# Practice Session 1

1. **Mr. Zukaro, aged 42 years, a Singapore citizen, visits India for business purpose on a regular basis. He was in India for the first time in the year 2019-20 for 270 days, in the year 2020- 21 for 190 days, in the year 2021-22 for 145 days and in the year 2022-23 for 155 days. In the current financial year 2023- 24, he along with his family had come to India on 10th August, 2023 for a pleasure trip. His family returned to Singapore on 31st August, 2023, however he stayed back to complete some business commitments and then returned to Singapore on 17th November, 2023.**

**Mr. Zukaro owns a manufacturing unit in Singapore. He basically comes to India for procurement of raw material. He has appointed Mr. Manish, as a dependent agent in Mumbai, who procures raw material from India and then exports it to Singapore to his manufacturing unit and then sells the finished product there. An income of Rs. 8,75,000 was received in Singapore out of this activity in the P.Y. 2023-24. He had purchased a residential property for Rs. 17,50,000 in Indore in April 2020. On getting an attractive deal in November, 2023, he sold the property for Rs. 26,25,000. He also paid brokerage @2% on sales consideration.**

**Mr. Zukaro had also purchased an agricultural land in India and leased it out to a tenant. The tenant shares a portion of his agricultural income with Mr. Zukaro as a consideration for rent of land every year. The share in the income from the land for the previous year 2023-24 was Rs. 6,50,000.**

**Cost inflation index (CII) for the Financial Year (F.Y.) 2020-21: 301; F.Y. 2023-24: 348**

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

1. **What is the Residential Status of Mr. Zukaro for the assessment year 2024-25?**

a) **Resident and ordinarily resident**
b) **Resident but not ordinarily resident**
c) **Non-resident**
d) **Deemed resident but not ordinarily resident**

**Solution**

**Option (a) is correct**

**Since, Mr. Zukaro's stay in India during the P.Y. 2023-24 exceeds 60 days i.e. 100 days and in last 4 years exceeds 365 days i.e. 760 days, he is resident in India. Since he is a resident in P.Y. 2021-22 and P.Y. 2022-23 owning to the same reason and his stay in India during the last 7 years is 760 days, he is resident and ordinarily resident in India during PY 2023-24**

2. Assume for the purpose of answering this question only, that Mr. Zukaro is a non-resident in India for the P.Y. 2023-24, would income of Rs. 8,75,000 earned though activity of procuring raw material for manufacturing unit in Singapore be taxable in India?
a) Yes, since it is deemed to accrue or arise in India through a business connection in India
b) No, as it is confined to purchase of goods in India for further export and hence not an income deemed to accrue or arise in India.
c) Yes, as business is controlled from India
d) No, as income is received outside India

Solution
Option (b) is correct

3. Would income arising from transfer of residential property in Indore is chargeable to tax in India in the hands of Mr. Zukaro? If yes, compute the amount of capital gains chargeable to fax.
a) Yes, long term capital gain of Rs. 5,49,244 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India
b) Yes, long term capital gain of Rs. 6,01,755 is chargeable to tax, since he is resident in India
c) Yes, long term capital gain of Rs. 5,49,244 is chargeable to tax, since he is resident in India
d) Yes, long term capital gain of Rs. 6,01,744 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India

Solution
Option (C) is correct

| | |
|---|---|
| Full value of consideration | 26,25,000 |
| Less: Brokerage | 52,500 |
| Net consideration | 25,72,500 |
| Less: ICOA (17,50,000 x 348/301) | 20,23,256 |
| LTCG | 5,49,244 |

4. Would income earned from agricultural land given on lease is taxable in the hands of Mr. Zukaro?
a) No, such income is exempt, since it is agricultural income
b) Yes, such income is taxable as income from house property, since land is given on lease

c) Yes, such income is taxable as income from other sources, since land is given on lease
d) Yes, such income is taxable since he is non-resident even though it is an agricultural income

**Solution**
**Option (a) is correct**

5. What is the tax liability of Mr. Zukaro for A.Y. 2024-25 assuming that he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?
a) Rs. 2,05,240
b) Rs. 3,95,040
c) Rs. 2,87,350
d) Rs. 2,98,840

**Solution**
**Option (d) is correct**

| Partial Integration | |
|---|---|
| Agricultural Income | 6,50,000 |
| Total income (8,75,000 +5,49,244 = 14,24,244) Rounded Off 14,24,240 | 14,24,240 |
| Total income with agricultural income (A) | 20,74,240 |
| Tax on A (C) | 3,79,849 |
| Agricultural income with basic exemption limit (B) (2,50,000 + 6,50,000) | 9,00,000 |
| Tax on B (D) | 92,500 |
| Tax on (C-D) | 2,87,349 |
| Add: HEC @4% | 11,494 |
| Tax liability | 2,98,843 |
| Tax liability (Rounded off) | 2,98,840 |

2. Mr. Animesh, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2011. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is Rs. 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2021 for Rs. 42,00,000. The stamp duty value of the flat was Rs. 35,00,000. He has taken a loan from Canara Bank in India of Rs. 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2023-24 was Rs. 3,14,000 and principal repayment was Rs. 80,000. Mr. Animesh has given this flat on monthly rent of Rs. 32,500 since April, 2023. The annual property tax of Delhi flat is Rs. 40,000 which is paid by Mr. Animesh, whenever he comes to India to meet his parents. Mr.

**Animesh visited India for 124 days during the previous year 2023-24. Before that he visited India in total for 366 days during the period 1.4.2019 to 31.3.2023.**

**He had a house in Ranchi which was sold in May 2020. In respect of this house, he received arrears of rent of Rs. 2,96,000 in February 2024 (not taxed earlier).**

**He also derived some other incomes during the F.Y. 2023-24 which are as follows:**

a) **Profit from business in Canada Rs. 2,75,000**
b) **Interest on bonds of a Canadian Co. Rs. 6,20,000 out of which 50% was received in India**
c) **Income from Apple Orchid in Nepal given on contract and the yearly contract fee of Rs. 5,00,000 for F.Y. 2023-24, was received by Animesh in Nepal**

**Mr. Animesh has sold 10,000 listed shares @ Rs. 480 per share of A Ltd., an Indian company, on 15.9.2023, which he acquired on 05-04-2017 @ Rs. 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares. On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:**

**Highest price Rs. 300 per share**
**Average price Rs. 290 per share**
**Lowest price Rs. 280 per share**

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

1. **What would be the residential status of Mr. Animesh for the A.Y. 2024-25?**
   a) **Resident and ordinarily resident in India**
   b) **Resident but not ordinarily resident in India**
   c) **Non-resident**
   d) **Deemed resident**

**Solution**
**Option (b) is correct**
**Indian citizen comes on visit in India. Since he stays in India for 120 days or more during the PY 2023-24 and more than 365 days in last 4 years and having income from Indian source exceeding Rs. 15 lakhs, resident during PY 2023-24. Accordingly, he is R-NOR.**

2. **What would be amount of income taxable under the head "Income from house property" in the hands of Mr. Animesh for the A.Y. 2024-25?**
   a) **Rs. 2,52,200**
   b) **Rs. 1,38,200**
   c) **Rs. 9,78,200**
   d) **Rs. 10,92,200**

**Solution**

**Option (b) is correct**

| | | |
|---|---|---|
| Rent received/receivable | 32,500 x 12 | 3,90,000 |
| Less: Municipal Tax paid | | 40,000 |
| NAV | | 3,50,000 |
| Less: Standard deduction@30% | 3,50,000 x 30% | 1,05,000 |
| Less: Interest on housing loan | | 3,14,000 |
| Loss under head HP | | 69,000 |
| Arrears of rent | | 2,96,000 |
| Less: standard deduction @30% | 2,96,000 x 30% | 88,800 |
| Taxable rent | | 2,07,200 |
| Income under head HP | 2,07,200 – 69,000 | 1,38,200 |

3. **What amount of capital gain would arise in the hands of Mr. Animesh on transfer of shares of A Ltd?**
   a) Rs. 18,00,000
   b) Rs. 19,00,000
   c) Rs. 20,00,000
   d) Rs. 38,00,000

**Solution**

**Option (a) is correct**

Full value of consideration (10,000 x 480) = 48,00,000

Higher of

a) Actual cost of Rs. 10,00,000 and

b) Lower of (a) FMV of Rs. 30 lakhs and (b) FVC of Rs. 48 lakhs

Less: Cost of acquisition = 30,00,000

LTCG = 18,00,000

4. **What would be total income of Mr. Animesh for the A.Y. 2024-25, if he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?**

   a) Rs. 22,82,200
   b) Rs. 22,68,200
   c) Rs. 22,48,200
   d) Rs. 21,68,200

**Solution**

**Option (d) is correct**

| | |
|---|---|
| Income under head House property | 1,38,200 |
| LTCG taxable u/s 112A | 18,00,000 |

| | |
|---|---|
| Other sources (Interest received in India) | 3,10,000 |
| Gross total income | 22,42,200 |
| Less: Deduction u/s 80c | 80,000 |
| Total Income | 21,68,200 |

5. What would be the tax liability (computed in the manner so as to minimise his tax liability) of Mr. Animesh for the A.Y. 2024-25?
   a) Rs. 1,82,950
   b) Rs. 1,87,110
   c) Rs. 1,80,350
   d) Rs. 1,84,510

**Solution**

**Option (c) is correct**

**Under default regime u/s 115BAC**

| | | |
|---|---|---|
| Total Income | = | 22,48,200 |
| (deduction u/s 80C would not be allowable) | | |
| Tax@10% on Rs. 17 lakhs | = | 1,70,000 |
| Tax on balance income of Rs. 4,48,200 | = | 7,410 |
| (Basic exemption limit is Rs. 3 lakhs) | | |
| Total Tax | = | 1,77,410 |
| Add: HEC @4% | = | 7,096 |
| Tax liability | = | 1,84,506 |
| Tax liability (rounded off) | = | 1,84,510 |

**Under normal provisions**

| | | |
|---|---|---|
| Total income | = | 21,68,200 |
| Tax @10% on Rs. 17 Lakhs | = | 1,70,000 |
| Tax on balance income of Rs. 3,68,200 | = | 3,410 |
| (Basic exemption limit is Rs. 3 lakhs) | | |
| Total Tax | = | 1,73,410 |
| Add: HEC @4% | = | 6,936 |
| Tax Liability | = | 1,80,346 |
| Tax Liability (rounded off) | = | 1,80,350 |

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

| Expenditure | Amount (₹) | Income | Amount (₹) |
|---|---|---|---|

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

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

(i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.

(ii) Mr. Bhasin owns a big house with 2 independent units. Unit -1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit - 2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence-cum-office. Other particulars of the house are:

Municipal Valuation- ₹ 3,60,000 p.a.

Fair Rent - ₹ 4,20,000 p.a.

Standard Rent under Rent Control Act - ₹ 4,00,000 p.a.

(iii) Rates and Taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.

**(iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in F.Y.2010-11. Neither the loan nor the interest was paid till the due date of filing the return of income.**

**(v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.**

**(vi) The expenses on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2023 to 30th June, 2026 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.**

**(vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to a Mr. Raunak, an Indian resident on which no tax was deducted at source.**

**(viii) There was only one block containing computers which came into existence only on 2nd April, 2023 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% on the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.**

**(ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y.2023-24, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.**

**You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y.2024-25 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under Section 115BAC. Also calculate the total tax payable by him. (14 marks)**

**Answer:**

**Computation of total income and tax payable by Mr. Bhasin for A.Y. 2024-25**

| | Particulars | ₹ | ₹ | ₹ |
|---|---|---|---|---|
| I | Income from Salaries | | | |
| | Salary of Mrs. Beena [Remuneration paid by Mr. Bhasin to his wife Mrs. Beena who is employed as a manager in his office would be included in his hands, since Mrs. Beena does not have any technical or professional qualification or experience required for the job] | | 3,00,000 | |
| | Less: Standard deduction u/s 16(ia) | | 50,000 | 2,50,000 |
| II | Income from house property | | | |
| | Let out portion (Unit 1 - 50% area) | | | |

| | | | | |
|---|---|---|---|---|
| | Gross Annual Value [Higher of expected rent of ₹ 2,00,000 and actual rent of ₹ 2,40,000 (₹ 20,000 x 12)] | 2,40,000 | | |
| | [Expected rent is higher of municipal value of ₹ 1,80,000 (3,60,000 x 50%) and fair rent of ₹ 2,10,000 (₹ 4,20,000 x 50%), restricted to standard rent of ₹ 2,00,000 (₹ 4,00,000 x 50%)] | | | |
| | Less: Municipal taxes paid for let out portion (₹ 10,000 x 50%) | 5,000 | | |
| | Net Annual Value (NAV) | 2,35,000 | | |
| | Less: Deduction under section 24 | | | |
| | (a) 30% of NAV | 70,500 | | |
| | (b) Interest on capital borrowed for construction of house relating to let out portion (80,000 x 50%), (allowed on accrual basis) | 40,000 | | |
| | Income from let out portion | | 1,24,500 | |
| | Self-occupied (Unit 2 - 25%) | | | |
| | [Since Unit 2 representing 50% of the floor area is used for residence as well as business purpose, it is assumed that it is equally used for residence and business purpose] | | | |
| | Gross Annual Value | Nil | | |
| | Less: Municipal taxes [not allowed for self-occupied property] | Nil | | |
| | Net Annual Value | Nil | | |
| | Less: Deduction under section 24(b) | | | |
| | Interest on loan for construction of house, ₹80,000 x 50% x1/2 (allowable on accrual basis) | | | |

| | | | | |
|---|---|---|---|---|
| | Loss from self-occupied portion | | (20,000) | |
| | [Loss from self-occupied portion can be set off against income from let out portion] | | | 1,04,500 |
| III | Profits and gains from business and profession | | | |
| | Excess of income over expenditure | | | |
| | Add: Expenses debited to Income & Expenditure A/c but not allowable as deduction | | 36,97,500 | |
| | Remuneration paid to his wife Mrs. Beena [As per section 40A(2) remuneration paid to Mrs. Beena is allowed, since it is as per market rates] | — | | |
| | Municipal taxes attributable to let out and self- occupied portions not allowable [₹ 10,000 x 75%] | 7,500 | | - |
| | Interest on capital borrowed for construction of house attributable to let out and self- occupied portion not allowable [₹ 80,000 x 75%] | 60,000 | | |
| | Interest on capital borrowed from bank for construction of house attributable to business portion i.e., 25% of ₹80,000 [not allowable, since it is not paid on or before due date of filing return of income by virtue of section 43B] | 20,000 | | |
| | Notional rent for Unit 2 used for business or profession [not allowable under section 30, since Mr. Bhasin himself is the owner of the property] | 2,40,000 | | |
| | Insurance premium [Personal expenditure not allowable] | 72,000 | | |

| | | | | |
|---|---|---|---|---|
| | Professional fees to Mr. Raunak without deducting TDS [₹ 1,00,000 x 30%] [Mr. Bhasin is required to deduct TDS on professional fees payment to Mr. Raunak since his gross receipts from profession exceeds ₹ 50 lakhs during the P.Y. 2022-23. 30% of the sum paid to Mr. Raunak, resident without deducting tax to be disallowed in P.Y. 2023-24] | 30,000 | | |
| | Depreciation as per books | 1,20,000 | 5,49,500 | |
| | | | 42,47,000 | |
| | Less: Income credited to Income & Expenditure A/c but not taxable as business income | | | |
| | Interest on savings bank account [taxable under the head "Income from other sources"] | 25,000 | | |
| | Winnings from lottery [taxable under the head "Income from other sources"] | 99,500 | | |
| | Rent received [taxable under the head "Income from house property"] | 2,40,000 | 3,64,500 | |
| | | | 38,82,500 | |
| | Less: Depreciation allowable [2,00,000 (₹ 1,60,000, being new laptops + ₹ 40,000, being printers) x 40%, i.e., 64,000+16,000 as it was put to use for more than 180 days in the P.Y. 2023-24. Printers and scanners for ₹ 40,000 are eligible for higher depreciation of 40%] | | 80,000 | |
| IV | Income from Other Sources | | | 38,02,500 |
| | Interest on savings bank account | | 25,000 | |
| | Winnings from Lottery [No expenditure or allowance is allowed from lottery income] | | 1,00,000 | |

| | | | | |
|---|---|---|---|---|
| | | | | 1,25,000 |
| | Gross Total Income | | | 42,82,000 |
| | Less: Deduction under Chapter VI-A Deduction under section 80D | | | |
| | Medical insurance premium [₹ 72,000 x 1/4, being the previous years in which insurance would be in force] [allowable for self, spouse and dependent children] | | 18,000 | |
| | Deduction under section 80E | | | |
| | Interest on loan taken from a nationalised bank for higher education of son | | 40,000 | |
| | Deduction under section 80TTA | | | |
| | Interest on saving bank account to the extent of | | 10,000 | 68,000 |
| | Total Income | | | 42,14,000 |
| | Tax Payable | | | |
| | On lottery income [30% of ₹ 1,00,000] | | 30,000 | |
| | On other income of ₹ 41,14,000 | | | |
| | Upto ₹ 2,50,000 | Nil | | |
| | ₹ 2,50,000 @5% [₹ 2,50,000 - ₹ 5,00,000 | 12,500 | | |
| | ₹ 5,00,000 @20% [₹ 5,00,000 - ₹ 10,00,000] | 1,00,000 | | |
| | ₹ 31,14,000 @30% [₹ 10,00,000 - ₹ 41,14,000] | 9,34,200 | 10.46.700 | 10,76,700 |
| | Less: HEC@4% | | | 43,068 |
| | Tax liability | | | 11,19,768 |
| | Less: TDS on lottery winnings @30% u/s 194B | | | 30,000 |
| | Tax payable | | | 10,89,768 |

| | | | | |
|---|---|---|---|---|
| | Tax payable (rounded off) | | | 10,89,770 |

**4. Show TDS Implication in following cases**

**(i) Miss Tara, a resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those video on social media. On 1s' December 2023, XYZ Ltd., an Indian company manufacturer of electronic cars gave her a brand new car having fair market value of ₹ 6 lakhs to promote on her social media page. She used that car for 7 months for her personal purposesr recorded a video reviewing the car and then returned the car to the company. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction.**

**(ii) Ms. Aruna is a Chief Executive Officer of a multi-national company. She hires Mr. Suresh for supply of her housing staff (like gardener, chefs and drivers etc.) and makes the following payments to him: ₹ 25,00,000/- on 10th August, 2023 and ₹ 30,00,000 on 22nd November, 2023. Determine of amount of tax to be deducted/ collected at source, if any.**

**Would your answer be different if Ms. Aruna is business woman and her books are not audited in immediately preceding financial year and payment to Mr. Suresh is for business purposes.**

**(iii) By virtue of an agreement with Nationalized Bank, Ms ABC Pvt Ltd., a company engaged in catering business received ₹ 60,000 p.m. towards supply of food, water, snacks, etc. during office hours to the employees of the bank. Discuss the TDS implication of this transaction/agreement. (7 marks)**

**Answer:**

**(i) Under section 194R, the person who is responsible for providing to a resident, any benefit or perquisite whether convertible into money or not, arising from business or the exercise of a profession by such resident, has to first ensure deduction of tax@10% of the value of such benefit or perquisite, if the same exceeds ₹ 20,000**

**However, in case of benefit or perquisite being a product like car, mobile etc. if the product is returned to the manufacturing company after using for the purpose of rendering service, then it will not be treated as a benefit/perquisite for the purposes of section 194R. Accordingly, in the present case, since Miss Tara has returned the car to XYZ Ltd., TDS provisions under section 194R would not apply.**

**(ii) The provisions of section 194C would not apply in the hands of Ms. Aruna since the amount paid to Mr. Suresh is for supply of her housing staff. Hence, it is used exclusively for her personal purposes.**

**In this case, tax is required to be deducted at source from such amount under section. 194M @5%, since the aggregate payment made to Mr. Suresh for the said contract exceeds ₹ 50 lakhs during the P.Y.2023-24.**

Accordingly, ₹ 2,75,000, being 5% of ₹ 55,00,000 [₹ 25,00,000 + ₹ 30,00,000], is required to be deducted at source.

In case Ms. Aruna made payment to Mr. Suresh for business purposes and she is not required to get her books of account audited [assuming her turnover from such business does not exceed ₹ 1 crore in P.Y. 2022-23], she is not required to deduct tax at source under section 194C. In such case also, she is required to deducted tax at source of ₹ 2,75,000 under section 194M.

Note: In the question, it is mentioned that Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year. However, whether the provisions of section 194C would be attracted are dependent on whether the turnover of business carried on by her during the financial year immediately preceding the financial year in which the sum credited or paid exceeds ₹ 1 crore. In the absence of this information, it is possible that audit may not be required in her case due to the following reasons-

— her turnover exceeds ₹ 1 crore but does not exceed ₹ 10 crores and receipts and payments in cash does not exceed 5% of such receipts or payments, respectively.

— her turnover exceeds ₹ 1 crore but does not exceed ₹ 2 crore and she is declaring profits under the presumptive provisions of section 44AD.

Accordingly, following alternate answer is also possible based on the assumption that turnover of Ms. Aruna's business exceeds ₹ 1 crore.

Alternative Answer:

In case Ms. Aruna made payment to Mr. Suresh for business purposes during the P.Y. 2022-23, she would be required to deduct tax at source @1% under section 194C amounting to ₹ 55,000 (since payment is made to Mr. Suresh, an individual) of ₹ 55,00,000.

(iii) According to section 194C, the definition of "work" include catering. In the present case, nationalised bank is required to deduct tax source @2% on ₹ 7,20,000 [₹ 60,000 x 12] paid to ABC Pvt. Ltd. for providing catering services to the bank, since amount of ₹ 60,000 paid every month exceeds the threshold of ₹ 30,000.

Therefore, nationalised bank is required to deduct tax at source of ₹ 1,200 per month amounting to ₹ 14,400 for the year.

5. Mr. X a resident individual submits the following information, relevant to the previous year ending March 31,2024:

| | Particulars | Amount (₹) |
|---|---|---|
| (i) | Income from Salary (Computed) | 2,22,000 |
| (ii) | Income from House Property | |

| | | |
|---|---|---|
| | - House in Delhi | 22,000 |
| | - House in Chennai | (-) 2,60,000 |
| | - House in Mumbai (self occupied) | (-) 20,000 |
| (iii) | Profit and gains from business or profession | |
| | - Textile business | 18,000 |
| | - Cosmetics business | (-) 22,000 |
| | - Speculative business-1 | (-) 74,000 |
| | - Speculative business-2 | 46,000 |
| (iv) | Capital gains | |
| | Short term capital loss from sale of property | (-) 16,000 |
| | Long term capital gains from sale of property | 15,400 |
| (v) | Income from other sources (Computed) | |
| | - Income from betting | 34,000 |
| | - Income from Card games | 46,000 |
| | - Loss on maintenance of race horses | (-)14,600 |

**Determine the gross total income of Mr. X for the assessment year 2024-25 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC.**

**Answer:**

**Computation of Gross Total Income of Mr. X for A.Y. 2024-25:**

| Particulars | Amount | Amount |
|---|---|---|
| Salaries | | |
| Income from salary (computed) | 2,22,000 | |
| Less: Set-off of loss from house property of ₹ 2,58,000 to the extent of ₹ 2 lakhs by virtue of section 71 (3A) | 2,00,000 | 22,000 |
| Income from house property | | |

| | | | |
|---|---|---|---|
| — House in Delhi | 22,000 | | |
| — House in Chennai | (2,60,000) | | |
| — House in Mumbai (self-occupied) | (20,000) | | |
| | (2,58,000) | | |
| Loss upto ₹ 2 lakhs can be set off against income from salary. | | | |
| Balance loss of ₹ 58,000 from house property has to be carried forward to A.Y.2025-26. | | | |
| Profits and gains from business or profession | | | |
| Profits from Speculative business - 2 | 46,000 | | |
| Less: Loss of ₹ 74,000 from speculation -1 set off to the extent of profits of ₹ 46,000 as per section 73(1) from another speculation business. Loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business. | (46,000) | | |
| Hence, the balance loss of ₹ 28,000 from speculative business has to be carried forward to A.Y. 2025-26. | | | |
| Profits from textile business | 18,000 | | |
| Less: Loss from cosmetic business of ₹ 22,000 set off against profits from textile business to the extent of ₹ 18,000 as per section 70(1). | (18,000) | | |
| Balance loss of ₹ 4,000 from cosmetic business has to be carried forward to A.Y.2025-26, since the same cannot be set-off against salary income. | | | |
| Capital Gains | | | |
| Long term capital gain from sale of property | 15,400 | | |
| Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long term capital gains to the extent of ₹ 15,400 as per section 74(1). | (15,400) | | |

| | | |
|---|---|---|
| Balance short term capital loss of ₹ 600 has to be carry forward to A.Y.2025-26 | | |
| Income from Other Sources | | |
| Income from betting [No loss is allowed to be set off against such income] | 34,000 | |
| Income from card games [No loss is allowed to be set off against such income] | 46,000 | |
| Loss on activity of owning and maintenance of race horses [Loss incurred on activity of owning and maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss of t 14,600 has to be carried forward to A.Y.2025-26] | NIL | 80,000 |
| Gross Total Income | | 1,02,000 |

6. Mr. Govind purchased 600 shares of "Y" limited at ₹130 per share on 26.02.1979. "Y" limited issued him, 1,200 bonus shares on 20.02.1984. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was ₹ 900 per share and ₹ 2,000 per share as on 31.01.2018. On 31.01.2023 he converted 1000 shares as his stock in trade. The shares was traded at Mumbai Stock Exchange on that date at a high of ₹ 2,200 per share and closed for the day at ₹ 2,100 per share.
On 07.07.2023 Mr. Govind sold all 1800 shares @ ₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid.
Compute total income of Mr. Govind for the assessment year 2024-25. (5 marks)

**Answer:**

**Income on transfer of shares of Mr. Govind:**

| | 600 original shares (converted into stock in trade) | 400 bonus shares (converted into stock in trade) | 800 bonus shares held as investment |
|---|---|---|---|
| Capital gain at the time of conversion on 31.01.2023 (but taxable in P.Y. 2023-24 when stock in trade is transferred) [capital gain will be computed u/s 112 and | | | |

| | | | |
|---|---|---|---|
| **not under 112A as STT is not applicable at the time of conversion:** | | | |
| **Full Value of Consideration being FMV as on the date of conversion (2200*600, 2200*400)** | **13,20,000** | **8,80,000** | |
| **Less: Indexed cost of acquisition** | **17,87,400** | **11,91,600** | |
| | **(900*600* 331/100)** | **(900*400* 331/100)** | |
| **Long term capital loss** | **(4,67,400)** | **(3,11,600)** | **-** |
| **Capital gain on transfer of.800 bonus share:** | **-** | **-** | **19,20,000** |
| **Full value of consideration (24000*800)** | | | |
| **Less: Cost of acquisition (all condition of Section 112A are satisfied FMV as on 31.01.2018 is taken as cost of acquisition (2000*800)** | **-** | **-** | **16,00,000** |
| **LTCG u/s 112A** | **-** | **-** | **3,20,000** |
| **Computation of business income** | | **-** | |
| **Sale Consideration** | **14,40,000** | **9,60,000** | **-** |
| **Less:** | | | |
| **Cost being FMV on the date of conversion** | **13,20,000** | **8,80,000** | **-** |
| **STT (0.1% of sale consideration)** | **1,440** | **960** | **-** |
| **Business Income** | **1,18,560** | **79,040** | **-** |

**Computation of Business Income:**

**Business Income [STT Deduction Allowable]** **1,97,600**

**LTCG/LTCL** **(4,59,000)**

| | |
|---|---|
| **Net Income** | **1,97,600** |

**Note:**

**LTCL will be c/f to next year as it can be set off only from LTCG income.**