowable as deduction in the hands of the firm is 12% p.a. Therefore, interest @12% p.a. amounting to 1,20,000 would be treated as the business income of Mr. Suraj.

(3) Deduction under Chapter VI-A

Particulars		₹	₹
U/s 80C			
LIP for independent son		60,000	
PPF paid in wife's name		70,000	
		1,30,000	
Since the maximum deduction u/s 80C and 80CCE is ₹1,50,000, the entire sum of 1,30,000 would be allowed as deduction			1,30,000
U/s 80D			

QUESTION BANK FOR JAN 25 EXAMS – PART 1

Health insurance premium taken for mother is fully allowable as deduction, even though she is not dependent on him. Since she is senior citizen whole of amount is allowable as deduction as it is within overall limit of 50,000		35,000
U/s 80G		
Contribution towards PM National Relief Fund eligible for 100% deduction without any qualifying limit		50,000
U/s 80TTA		
Interest on saving bank account, restricted to		10,000
Total deduction		2,25,000

Question 3

Mr. Prakash furnishes the following information for the financial year 2024-25.

Particulars	₹
Loss from speculation business-X	85,000
Profit from speculation business-Y	45,000
Interest on borrowings in respect of self-occupied house property	3,18,000
Income from let out house property	1,20,000
Presumptive Income from trading and manufacturing business u/s 44AD	1,00,000
Salary from XYZ (P) Ltd.	5,25,000
Interest on PPF deposit	65,000
Long term capital gain on sale of Vacant site	1,25,000
Short term capital loss on sale of Jewellery	65,000
Investment in tax saver deposit on 31-03-24	60,000
Brought forward loss of business of assessment year 2018-19	1,00,000
Donation to a charitable trust recognized u/s 12AB and approved u/s 80G (payment made via credit card)	60,000

Compute total income of Mr. Prakash for the assessment year 2024-25 also show the loss, eligible to be carried forward. Assume he has exercised the option to shift out of the default tax regime u/s 115BAC.

(MTP Q.)

Answer 3

Computation of total income of Mr. Prakash for A.Y.2025-26

Particulars	₹	₹
Salary from XYZ (P) Ltd.	5,25,000	
Less: Standard Deduction u/s 16(ia)	50,000	
	4,75,000	
Less: Loss from house property of ₹ 20,000 [₹ 80,000 - ₹60,000, being the loss set-off against long-term capital gains]	20,000	
Income from house property		
Income from let out house property	1,20,000	4,55,000
Less: Loss from self-occupied house property to the extent of ₹2 lakhs, allowable as deduction u/s 24(b) in respect of interest on borrowings	2,00,000	
	(80,000)	
Less: Amount set-off against other heads of income	(80,000)	
Profits and gains from business or profession		
Profit from speculation business Y	45,000	

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Less: Loss of 85,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	(45,000)	
Presumptive Income from trading and manufacturing business	1,00,000	Nil
Less: Brought forward business loss of A.Y. 2019-20 set-off since the period of eight assessment years has not expired	(1,00,000)	Nil
Capital Gains		
Long term capital gain on sale of vacant site	1,25,000	
Less: Short term capital loss on sale of Jewellery	65,000	
	60,000	
Less: Loss from house property to be set-off to the extent of LTCG (It is more beneficial for Mr. Prakash to first set-off the loss from house property against the long-term capital gains, since it is taxable @20%)	60,000	Nil
Income from Other Sources		
Interest on PPF deposit	65,000	
Less: Exempt	65,000	Nil
Gross Total Income		4,55,000
Less: Deduction under Chapter VI-A		
Deduction u/s 80C		
Investment in tax saver deposit on 31.3.2025	6,00,000	
Deduction u/s 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 60,000 to be first restricted to ₹ 39,500, being 10% of adjusted total income of ₹ 3,95,000 (₹4,55,000-₹60,000). Thereafter, deduction would be computed at 50% of ₹ 39,500.	19,750	
		79,750
Total Income		3,75,000

Losses to be carried forward to A.Y.2026-27

Particulars	₹
Loss from speculation business X (₹ 85,000 - ₹ 45,000)	4,00,000
Loss from speculation business can be set-off only against profits of any other speculation business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from speculation business, if any, in that year.	

Question 4

You are required to compute the total income and tax liability of Mr. Alok, aged 58 years, a resident individual. Mr. Alok is an advocate and furnishes you the receipts and payments account for the financial year 2023-24.

Receipts and Payments Account

Receipt	₹	Payment	₹
Opening Balance (01-04-2023)		Staff salary and bonus to clerks	17,50,000
Cash & Bank	80,000	Other general and administrative expenses	22,00,000
Fee from legal services	49,60,000	Office rent	1,48,000
Motor car loan from SBI @12% p.a. interest	5,00,000	Life Insurance Premium (Sum Assured ₹ 5,00,000]	49,000

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Sale receipts of 5,800 listed equity shares (sold on 31 st March 2024)	5,95,000	Motor car (Acquired in January 2024 by way of NEFT)	9,50,000
		Books bought by way of A/c payee cheque in the month of May, June and September 2023 (annual publications)	80,000
		Computer acquired on 1-11- 2023 for professional use (payment made by A/c payee cheque)	52,000
		Domestic drawings	6,23,000
		Motor car maintenance	75,000
		Public subscription Provident Fund	1,50,000
		Closing balances (31-03-2024) Cash & Bank	61,000
	61,35,000		61,35,000

Other information:

- (i) Listed equity shares on which STT was paid were acquired in August 2015 for ₹ 1,21,800. The fair market value of such shares as on 31st January 2018 and on 1st April 2018 was ₹ 75 per share and ₹ 85 per share, respectively.
- (ii) Motor car was put to use for both official and personal purposes. 1/ 3rd of the motor car is for personal purpose. No interest on car loan was paid during the previous year 2023- 24.
- (iii) Mr. Alok purchased a flat in Kanpur for ₹ 35,00,000 in July 2012 cost of which was partly financed by a loan from Punjab National Housing Finance Limited of ₹ 25,00,000, his own- savings ₹ 1,00,000 and a deposit from Repco Bank for ₹ 9,00,000. The flat was given to Repco Bank on lease for 10 years @ ₹ 35,000 per month. The following particulars are relevant:
 - (a) Municipal taxes paid by Mr. Alok ₹ 8,200 per annum
 - (b) House insurance ₹ 11,000

As per interest certificate issued by Punjab National Housing Finance Limited for the financial year 2023-24, he paid ₹ 1,80,000 towards principal and ₹ 2,01,500 as interest.

- (iv) He earned ₹ 1,20,000 in share speculation business and lost ₹ 1,80,000 in commodity speculation business.
- (v) Mr. Alok received a gift of ₹ 21,000 each from four of his family friends.
- (vi) He contributed ₹ 1,21,000 to PM Cares Fund by way of bank draft.
- (vii) He donated to a registered political party ₹ 3,50,000 by way of cheque.
- (viii) He follows cash system of accounting.

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

(MTP Q.)

Answer 4

Computation of total income of Mr. Josh for the A.Y.2025-26

Particulars	₹	₹
Salaries		
Basic Salary = ₹ 51000 x 12	6,12,000	
Dearness Allowance (DA) = overline ₹ 10,000 x 12	1,20,000	
House Rent Allowance (HRA) = ₹ 4,000 x 12 ₹ 48,000		
Less: Least of the following exempt u / s 10 (13A) ₹ 10,800	37,200	
(i) HRA actually received = ₹ 4000 x 12 = ₹ 48,000		

QUESTION BANK FOR JAN 25 EXAMS – PART 1

(ii) Rent paid (-) 10% of salary [₹ 84,000 (i.e., ₹ 7,000 x 12) (-) ₹ 73,200 (10% of salary i.e., 10% of ₹ 7,32,000 (Basic Salary + DA))] = ₹ 10,800		
(iii) 50% of salary [50% of ₹ 7,32,000 (Basic Salary + DA)] = ₹ 3,66,000		
Gross Salary	7,69,200	
Less: Standard deduction u/s 16(ia)	50,000	
		7,19,200
Income from house property		
Gross Annual Value [₹ 46,000 x 9 being the higher of actual rent received and fair rent]	4,14,000	
Less: Municipal tax paid during the P.Y. 2024-25	27,000	
Net Annual Value	3,87,000	
Less: Deduction u/s 24 [30% of Net Annual Value]	1,16,100	2,70,900
Capital Gains		
Full value of consideration	2,00,000	
Less: Cost of acquisition of bonus shares allotted on or after 1.4.2001	Nil	
Long-term capital gains (since bonus shares are held for a period of more than 24 months)		2,00,000
Income from Other Sources		
Interest from saving bank account with SBI Bank	15,000	
Lottery winnings [21,000 x 100/70]	30,000	45,000
Gross Total Income		12,35,100
Less: Deduction under Chapter VI-A		
Section 80C		
Deposits in PPF	1,50,000	
Section 80D		
Medical insurance premium for wife and dependent son 31,000, restricted to	25,000	
Section 80TTA		
Interest on saving bank account with SBI	10,000	1,85,000
Total Income		10,50,100

Computation of tax liability of Mr. Josh for A.Y. 2025-26

Particulars	₹	₹
Tax on total income of ₹ 10,50,100		
Tax on long-term capital gains of ₹ 2,00,000 @ 12.5% u/s 112	25,000	
Tax on lottery income of ₹ 30,000 @ 30% u/s 115BB	9,000	
Tax on other income of ₹ 8,20,100 [₹ 10,50,100 - ₹ 2,00,000, capital gains - ₹ 30,000, lottery income]		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500	
₹ 5,00,001 - ₹ 8,20,100 [i.e., ₹ 3,20,100@20%]	64,020	
		1,10,520
Add: Health and education cess@4%		4,421
Tax liability		1,14,941
Less: Tax deducted at source		
TDS on lottery income	9,000	

TDS on rent u/s 1941 [₹ 4,14,000 x 10%]	41,400	50,400
Tax Payable		64,541
Tax Payable (rounded off)		64,540

Question 5

Mr. Ayush, a resident individual, aged 54 years, is engaged in the business of manufacturing textiles. He earned profit of ₹ 82,45,000 as per profit and loss account after debiting and crediting the following items:

- (i) Depreciation ₹ 15,40,000
- (ii) Short term capital gains on transfer of listed equity shares in a company on which STT is paid ₹ 10,00,000
- (iii) He received income-tax refund of ₹ 15,550 which includes interest on refund of ₹ 4,550.
- (iv) Dividend income from Indian companies ₹ 15,00,000. Dividend received from each company is less than ₹ 5,000.

Additional information –

- (i) Mr. Ayush installed new plant and machinery for ₹ 65 lakhs on 1.10.2023 which was put to use on 1.1.2024. Depreciation (including additional depreciation) on this amount of ₹ 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules, 1962.
- (ii) Mr. Ayush took a loan from SBI of ₹ 50 lakhs on 1.9.2023 @10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2024 has been paid on 31.3.2024 and the same has been debited to profit and loss account.
- (iii) Advance tax paid during the year is ₹17,50,000
- (iv) Ayush purchased goods for ₹ 40 lakhs from Mr. Ram, his brother. The market value of the goods is ₹ 35 lakhs.
- (v) He paid ₹ 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2016.
- (vi) He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- (vii) On 1.7.2023, Mr. Ayush withdrew ₹ 1.5 crores in cash from three current accounts maintained by him with SBI. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Ayush for the A.Y. 2024-25 assuming that he has shifted out of the default tax regime under section 115BAC.

(MTP II – July 24)(15 Marks)

Answer 5

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

Particulars		₹	₹	₹
I	Income from business or profession			
	Net profit as per profit and loss account		82,45,000	
	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on loan taken for purchase of plant & machinery	1,75,000		
	[Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of ₹ 1,75,000 [₹ 50,00,000 x 10.5% x 4/12] has to be added back, since the same is debited to the profit and loss account]			
	(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (₹ 40 lakhs) and the fair market value (₹ 35 lakhs) has to be added back as per section 40A(2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]	5,00,000		
			6,75,000	
			89,20,000	
	Less: Items of income to be treated separately under the respective head of income			
	(i) Income-tax refund including interest on refund of ₹ 4,550	15,550		
	(ii) Dividend from Indian companies	15,00,000		
	(iii) Short term capital gains on transfer of listed equity shares	10,00,000	25,15,550	
			64,04,450	
	Less: Depreciation on interest on loan capitalised to plant and machinery			
	₹ 1,75,000, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized			
	Normal depreciation @15% x 50% on such interest	13,125		
	Additional depreciation @20% x 50% on such interest [Since plant & machinery was put to use for less than 180 days in P.Y. 2023-24, it is eligible for 50% of the rate of depreciation]	17,500	30,625	
				63,73,825
II	Capital Gains			
	Short term capital gains on transfer of listed equity shares			10,00,000
III	Income from Other Sources			
	Interest on income-tax refund		4,550	

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	Dividend from Indian companies		<u>15,00,000</u>	<u>15,04,550</u>
	Gross Total Income			88,78,375
	Less: Deductions under Chapter VI-A - Deduction under section 80C	40,000		
	Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "Person". Accordingly, whole of the amount of ₹ 40,000 is allowable as it does not exceed 10% of the ₹ 5,00,000, being the sum assured] - Deduction under section 80D			
	Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to ₹ 25,000]		<u>25,000</u>	65,000
	Total Income			88,13,375
	Total Income (Rounded off)			88,13,380

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

Particulars	₹	₹
Tax on total income of ₹ 88,13,380		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [₹ 10,00,000 x 15%]		1,50,000
Tax on other Income of ₹ 78,13,380		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 78,13,380 [@30% of ₹ 68,13,380]	<u>20,44,014</u>	<u>21,56,514</u>
		23,06,514
<i>Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore</i>		<u>2,30,651</u>
		25,37,165
<i>Add: Health and education cess@4%</i>		<u>1,01,487</u>
Total tax liability		26,38,652
<i>Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore</i>	1,00,000	
<i>Less: Advance tax paid</i>	<u>17,50,000</u>	<u>18,50,000</u>
Tax payable		7,88,652
Tax payable (rounded off)		7,88,650

Question 6

Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024.

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

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	43,50,000
To Purchase of Raw Materials	17,20,500	By Closing Stock	2,00,000
To Manufacturing Wages & Expenses	5,80,500		
To Gross Profit	21,78,000		
Total	45,50,000	Total	45,50,000
To Administrative Charges	2,90,000	By Gross Profit	21,78,000
To SGST Penalty Paid (It is not compensatory nature)	7,000	By Dividend From Domestic Companies	15,000
To GST Paid	1,10,000	By Winning from Lotteries (Net of TDS) (TDS 4,500)	10,500
To General Expenses	55,000	By Profit on Sale of Shares	45,000
To Miscellaneous Expenses	1,50,500		
To Loss on Sale of Shares	20,000		
To Interest to Bank (on Machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	13,56,000		
Total	22,48,500	Total	22,48,500

Following are the further information relating to Financial Year 2023-2024:

- (i) Administrative Charges include ₹ 46,000 paid as commission to brother of Assessee. The Commission amount at the market rate in ₹ 36,000.
- (ii) The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2023. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)
- (iii) A Sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account.
- (iv) Bank Term Loan Interest actually paid upto 31.03.2024 was ₹ 20,000 and the balance was paid in October 2024.
- (v) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund.
- (vi) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- (vii) Profit on Sale of Shares represents shares held for 2 years & Securities Transaction Tax was paid on it.

QUESTION BANK FOR JAN 25 EXAMS – PART 1

(viii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 Lakhs, loan value ₹ 25 Lakhs and sanction date 31.03.2017). These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).

(ix) Depreciation allowable under the Act to be computed on the basis of following information:

Plant & Machinery (Depreciation Rate @15%)	₹
Opening WDV (as on 01.04.2023)	12,00,000
Additions During the year (Used for more than 180 Days)	2,00,000
Total Additions during the year	4,00,000
<i>Note: Ignore Additional Depreciation u/s 32(1)(iia)</i>	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2024 -25 if he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A). **(May 24-QP)(15 Marks)**

Answer 6

Computation of total income and tax liability of Mr. Sahil for A.Y. 2024-25

	Particulars	₹	₹
I	<u>Income from house property</u>		
	Annual value of self-occupied property	Nil	
	Less: Deduction under section 24(b) Interest on housing loan of ₹ 2,60,000 restricted to ₹ 2,00,000	2,00,000	
		(2,00,000)	
II	<u>Profits and gains of business or profession</u>		
	Net Profit	13,56,000	
	Add: Expenses debited to Profit and loss		
	A/c but not allowable as deduction or to be		
	considered under other head		
	Commission paid to brother [Commission paid to a related person/relative to the extent it is excessive to market rate is disallowed under section 40A(2)]	10,000	
	Cash payment to a Transport Carrier [Not disallowed under section 40A(3) since the limit for one time cash payment is ₹ 35,000 in respect of payment to transport operators]	Nil	
	Interest to bank on term loan [Interest paid to bank after the due date of filing of return under section 139(1) is disallowed as per section 43B]	40,000	

QUESTION BANK FOR JAN 25 EXAMS – PART 1

Contribution to Prime Minister's Relief Fund [Not allowable since the same is not incurred wholly and exclusively for business purpose]	10,000	
SGST Penalty paid [SGST penalty paid is not compensatory in nature and therefore, not allowable]	7,000	
- Loss on sale of shares	20,000	
- Depreciation as per books of account	2,00,000	
	16,43,000	
Less: Incomes credited to profit and loss account but not taxable as business income		
- Dividend from Domestic Companies	15,000	
- Winnings from lotteries	10,500	
- Profit on sale of shares	<u>45,000</u>	
	15,72,500	
<i>Less: Depreciation allowable as per Income- tax Rules,1962</i>		
On Plant & Machinery [@15% on ₹ 14,00,000, being opening WDV of ₹ 12 lakhs and additions put to use for more than 180 days of ₹ 2 lakhs + @7.5% on ₹ 2,00,000, being additions put to use for less than 180 days]	<u>2,25,000</u>	
[8% of sales i.e. ₹ 43,50,000 x 8% ¹ assuming entire amount of sales are not received by A/c payee cheque or A/c payee draft or ECS or other electronic prescribed modes]	13,47,500	
	3,48,000	
Business Income	13,47,500	
<i>[As per section 44AD, in case of Mr. Sahil, being an eligible assessee, a sum equal to ₹3,48,000 (8%¹ of total turnover i.e., ₹43,50,000) or as the case may be, a sum higher than the aforesaid sum claimed to have been earned by him would be deemed to be the business income. In this case, since Mr.Sahil has maintained books of account, he can claim the higher sum actually earned ₹13,47,500 as his income from business.] (See Note below the solution for alternate answer)</i>		
<i>Less: Set off of loss from house property as per section 71(3A)</i>	2,00,000	
	11,47,500	
Add: Salary paid to staff not recorded in the books [Assuming the expenditure is in the nature of unexplained expenditure, the same is deemed to be income as per section 69C of Mr. Sahil. No deduction would be allowed in respect of such expenditure.] <i>Alternatively, it is possible to assume that the salary not recorded in the books of account was an erroneous omission and the assessee has offered satisfactory explanation about the source of such</i>	48,000	

QUESTION BANK FOR JAN 25 EXAMS – PART 1

	<i>expenditure. In such a case, it would not be considered as deemed income and the same would be allowed as deduction</i>		
		11,95,500	
	<i>while computing business income on the basis of books of accounts. In such a case, business income, total income and tax liability (rounded off) would be ₹ 10,99,500, ₹ 10,44,500 and ₹ 1,23,080.</i>		
III	<u>Capital Gains</u>		
	Long term capital gains taxable u/s 112A [Since shares are held for 2 years and STT has been paid]	45,000	
	<i>Less: Set off of short term capital loss as per section 70(2)</i>	<u>20,000</u>	25,000
IV	<u>Income from Other Sources</u>		
	Dividend from Domestic Companies	15,000	
	Winning from lotteries (₹ 10,500 + ₹ 4,500)	<u>15,000</u>	
			30,000
	Gross Total Income		12,50,500
	<u>Less: Deduction under Chapter VI-A</u>		
	<u>Deduction under section 80C</u>		
	Principal repayment of housing loan	50,000	
	<u>Deduction under section 80EE</u>		
	Interest on housing loan of ₹ 60,000 [₹ 2,60,000 – ₹ 2,00,000, allowed u/s 24(b)] allowable under section 80EE upto ₹ 50,000	50,000	
	<u>Deduction under section 80G</u>		
	Contribution to Prime Minister's Relief Fund ²	<u>10,000</u>	<u>1,10,000</u>
	Total Income		<u>11,40,500</u>
	Tax Liability		
	Tax on LTCG of ₹ 25,000 u/s 112A [Exempt upto ₹ 1 lakh]		Nil
	Tax on winning from lotteries of ₹ 15,000 @30%		4,500
	Tax on unexplained expenditure of ₹ 48,000 @60%		28,800
	Tax on balance income of ₹ 10,52,500 at slab rate		
	Upto ₹ 2,50,000	Nil	
	From ₹ 2,50,001 to ₹ 5,00,000 @5%	12,500	
	From ₹ 5,00,001 to ₹ 10,00,000 @20%	1,00,000	
	From ₹ 10,00,001 to ₹ 10,52,500 @30%	<u>15,750</u>	<u>1,28,250</u>
	<i>Add: Surcharge @25% on tax on unexplained expenditure of ₹ 28,800</i>		1,61,550
			<u>7,200</u>
			1,68,750
	<i>Add: Health and education cess @4%</i>		<u>6,750</u>
	Tax Liability		<u>1,75,500</u>

¹ If it is assumed that the entire sales are received by A/c payee cheque or A/c payee draft or ECS

or other electronic prescribed modes on or before due date of filing return of income, the presumptive rate would be 6%.

2 Assuming contribution is made otherwise than by way of cash

Note – Alternatively, if Mr. Sahil claims his business income as ₹3,48,000 i.e., 8%³ of total turnover under section 44AD, his total income and tax liability would undergo a change.

Question 7

Ms. Farah, aged 40 years, is an advocate (Taxation). She keeps her books of accounts on accrual basis. Her profit & loss account for the year ended on March 31, 2024 is as follows:

Profit & Loss Account for the year ending March 31, 2024

	AMOUNT (₹)		AMOUNT (₹)
Staff salary	40,10,000	Fees Earned from:	
Rent	9,00,000	Taxation services	50,00,000
Administrative expenses	6,50,000	Appeals	16,00,000
Incentives to office staff	2,00,000	Consultancy	15,00,000
Meetings, Seminars and conferences	1,70,000	Dividend from an Indian company (gross)	11,00,000
Purchase of car (for official use) on 01.07.2023	3,00,000	Interest on deposit certificates issued under gold monetization scheme, 2015	25,000
Repairs and Maintenance of car	35,000	Honorarium received for valuation of answer papers	50,000
Travelling Expenses	5,00,000	Rent received in respect of house property	90,000
Municipal tax paid in respect of house property	9,000		
Net profit	<u>25,91,000</u>		
	93,65,000		93,65,000

Other information:

- (i) Administrative expenses include ₹ 50,000 paid to a tax consultant in cash for assisting Ms. Farah in one of the professional assignments.
- (ii) The traveling expenses include expenditure incurred on foreign professional tour of ₹ 50,000 which was within the RBI norms.
- (iii) Ms. Farah paid medical insurance premium for her parents (senior citizens and not dependent on her) online amounting ₹ 47,000. She also paid ₹ 8,500 by cash towards preventive health check-up for herself and her spouse.
- (iv) Repairs and maintenance of car is for the period from 1-10-2023 to 30-09-2024.
- (v) She has paid ₹ 1,00,000 towards advance tax during the P.Y. 2023-24.

Compute Total Income and Net tax payable as per the most beneficial taxation scheme for Ms. Farah for the A.Y. 2024-25.

(MTP II - July 24)(15 Marks)

Answer 7

Computation of Total Income of Ms. Farah for the A.Y.2024-25 under default tax regime under section 115BAC

Particulars	₹	₹	₹
Income from house property			
Gross Annual Value ¹		90,000	
Less: Municipal taxes paid		<u>9,000</u>	
Net Annual Value (NAV)		81,000	
Less: Deduction under section 24(a) – 30% of NAV = 30% of ₹ 81,000		<u>24,300</u>	56,700
Profits and gains of business or profession			
Net profit as per Profit and loss account		25,91,000	
Add: Expenses debited but not allowable			
(i) Purchase of car [Amount paid for purchase of car is not allowable since it is a capital expenditure]	3,00,000		
(ii) Municipal tax paid in respect of house property [allowable as deduction under the head "Income from house property"]	9,000		16,57,500
iii) Payment made to tax consultant in cash [disallowed under section 40A(3), since such cash payment exceeds ₹ 10,000]	50,000		
(iv) Travel expenditure on foreign professional tour [Since it is incurred in connection with professional work, the same is allowable as deduction. As it has already been debited to profit and loss account, no further adjustment is required]	-		
(v) Repair and maintenance of car [Repairs and maintenance paid in advance for the period 1.4.2024 to 30.9.2024 i.e. for 6 months amounting to ₹ 17,500 is not allowable as deduction, since Ms. Farah is following the accrual system of accounting]	17,500		
		3,76,500	
Less: Income credited but not taxable under this head:		29,67,500	
(i) Dividend from an Indian company (taxable under the head "Income from Other Sources")	11,00,000		
(ii) Interest on deposit certificates issued under gold monetization scheme, 2015 (taxability or otherwise to be considered under the head "Income from Other Sources")	25,000		

QUESTION BANK FOR JAN 25 EXAMS – PART 1

(iii) Honorarium for valuation of answer papers	50,000		
(iv) Rent received in respect of house property	90,000	12,65,000	
		17,02,500	
<i>Less: Depreciation on car @15%</i>		45,000	
Income from Other Sources			
Dividend from an Indian company		11,00,000	
Interest on deposit certificates issued under gold monetization scheme, 2015 [Exempt under section 10(15)]		-	
Honorarium for valuation of answer papers		50,000	11,50,000
Gross Total Income			28,64,200
<i>Less: Deduction under Chapter VI-A [Deduction under section 80D would not be allowable]</i>			
Total Income			28,64,200

¹ 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.

Computation of tax payable under default tax regime under section 115BAC

Particulars	₹
Tax on total income of ₹ 28,64,200	
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 6,00,000 [i.e., ₹ 3,00,000@5%]	15,000
₹ 6,00,001 – ₹ 9,00,000 [i.e., ₹ 3,00,000@10%]	30,000
₹ 9,00,001 – ₹ 12,00,000 [i.e., ₹ 3,00,000@15%]	45,000
₹ 12,00,001 – ₹ 15,00,000 [i.e., ₹ 3,00,000@20%]	60,000
₹ 15,00,001 – ₹ 28,64,200 [i.e., ₹ 13,64,200 @30%]	<u>4,09,260</u>
	5,59,260
<i>Add: Health and Education cess@4%</i>	<u>22,370</u>
Tax Liability	5,81,630
<i>Less: Advance Tax paid</i>	1,00,000
<i>Less: Tax deducted at source on dividend income from an Indian company under section 194 [₹ 11,00,000 x 10%]</i>	<u>1,10,000</u>
Tax payable	<u>3,71,630</u>

QUESTION BANK FOR JAN 25 EXAMS – PART 1

Computation of total income and tax payable by Ms. Farah for the A.Y.2024-25 under regular provisions of the Act

Particulars		₹
Gross Total Income		28,64,200
[Income under the “Income from house property” “Profits and gains from business or profession” and “Income from other sources” would remain the same under regular provisions of the Act]		
<i>Less: Deductions under Chapter VI-A</i>		
<u>Section 80D</u>		
Medical insurance premium paid online for parents, being senior citizens	47,000	
Payment made in cash of ₹ 8,500 for preventive health check-up for self and spouse restricted to	5,000	52,000
Total Income		28,12,200
Tax on total income of ₹ 28,12,200		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	
₹ 10,00,001 – ₹ 28,12,200 [i.e., ₹ 18,12,200 @30%]	<u>5,43,660</u>	
		6,56,160
<i>Add: Health and Education cess@4%</i>		<u>26,246</u>
Tax Liability		6,82,406
<i>Less: Advance Tax paid</i>		1,00,000
<i>Less: Tax deducted at source on dividend income from an Indian company under section 194 [₹ 11,00,000 x 10%]</i>		<u>1,10,000</u>
Tax payable		<u>4,72,406</u>
Tax payable (Rounded off)		<u>4,72,410</u>

Note – Since the tax payable under default tax regime under section 115BAC is lower than the tax payable under the regular provisions of the Act, it would be beneficial for Ms. Farah to pay tax under default tax regime under section 115BAC for A.Y. 2024-25.

COMBINED QUESTION – 115 BAC & MTP May RTP 24

115 BAC - by PKD

115 BAC - chapterwise benefit to be forgone v/s 115 BAC

- MD MLA - Daily All / Constituency All X
- Salary → HRA X
- LTC X
- Allowance X 1979 (4 exceptions) → Travelling / Daily / Conveyance / Transport all hand/capped.
- 16(ii) std → 16(ii) std dedn. TTAC
- 16(ii) EA X
- 16(ii) PT X 50% lunch facility X v/s 115 BAC

- PGBP**
- 35 AD X (if you dont take 35 AD then claim depreciation)
 - additional dep X
 - donation / Condi 35 X for scientific research

HP → 24b Int on borrowed -SO X

Clubbing → 10(32) - 1500 p.a

- Set off**
- Interhead adj of HP loss not allowed. without 115 BAC interhead adj HP-2L
 - loss arising due to above adj cannot clg

- VIA**
- all deductions X
 - 80CCD(2) ✓
 - NPS - Employer Contri ✓
 - 80CCH(2) ✓
 - CG - Contri Agri/veer corpus ✓
 - 80JJAA ✓
 - 10AA X

	normal	115 BAC
Basic Sal	10,00,000	10,00,000
DA	1,00,000	1,00,000
HRA	6,00,000	→ 6,00,000
Exemption	4,00,000	2,00,000
Gross Sal	13,00,000	17,00,000
less std ded 16(ii)	50,000	→ 50,000
EA	-	→ NA
PT 16(ii)	2,500	→ NA
Net Sal	12,47,500	16,50,000

Question 1 - Assessee opting for default scheme

- Ans - one working 115 BAC - NTI / sacrifices
 - Tax working 115 BAC

Question 2 ∴ Assessee wants to opt out of 115 BAC
 Assessee does not to opt for 115 BAC

Optional - working - Compute NTI (no sacrifices)
 Tax - optional

Question 3 Calculate Tax Liability

Choose the & method what is beneficial for assessee

Answer - Both working
 Choose the lesser tax liability.

Suggestion - start with optional and then go for 115 BAC

115 BAC - You can get questions to compute Income

115BAC = BEL always = 3,00,000 [irrespective of age]

0 to 3,00,000	0%	3,00,000 0% = 0
3L to 6L	5	next 3,00,000 5% = 15,000
6L to 9L	10	next 3,00,000 x 10% = 30,000
9L to 12L	15	next 3,00,000 x 15% = 45,000
12L to 15L	20	next 3,00,000 x 20% = 60,000
<u>above 15L</u>	<u>30</u>	<u>15,00,000 = 1,50,000</u>

on 15,00,000 Tax = 1,50,000

above 15,00,000 Tax @ 30%

Special Rates

- LTCG 112 20%
- LTCG 112A 10% on gain exceeding 1 lakh
- STCG 111A 15%
- Casual Income = 30%

Surcharge above 50-100 lakhs = 10%

marginal relief

above 100-200 = 15%

above 200 = 25%

~~37%~~

25% is highest rate of Surcharge

Income LTCG 112 (LTCG 112A) STCG 111A and dividend - 10% and 25%

HEC 4%

Rebate - R. Ind NTI is upto 7,00,000

Rebate = Tax @ 25,000 ↓

In Rebate concept of relief is available

this concept of relief in rebate is only in 115BAC

✗ LTCG 112A is not eligible for Rebate.

Agri Income - Partial Integration also applicable in 115BAC

Benefit of unexhausted BEL also available.

Question 8

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. **(RTP May 24)**

Answer 8

Computation of total income of Mr. Rajesh for the A.Y. 2024-25 under default tax regime under section 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	

QUESTION BANK FOR JAN 25 EXAMS – PART 1

	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)	<u>32,000</u>	
		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	<u>10,00,000</u>	
		18,53,000	
II	Less: Depreciation on building [₹10,00,000 x 10%]	<u>1,00,000</u>	17,53,000
	Income from Other Sources		
	Interest on savings bank A/c with post office	15,000	
	Less: Exempt under section 10(15)	<u>3,500</u>	11,500
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies(Gross)	<u>32,000</u>	<u>63,500</u>
	Gross Total Income/ Total Income		29,86,500
	[No deduction under section 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]	<u>4,45,950</u>	
		5,95,950
Add: Health and Education cess @4%		<u>23,838</u>
		6,19,788
Less: Advance income-tax paid		<u>1,00,000</u>

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Tax payable			<u>5,19,788</u>
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 under section 10AA [₹ 7,50,000 x 40,00,000 / ₹ 1,20,00,000 x 50%, being seventh year of operation]	<u>1,25,000</u>	28,61,500
Less: Deduction under Chapter VI-A		
<u>Deduction under section 80C</u>		
Life insurance premium [maximum 10% of sum assured]	50,000	
<u>Deduction under section 80TTA</u>		
Interest on saving bank account with post office, restricted to	<u>10,000</u>	<u>60,000</u>
Total Income		<u>28,01,500</u>

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]	<u>5,40,450</u>	6,52,950
Add: Health and education cess @4%		<u>26,118</u>
Total tax liability		6,79,068
Less: Advance income-tax paid		<u>1,00,000</u>
Tax payable		<u>5,79,068</u>
Tax payable (rounded off)		<u>5,79,070</u>

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 under section 10AA		<u>1,25,000</u>
Adjusted Total Income		<u>29,26,500</u>
Alternative Minimum Tax @18.5%		5,41,403

Add: Health and education cess@4%		<u>21,656</u>
Total tax liability		5,63,059
Less: Advance income-tax paid		<u>1,00,000</u>
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

Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2024:

Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		
Miscellaneous expenses	7,88,475		
Net profit of the year	50,85,000		
	66,66,000		66,66,000

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

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Bonus to staff includes an amount of ₹ 7,500 relating to P.Y. 2022-23, paid in the month of December 2023.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include:
 - (a) amount of ₹ 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
 - (b) amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Kamal had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2023 and the

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income from this activity is credited in the Profit and Loss account under the head “Warehousing charges”.

(vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000.

(x) Interest on loans includes an amount of ₹ 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the A.Y. 2024-25 in a most beneficial manner.
(RTP Nov’22)

Answer 9

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

Particulars		₹
Net profit as per profit and loss account		50,85,000
Less:	Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head “Income from other sources”	30,000
Add:	Expenses either not allowable or to be considered separately but charged in the profit & loss account	50,55,000
	- Advertisement in the souvenir of political party not allowable as per section 37(2B) (See Note 2)	2,500
	- Payment made to political party by cheque (See Note 4)	1,00,000
	- Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law (See Note 5)	5,300
	- Depreciation as per books	1,07,250
	- 30% of interest paid on loan paid to Mr. X, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)	24,000
		52,94,050
Less:	Depreciation allowable as per Income-tax Act, 1961	65,000
Less:	Income from specified business (warehousing charges) credited to profit and loss account, to be considered separately	52,29,050
		22,50,000
	Income from business (other than specified business)	29,79,050
	Computation of income/ loss from specified business	
	Income from specified business	₹ 22,50,000
	Less: Deduction under section 35AD @ 100% of ₹ 20 lakhs (See Note 6)	₹ 20,00,000
	Income from specified business	2,50,000
	Profits and gains from business or profession	32,29,050
	Income from Other Sources	
	Interest on income-tax refund	4,570
	Gross Total Income	32,33,620
Less:	Deduction under section 80GGC	
	Contribution to Political Party (See Note 4)	1,00,000
Total Income		31,33,620

Notes –

- (1) Bonus for the previous year 2022-23 paid after the due date for filing return for that year would have been disallowed under section 43B for the P.Y.2022 -23. However, when the same has been paid in December 2023, it should be allowed as deduction in the P.Y.2023-24 (A.Y.2024-25). Since it is already included in the figure of bonus to staff debited to profit and loss account of this year, no further adjustment is required.
- (2) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (3) The penalty of ₹ 15,000 paid for non-fulfilment of delivery conditions of a contract for reasons beyond control is not for the breach of law but was paid for breach of contractual obligations and therefore, is an allowable expense.
- (4) Payment to political party qualifies for deduction under section 80GGC since the payment is made by way of a cheque. However, since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (5) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (6) Deduction @ 100% of the capital expenditure is available under section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.

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

Particulars	₹	₹
Tax on total income of ₹ 31,33,620		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 31,33,620 [@30% of ₹ 21,33,620]	6,40,086	7,52,586
Add: Health and education cess@4%		30,103
Total tax liability		7,82,689
Total tax liability (rounded off)		7,82,690

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

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		31,33,620
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%]	(2,00,000)	18,00,000
Adjusted Total Income		49,33,620
Alternative Minimum Tax@18.5%		9,12,720
Add: Health and education cess@4%		36,509
Total tax liability		9,49,229
Total tax liability (rounded off)		9,49,230

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 ₹ 9,49,230.

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

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		32,33,620
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation on building [₹ 20 lakhs x 10%]	(2,00,000)	18,00,000
Gross Total Income/Total Income as per section 115BAC		50,33,620
[No deduction under Chapter VI-A allowable]		

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 50,33,620		
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹ 3,00,000 @ 15%]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹ 3,00,000 @ 20%]	60,000	
Above ₹ 15,00,000 @ 30%	10,60,086	12,10,086
Add: Surcharge @ 10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,21,008
		13,31,094
Less: Marginal relief (See computation below)		97,474
		12,33,620
Add: Health and education cess@4%		49,345
Total tax liability		12,82,965
Total tax liability (Rounded off)		12,82,970

Computation of marginal relief

Particulars		₹
(A)	Tax payable including surcharge on total income of ₹ 50,33,620 as per section 115BAC	13,31,094
(B)	Tax payable on total income of ₹ 50 lakhs as per section 115BAC	12,00,000
(C)	Excess tax payable (A-B)	1,31,094
(D)	Marginal relief (₹ 1,31,094 – ₹ 33,620, being the amount of income in excess of ₹ 50 lakhs)	97,474

Notes:

- Deduction under section 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.
- An individual exercising option u/s 115BAC is not liable to alternate minimum tax u/s 115JC. Since the tax liability of Mr. Kamal under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him not to opt for section 115BAC for A.Y. 2024-25. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

AMT credit to be carried forward under section 115JEE

Particulars	₹
Tax liability under section 115JC	9,49,230
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	7,82,690
	1,66,540

Question 10

AB Light LLP consists of 2 working partners, Mr. Anand and Mr. Bheem with 60% and 40% share, respectively. As per the partnership deed, they are eligible for interest on capital @15% p.a. on their capital contribution of ₹ 15 lakhs each and remuneration of ₹ 50,000 p.m. to Anand and ₹ 40,000 p.m. to Bheem. The firm is engaged in manufacturing business. During the year ended 31.3.2024, the net profit as per profit and loss account was ₹ 25,86,000 before considering interest on capital and remuneration to partners as well as the following items:

		₹
(i)	Current year revenue expenditure on scientific research	2,40,000
(ii)	Unabsorbed capital expenditure on scientific research relating to P.Y. 2020-21	85,000
(iii)	Brought forward business loss of A.Y. 2015-16	40,000
(iv)	Unabsorbed depreciation of A.Y. 2012-13	52,000
(v)	Current year depreciation under section 32	4,70,000
(vi)	Brought forward business loss of A.Y. 2019-20	49,000
(vii)	Current year capital expenditure on scientific research	3,45,000

You are required to compute the total income of AB Light LLP for A.Y. 2024-25 after considering the above items. Also, determine the amount of remuneration taxable in the hands of Mr. Anand and Mr. Bheem. **(RTP Nov '23)**

Answer 10

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

Particulars		Amount (₹)
Net profit as per profit and loss account before interest on capital and remuneration to partners and other items		25,86,000
Less: Expenditure allowable from business income		
- Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (₹ 15,00,000 × 12% × 2)	3,60,000	
- Current year revenue expenditure on scientific research under section 35(1)(i)	2,40,000	6,00,000
- Current year depreciation under section 32(1)	4,70,000	19,86,000
- Current year capital expenditure on scientific research under section 35(1)(iv)	3,45,000	
- Unabsorbed depreciation of A.Y. 2012-13 under section 32(2)	52,000	
- Unabsorbed capital expenditure on scientific research relating to P.Y. 2020-21 under section 35(4)	85,000	9,52,000
Book Profit		10,34,000
Less: Partners' remuneration allowable under section 40(b)		
(i) As per limit prescribed in section 40(b)		
On first ₹ 3,00,000 90%	2,70,000	
On the balance ₹ 7,34,000 60%	4,40,400	
(ii) Remuneration actually paid or payable [₹ 50,000 × 12 + ₹ 40,000 × 12]	7,10,400	
	10,80,000	
(i) or (ii) whichever is less, is deductible		7,10,400

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Profit from manufacturing business		3,23,600
Less: Brought forward business loss of A.Y. 2015-16 [Not allowed to set off since 8 years have been already expired]	-	
Less: Brought forward business loss of A.Y. 2019-20	49,000	49,000
Profits and gains of business or profession		2,74,600

Remuneration taxable in the hands of Mr. Anand as business income = ₹ 7,10,400 × 6,00,000/10,80,000
= ₹ 3,94,667

Remuneration taxable in the hands of Mr. Bheem as business income = ₹ 7,10,400 × 4,80,000/10,80,000
= ₹ 3,15,733

Question 11

Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

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

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	11,25,000	By Winning from lottery (Net of TDS @ 30%)	47,250
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	23,61,750		
Total	90,92,250	Total	90,92,250

Explanatory information:

(i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 3,30,000 and Closing stock of ₹ 4,38,000 was shown.

(ii) Salaries & wages include following items:

Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary.

50% of Dearness allowance forms part of the salary.

(a) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2024.

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- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2023 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:
- Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2023.
- (v) An asset was purchased for ₹ 7,00,000 on 17-11-2022 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2023 for a consideration of ₹ 9,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2023. The compensation of ₹ 15,63,525 was received on 27.01.2022. Such property was purchased by him on 08.10.2006 for ₹ 2,50,000. He has purchased another plot of industrial land on 15.04.2024 for ₹ 7,00,000. Government has also paid

₹ 1,05,000 as interest on such compensation on 28.02.2024. Cost Inflation Indices: FY 2021-22: 317, FY 2006-07: 122, FY 2023-24: 384

Compute the total income and tax liability of Mr. Kamal for the assessment year 2024-25 assuming that he has not opted for the provisions of section 115BAC. (MTP 14 Mark Sep'22) (Same concept different chapters PYP 14 Marks Dec'21)

(The value of consideration has been changed from Rs 15,00,000 to Rs. 15,63,525 to keep the essence of the question)

Answer 11

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

Particulars	₹	₹	₹
I. Income from business or profession			
Net Profit		23,61,750	
Add: Items debited but not allowable/item not credited but taxable while computing business income			
- Employer's contribution to NPS in excess of 10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 32,000 [₹ 80,000, being 20% of ₹ 4,00,000 less ₹ 48,000 being 10% of ₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000)] has to be added back.	32,000		
- VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has	2,80,000		

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to be added back [$\text{₹ } 3,50,000 \times 4/5$].			
- Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, $\text{₹ } 2,02,500$ [$\text{₹ } 18,00,000 \times 15\% \times 9/12$] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	2,02,500		
- Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of $\text{₹ } 7,00,000$ (being the deduction allowed u/s 35) and $\text{₹ } 9,00,000$ being the excess of sale proceeds and deduction allowed u/s 35 i.e., ($\text{₹ } 9,00,000 + \text{₹ } 7,00,000$) over the capital expenditure incurred of $\text{₹ } 7,00,000$	7,00,000		
- Undervaluation of stock [$(\text{₹ } 4,38,000 - \text{₹ } 3,30,000) \times 10/90$] Note: Alternatively, undervaluation of closing stock i.e., $\text{₹ } 48,667$ can be added back and under valuation of opening stock i.e., $\text{₹ } 36,667$ can be reduced from net profits.	12,000		
- Depreciation as per books of A/c	9,25,500		
		21,52,000	
		45,13,750	
Less: Depreciation as per Income-tax Rules	5,50,000		
Depreciation on Motor car purchased for supply of finished goods [$\text{₹ } 3,50,000 \times 15\%$]	52,500		
		6,02,500	
		39,11,250	
Less: Items of income credited to profit and			
loss account but not taxable or taxable under any other head of income			
- Profit on sale of asset of scientific research [Taxable under the head "Capital Gains"]	2,00,000		
- Winning from lottery [Taxable under the head "Income from other sources"]	47,250		
		2,47,250	

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				36,64,000
II.	Capital Gain			
	Short-term capital gains			
	Sale of asset acquired for conducting scientific research			
	Sales consideration	9,00,000		
	Less: Cost of acquisition	7,00,000		
	Short- term capital gain		2,00,000	
	Long-term capital gains			
	Compulsory acquisition of industrial plot by the			
	Central Government taxable as per section 45(5)			
	Compensation received	15,63,525		
	Less: Indexed cost of acquisition [₹ 2,50,000 x 348/122]	7,13,115		
	Long-term capital gain [since such plot is held for more than 24 months] Less: Exemption u/s 54D	8,50,410		
	- Acquisition of industrial plot within 3 years			
	Acquisition of industrial plot within 3 years	7,00,000		
			1,50,410	3,50,410
III.	Income from other sources			
	Winning from lottery [₹ 47,250 x 100/70]		67,500	
	Interest on enhanced compensation	1,05,000		
	Less: 50% of enhanced compensation	52,500		
	Gross Total Income		52,500	1,20,000
	Less: Deduction under Chapter VI-A			41,34,410
	Deduction under section 80EEB Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			1,50,000
	Total Income			39,84,410

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

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 1,50,410		30,082
Tax on winning from lottery @30% of ₹ 67,500		20,250
Tax on total income (excluding LTCG and winning from lottery) of ₹ 37,66,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 37,66,500 [@30% of ₹ 27,66,500]	8,29,950	
		9,42,450
		9,92,782
Add: Health and education cess@4%		39,711
Tax liability		10,32,493
Tax liability (rounded off)		10,32,490

Question 12

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

He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.

- (i) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2017.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iii) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (iv) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (v) He also sold his vacant land on 01.12.2023 for ₹ 13 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.9.1997 for ₹ 2.80 lakhs.

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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.

- (vi) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings. .(RTP Nov '21)(MTP 14 Marks Oct '23) *(The full value of consideration of land has been changed from Rs 14 lakhs to Rs. 14.88 Lakhs & the stamp duty value has been changed from 14 lakhs to 15 lakhs to keep the essence of the question)*

Answer 12

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

	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]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
	Self-occupied portion [Ground Floor]		1,33,300	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
	Income from house property [₹ 1,33,300 – ₹ 90,000]		(90,000)	43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000
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 ₹ 14,88,000, since stamp duty value of ₹ 15 lakhs does not exceed actual consideration by			

QUESTION BANK FOR JAN 25 EXAMS – PART 1

	more than 10%]		14,88,000	
	Less: Indexed Cost of acquisition [$\text{₹ } 4,00,000 \times 348/100$]		13,92,000	96,000
	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.			
IV	Income from Other Sources			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		45,000	75,000
	Gross Total Income			47,14,300
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2023-24 being the 3rd year of operations]			13,50,000
	[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
	[₹ 45 lakhs x ₹ 120 lakhs / ₹ 400 lakhs x 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Repayment of principal amount of housing loan	95,000		
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Dheeraj	49,000	1,44,000	
	Deduction under section 80JJAA		9,43,200	
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 allowable as deduction [30% of ₹ 31,44,000 [$\text{₹ } 23,76,000 (12 \times 18,000 \times 11) + \text{₹ } 7,68,000 (8 \times 12,000 \times 8)$]			
	Deduction under section 80TTA			
	Interest on savings bank account, restricted to ₹ 10,000		10,000	10,97,200
	Total income			22,67,100

QUESTION BANK FOR JAN 25 EXAMS – PART 1

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

Particulars	₹	₹
Tax on total income of ₹ 22,67,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of 21,71,100		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100[@30% of ₹ 11,71,700]	3,51,330	4,63,830
		4,83,030
Add: Health and education cess@4%		19,321
Total tax liability		5,02,351
Tax liability (rounded off)		5,02,350

Computation of tax liability of Mr. Dheeraj for A.Y.2024-25 under the special provisions of the Act (Alternate Minimum Tax)

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	22,67,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	45,60,300
AMT@18.5%	8,43,656
Add: HEC@4%	33,746
AMT liability	8,77,402
AMT liability (rounded off)	8,77,400

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 45,60,300 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 8,77,400. In this case, AMT credit of ₹ 3,75,050 (₹ 8,77,400 – ₹ 5,02,350) can be carried forward.

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

QUESTION BANK FOR JAN 25 EXAMS – PART 1

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

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		47,14,300
Add: Interest on borrowing in respect of self-occupied house property not allowable as deduction as per section 115BAC		90,000
Gross Total Income as per section 115BAC		48,04,300
Less: Deduction under section 80JJAA		
30% of the employee cost of the new employees employed during the P.Y. 2020-21 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]	9,43,200	
No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA		9,43,200
Total income		38,61,100

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 38,61,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of ₹ 37,65,100		
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
Above ₹ 15,00,000 @30%	6,79,530	8,29,530
		8,48,730
Add: Health and education cess@4%		33,949
Total tax liability		8,82,679
Tax liability (rounded off)		8,82,680

Since tax liability as per section 115BAC is higher than the tax liability of ₹ 8,77,400 being higher of AMT liability and tax liability computed as per normal provisions of the Income- tax Act, 1961, it is beneficial for Mr. Dheeraj not to exercise option under section 115BAC. In such case, his tax liability, therefore, would be ₹ 8,77,400. Moreover, Mr. Dheeraj would also be eligible to claim carry forward of AMT credit of ₹ 3,75,050.

COMBINED QUESTION – Based on Other Chapters

Question 13

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, 2016.

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 2014 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. He does not opt to pay tax as per section 115BAC. (RTP May 21)

(Interest on FD has been changed from Rs. 92,500 to Rs. 90,000 to keep the essence of the question)

Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2020-21	301
2023-24	348

Answer 13

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 x 50]	30,00,000		
Actual sales consideration [60,000 x 60]	36,00,000		

QUESTION BANK FOR JAN 25 EXAMS – PART 1

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	
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)](The same has been amended to 10%)			
		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 under section 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% under section 112A after deducting ₹ 1 lakh.		50,000
Tax on other income of ₹ 39,60,000 [₹ 45,60,000 – ₹ 6,00,000 capital gains]		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹ 3,00,000@5%]	10,000	
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	
₹ 10,00,001 – ₹ 39,60,000 [i.e., ₹ 29,60,000@30%]	8,88,000	9,98,000
		10,48,000
Add: Health and Education cess@4%		41,920
Tax liability		10,89,920

Question 14

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2024, you are requested to compute his total income and tax payable for the Assessment Year 2024-25. (Assuming he does not opt for the Section 115BAC):

- (i) He sold his vacant land on 09.12.2023 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100, respectively.
- (ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.
- (iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.
- (iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child. (PYP 6 Marks May'22)

(The stamp duty value of land has been changed from Rs 19 lakhs to Rs. 20.55 Lakhs to keep the essence of the question)

Answer 14

Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2024 -25

Particulars		Amount (₹)	Amount (₹)
Profits and gains from business or profession			
Profit from SEZ undertaking			30,00,000
Capital Gains			
Long term capital gain on sale of vacant land [since land held for a period of more than 24 months, it is long-term capital asset]			
As per section 50C, Full value of consideration would be stamp duty value since it exceeds 110% of actual sale consideration		20,55,000	
Less: Indexed cost of acquisition [₹ 5,00,000 x 348/100]		17,40,000	
Cost of acquisition, being higher of - Actual cost (₹ 3,40,000 + ₹ 15,000) – lower of FMV of ₹ 6,00,000 and stamp duty value of ₹ 5,00,000 as on 1.4.2001	₹ 3,55,000 ₹ 5,00,000		3,15,000
Income from other sources			
Income from crossword puzzles		10,000	
Interest on fixed deposit		15,000	
			25,000
Gross Total Income			33,40,000
Less: Deductions under Chapter VI-A			
Under section 80C – Tuition fees of two children			24,000
Less: Deduction under section 10AA (₹ 30,00,000 x 120 lakhs/300 lakhs) x 100 %, being 3rd year of operation			12,00,000
Total Income			21,16,000
Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961			
Tax on LTCG @ 20% of ₹ 3,15,000			63,000
Tax on income from crossword puzzles @30% of ₹ 10,000			3,000
Tax on remaining amount of ₹ 17,91,000 [₹ 2,37,300 (30% of ₹ 7,91,000) + ₹ 1,12,500]			3,49,800
			4,15,800
Add: Health and education cess @4%			16,632

QUESTION BANK FOR JAN 25 EXAMS – PART 1

Tax Payable under the regular provisions of the Act			4,32,432
Tax Payable under the regular provisions of the Act (rounded off)			4,32,430

Computation of Adjusted Total Income and Alternate Minimum Tax (AMT) payable

Particulars	Amount (₹)
Total Income computed under the regular provisions of the Act	21,16,000
Add: Deduction u/s 10AA	12,00,000
Adjusted Total Income	33,16,000
Since Adjusted Total Income exceeds ₹ 20 lakhs, the provisions of Alternate Minimum Tax (AMT) are attracted in this case	
Alternate Minimum Tax@18.5%	6,13,460
Add: Health and Education cess@4%	24,538
AMT	6,37,998
AMT (rounded off)	6,38,000
Since the regular income-tax payable is less than the AMT payable, the adjusted total income of ₹ 33,16,000 shall be deemed as the total income and tax is leviable@18.5% thereof plus cess@4%. Therefore, his tax liability would be ₹ 6,38,000.	
However, he would be entitled to AMT credit of ₹ 2,05,570 (₹ 6,38,000 – ₹4,32,430)	

Question 15

From the following information of Ms. Kareena, born on 16th August, 1975, an Indian resident, you are required to compute total income and tax payable by Ms. Kareena for the Assessment Year 2024-25.

Particulars	Rs.
Long-term capital gains on sale of house	1,50,000
Short-term capital gains on sale of shares in B Pvt. Ltd.	50,000
Loss from house property	3,50,000
Interest from saving account in post office	15,000
Prize winning from a T.V. show (Gross)	20,000
Business income	5,50,000
Net agricultural income	1,10,000
LIC premium for self and husband	70,000
Tuition fees to University for full time education of her daughter	50,000

(MTP 7 Marks, Aug'18)

Answer 15

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

Particulars	Rs.	Rs.
Profits and gains from business or profession		
Business income	5,50,000	
Less: Loss from house property of Rs. 3,50,000 to be restricted to Rs. 2,00,000 by virtue of section 71(3A) [Note 2]	2,00,000	3,50,000
Capital Gains		
Long term capital gains on sale of house	1,50,000	
Short term capital gains on sale of shares in B Pvt. Ltd	50,000	2,00,000
Income from other sources		31,500
Interest from saving account in post office	15,000	
Less: Exempt under section 10(15) to the extent of Rs. 3,500	3,500	
	11,500	
Prize winnings from a T.V. show	20,000	
Gross Total Income		5,81,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium for self and husband	70,000	
Tuition fees to University for full time education	50,000	
Deduction under section 80TTA – Interest on saving account in post office	1,20,000	
	10,000	1,30,000
Total Income		4,51,500

Computation of tax payable by Ms. Kareena for the A.Y.2024-25

	Particulars	Rs.	Rs.
	Step 1		43,075
	Agricultural income and Non-agricultural income (Rs. 1,10,000 + Rs. 4,51,500)	5,61,500	
	Tax on the above income		
(i)	Tax on long-term capital gain of Rs. 1,50,000 @ 20%	30,000	
(ii)	Tax on winnings of Rs. 20,000 from a T.V. show @ 30%	6,000	

QUESTION BANK FOR JAN 25 EXAMS – PART 1

(iii)	Tax on balance income of Rs. 3,91,500	7,075	
	Total tax on Rs. 5,61,500		43,075
	Step 2	3,60,000	
	Basic exemption limit to agricultural income (Rs. 2,50,000 + Rs. 1,10,000)		
	35BTax on Rs. 3,60,000		5,500
	Step 3		
	Tax on non-agricultural income (Tax under step 1 – Tax under step 2) (Rs. 43,075 – Rs. 5,500)		37,575
	Add: Education cess @ 2%		751
	Add: Secondary and higher education cess @ 1%		376
	Add: EC & HSEC @ 4% (as per amendment)		1503
	Tax payable by Ms. Kareena		39,078
	Tax payable (Rounded off)		39,070

Notes:

- Short-term capital gains on sale of shares in B Pvt. Ltd. is taxable at normal rates.
- The balance loss of Rs. 1,50,000 from house property to be carried forward to next assessment year for set-off against income from house property of that year.

COMBINED QUESTION – Income Tax Based

Question 13

From the following information of Ms. Kareena, born on 16th August, 1975, an Indian resident, you are required to compute total income and tax payable by Ms. Kareena for the Assessment Year 2024-25.

Particulars	Rs.
Long-term capital gains on sale of house	1,50,000
Short-term capital gains on sale of shares in B Pvt. Ltd.	50,000
Loss from house property	3,50,000
Interest from saving account in post office	15,000
Prize winning from a T.V. show (Gross)	20,000
Business income	5,50,000
Net agricultural income	1,10,000
LIC premium for self and husband	70,000
Tuition fees to University for full time education of her daughter	50,000

(MTP 7 Marks, Aug'18)

Answer 13

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

Particulars	Rs.	Rs.
Profits and gains from business or profession		
Business income	5,50,000	
Less: Loss from house property of Rs. 3,50,000 to be restricted to Rs. 2,00,000 by virtue of section 71(3A) [Note 2]	2,00,000	3,50,000
Capital Gains		
Long term capital gains on sale of house	1,50,000	
Short term capital gains on sale of shares in B Pvt. Ltd	50,000	2,00,000
Income from other sources		31,500
Interest from saving account in post office	15,000	
Less: Exempt under section 10(15) to the extent of Rs. 3,500	3,500	
	11,500	
Prize winnings from a T.V. show	20,000	
Gross Total Income		5,81,500

QUESTION BANK FOR JAN 25 EXAMS – PART 2

Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium for self and husband	70,000	
Tuition fees to University for full time education	50,000	
Deduction under section 80TTA – Interest on saving account in post office	1,20,000	
	10,000	1,30,000
Total Income		4,51,500

Computation of tax payable by Ms. Kareena for the A.Y.2024-25

	Particulars	Rs.	Rs.
	Step 1		43,075
	Agricultural income and Non-agricultural income (Rs. 1,10,000 + Rs. 4,51,500)	5,61,500	
	Tax on the above income		
(i)	Tax on long-term capital gain of Rs. 1,50,000 @ 20%	30,000	
(ii)	Tax on winnings of Rs. 20,000 from a T.V. show @ 30%	6,000	
(iii)	Tax on balance income of Rs. 3,91,500	7,075	
	Total tax on Rs. 5,61,500		43,075
	Step 2	3,60,000	
	Basic exemption limit to agricultural income (Rs. 2,50,000 + Rs. 1,10,000)		
	35B Tax on Rs. 3,60,000		5,500
	Step 3		
	Tax on non-agricultural income (Tax under step 1 – Tax under step 2) (Rs. 43,075 – Rs. 5,500)		37,575
	Add: Education cess @ 2%		751
	Add: Secondary and higher education cess @ 1%		376
	Add: EC & HSEC @ 4% (as per amendment)		1503
	Tax payable by Ms. Kareena		39,078
	Tax payable (Rounded off)		39,070

Notes:

- Short-term capital gains on sale of shares in B Pvt. Ltd. is taxable at normal rates.

2. The balance loss of Rs. 1,50,000 from house property to be carried forward to next assessment year for set-off against income from house property of that year.

Question 20

Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

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

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	11,25,000	By Winning from lottery (Net of TDS @ 30%)	47,250
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	23,61,750		
Total	90,92,250	Total	90,92,250

Explanatory information:

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 3,30,000 and Closing stock of ₹ 4,38,000 was shown.
- (ii) Salaries & wages include following items:
 - Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary.
 - 50% of Dearness allowance forms part of the salary.
- (a) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2024.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2023 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:
 - Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2023.

(v) An asset was purchased for ₹ 7,00,000 on 17-11-2022 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05- 10- 2023 for a consideration of ₹ 9,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2023. The compensation of ₹ 15,63,525 was received on 27.01.2022. Such property was purchased by him on 08.10.2006 for ₹ 2,50,000. He has purchased another plot of industrial land on 15.04.2024 for ₹ 7,00,000. Government has also paid

₹ 1,05,000 as interest on such compensation on 28.02.2024. Cost Inflation Indices: FY 2021-22: 317, FY 2006- 07: 122, FY 2023-24-384

Compute the total income and tax liability of Mr. Kamal for the assessment year 2024-25 assuming that he has not opted for the provisions of section 115BAC. (MTP 14 Mark Sep'22) (Same concept different chapters PYP 14 Marks Dec'21)

(The value of consideration has been changed from Rs 15,00,000 to Rs. 15,63,525 to keep the essence of the question)

Answer 20

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

	Particulars	₹	₹	₹
I.	Income from business or profession			
	Net Profit		23,61,750	
	Add: Items debited but not allowable/item not credited but taxable while computing business income			
	- Employer's contribution to NPS in excess of 10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 32,000 [₹ 80,000, being 20% of ₹ 4,00,000 less ₹ 48,000 being 10% of ₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000)] has to be added back.	32,000		
	- VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,50,000 x 4/5].	2,80,000		
	- Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 2,02,500 [₹ 18,00,000 x 15% x 9/12] has to be added back, since the same forms part	2,02,500		

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	of interest on loan debited to profit and loss account.			
	- Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 7,00,000 (being the deduction allowed u/s 35) and ₹ 9,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 9,00,000 + ₹ 7,00,000) over the capital expenditure incurred of ₹ 7,00,00	7,00,000		
	- Undervaluation of stock [(₹ 4,38,000 - ₹ 3,30,000) x 10/90] Note: Alternatively, undervaluation of closing stock i.e., ₹ 48,667 can be added back and under valuation of opening stock i.e., ₹ 36,667 can be reduced from net profits.	12,000		
	- Depreciation as per books of A/c	9,25,500		
			21,52,000	
			45,13,750	
	Less: Depreciation as per Income-tax Rules	5,50,000		
	Depreciation on Motor car purchased for supply of finished goods [₹ 3,50,000 x 15%]	52,500		
			6,02,500	
			39,11,250	
	Less: Items of income credited to profit and			
	loss account but not taxable or taxable under any other head of income			
	-Profit on sale of asset of scientific research[Taxable under the head “Capital Gains”]	2,00,000		
	- Winning from lottery [Taxable under the head “Income from other sources”]	47,250		
			2,47,250	
				36,64,000
II.	Capital Gain			
	Short-term capital gains			
	Sale of asset acquired for conducting scientific research			
	Sales consideration	9,00,000		

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	Less: Cost of acquisition	7,00,000		
	Short- term capital gain		2,00,000	
	Long-term capital gains			
	Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)			
	Compensation received	15,63,525		
	Less: Indexed cost of acquisition [₹ 2,50,000 x 348/122]	7,13,115		
	Long-term capital gain [since such plot is held for more than 24 months] Less: Exemption u/s 54D	8,50,410		
	- Acquisition of industrial plot within 3 years			
	Acquisition of industrial plot within 3 years	7,00,000		
			1,50,410	3,50,410
III.	Income from other sources			
	Winning from lottery [₹ 47,250 x 100/70]		67,500	
	Interest on enhanced compensation	1,05,000		
	Less: 50% of enhanced compensation	52,500		
	Gross Total Income		52,500	1,20,000
	Less: Deduction under Chapter VI-A			41,34,410
	Deduction under section 80EEB Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			1,50,000
	Total Income			39,84,410

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

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 1,50,410		30,082
Tax on winning from lottery @30% of ₹ 67,500		20,250
Tax on total income (excluding LTCG and winning from lottery) of ₹ 37,66,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	

₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 37,66,500 [@30% of ₹ 27,66,500]	8,29,950	
		9,42,450
		9,92,782
Add: Health and education cess@4%		39,711
Tax liability		10,32,493
Tax liability (rounded off)		10,32,490

Question 24

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

He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.

- (i) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2017.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iii) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (iv) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (v) He also sold his vacant land on 01.12.2023 for ₹ 13 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.9.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time. The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100 respectively.
- (vi) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings. .(RTP Nov '21)(MTP 14 Marks Oct '23) *(The full value of consideration of land has been changed from Rs 14 lakhs to Rs. 14.88 Lakhs & the stamp duty value has been changed from 14 lakhs to 15 lakhs to keep the essence of the question)*

Answer 24

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

	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]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
	Self-occupied portion [Ground Floor]		1,33,300	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
	Income from house property [₹ 1,33,300 – ₹ 90,000]		(90,000)	43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000
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 ₹ 14,88,000, since stamp duty value of ₹ 15 lakhs does not exceed actual consideration by more than 10%]		14,88,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 348/100]		13,92,000	96,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			

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	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
IV	Income from Other Sources			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		45,000	75,000
	Gross Total Income			47,14,300
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2023-24 being the 3rd year of operations]			13,50,000
	[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
	[₹ 45 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Repayment of principal amount of housing loan	95,000		
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Dheeraj	49,000	1,44,000	
	Deduction under section 80JJAA		9,43,200	
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]			
	Deduction under section 80TTA			
	Interest on savings bank account, restricted to ₹ 10,000		10,000	10,97,200
	Total income			22,67,100

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

Particulars	₹	₹
Tax on total income of ₹ 22,67,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of 21,71,100		
Upto ₹ 2,50,000	Nil	

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₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100[@30% of ₹ 11,71,700]	3,51,330	4,63,830
		4,83,030
Add: Health and education cess@4%		19,321
Total tax liability		5,02,351
Tax liability (rounded off)		5,02,350

Computation of tax liability of Mr. Dheeraj for A.Y.2024-25 under the special provisions of the Act (Alternate Minimum Tax)

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	22,67,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	45,60,300
AMT@18.5%	8,43,656
Add: HEC@4%	33,746
AMT liability	8,77,402
AMT liability (rounded off)	8,77,400

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 45,60,300 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 8,77,400. In this case, AMT credit of ₹ 3,75,050 (₹ 8,77,400 – ₹ 5,02,350) can be carried forward.

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

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

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		47,14,300
Add: Interest on borrowing in respect of self-occupied house property not allowable as deduction as per section 115BAC		90,000
Gross Total Income as per section 115BAC		48,04,300
Less: Deduction under section 80JJAA		

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30% of the employee cost of the new employees employed during the P.Y. 2020-21 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]	9,43,200	
No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA		9,43,200
Total income		38,61,100

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 38,61,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of ₹ 37,65,100		
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
Above ₹ 15,00,000 @30%	6,79,530	8,29,530
		8,48,730
Add: Health and education cess@4%		33,949
Total tax liability		8,82,679
Tax liability (rounded off)		8,82,680

Since tax liability as per section 115BAC is higher than the tax liability of ₹ 8,77,400 being higher of AMT liability and tax liability computed as per normal provisions of the Income- tax Act, 1961, it is beneficial for Mr. Dheeraj not to exercise option under section 115BAC. In such case, his tax liability, therefore, would be ₹ 8,77,400. Moreover, Mr. Dheeraj would also be eligible to claim carry forward of AMT credit of ₹ 3,75,050.

Question 33

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, 2016.

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 2014 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. He does not opt to pay tax as per section 115BAC. (RTP May 21)

(Interest on FD has been changed from Rs. 92,500 to Rs. 90,000 to keep the essence of the question)

Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2020-21	301
2023-24	348

Answer 33

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	

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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 x 50]	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	
Interest on Fixed deposits with SBI Bank		1,00,000	

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[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)](The same has been amended to 10%)			
		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 under section 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% under section 112A after deducting ₹ 1 lakh.		50,000

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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 41

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2024, you are requested to compute his total income and tax payable for the Assessment Year 2024-25. (Assuming he does not opt for the Section 115BAC):

- (i) He sold his vacant land on 09.12.2023 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100, respectively.
- (ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.
- (iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.
- (iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child. (PYP 6 Marks May'22)

(The stamp duty value of land has been changed from Rs 19 lakhs to Rs. 20.55 Lakhs to keep the essence of the question)

Answer 41

Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2024 -25

Particulars		Amount (₹)	Amount (₹)
Profits and gains from business or profession			
Profit from SEZ undertaking			30,00,000
Capital Gains			
Long term capital gain on sale of vacant land [since land			

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held for a period of more than 24 months, it is long-term capital asset]			
As per section 50C, Full value of consideration would be stamp duty value since it exceeds 110% of actual sale consideration		20,55,000	
Less: Indexed cost of acquisition [₹ 5,00,000 x 348/100]		17,40,000	
Cost of acquisition, being higher of - Actual cost (₹ 3,40,000 + ₹ 15,000) – lower of FMV of ₹ 6,00,000 and stamp duty value of ₹ 5,00,000 as on 1.4.2001	₹ 3,55,000 ₹ 5,00,000		3,15,000
Income from other sources			
Income from crossword puzzles		10,000	
Interest on fixed deposit		15,000	
			25,000
Gross Total Income			33,40,000
Less: Deductions under Chapter VI-A			
Under section 80C – Tuition fees of two children			24,000
Less: Deduction under section 10AA (₹ 30,00,000 x 120 lakhs/300 lakhs) x 100 %, being 3rd year of operation			12,00,000
Total Income			21,16,000
Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961			
Tax on LTCG @ 20% of ₹ 3,15,000			63,000
Tax on income from crossword puzzles @30% of ₹ 10,000			3,000
Tax on remaining amount of ₹ 17,91,000 [₹ 2,37,300 (30% of ₹ 7,91,000) + ₹ 1,12,500]			3,49,800
			4,15,800
Add: Health and education cess @4%			16,632
Tax Payable under the regular provisions of the Act			4,32,432
Tax Payable under the regular provisions of the Act (rounded off)			4,32,430

Computation of Adjusted Total Income and Alternate Minimum Tax (AMT) payable

Particulars	Amount (₹)
Total Income computed under the regular provisions of the Act	21,16,000

QUESTION BANK FOR JAN 25 EXAMS – PART 2

Add: Deduction u/s 10AA	12,00,000
Adjusted Total Income	33,16,000
Since Adjusted Total Income exceeds ₹ 20 lakhs, the provisions of Alternate Minimum Tax (AMT) are attracted in this case	
Alternate Minimum Tax@18.5%	6,13,460
Add: Health and Education cess@4%	24,538
AMT	6,37,998
AMT (rounded off)	6,38,000

Since the regular income-tax payable is less than the AMT payable, the adjusted total income of ₹ 33,16,000 shall be deemed as the total income and tax is leviable@18.5% thereof plus cess@4%. Therefore, his tax liability would be ₹ 6,38,000.

However, he would be entitled to AMT credit of ₹ 2,05,570 (₹ 6,38,000 – ₹4,32,430)