

CA- INTERMEDIATE

Jan 2025

INCOME TAX

“SARVOTTAM - 10”

(Top 10 Exam Booster

Comprehensive Questions)

By :- CA SANCHIT GROVER

(Only faculty with more than 4.5 years

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FOR 15 MARKS

COMPILER OF COMPREHENSIVE INCOME TAX QUESTIONS

- Q1)** 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:

- 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.
- 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.
- Rates and taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.
- 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.
- Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.

- (vi) The expense on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2023 to 30th June, 2026 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.
- (vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to Mr. Raunak, an Indian resident on which no tax was deducted at source.
- (viii) There was only one block containing computers which came into existence only on 2nd April, 2023 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% in the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.
- (ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y. 2023-24, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y. 2024-25 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under section 115BAC. Also calculate the total tax payable by him. **(CA Inter May 2023 - 14 Marks)**

- Q2)** Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2022-23 was 250 lakhs and in the current previous year 2023-24, it ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2024 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023 -24.

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

| Date | Particulars | Amount (₹) |
|------------|---|------------|
| 01-04-2023 | Opening written down value of machinery used for manufacturing purpose | 4,75,000 |
| 03-07-2023 | New machinery purchased during the year, payment made by an account pay cheque. | 7,25,000 |
| 10-03-2024 | Sold one of the old machine | 75,000 |

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

- (ii) Received subsidy of 20% on new machine purchased on 03-07-2023 during the previous year under technology upgradation fund Scheme from the Central Government.
- (iii) She paid a job charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.
- (iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2023-24, from the agent due to settlement with commission agent.
- (v) ₹ 25,000 paid to creditor for goods in cash.
- (vi) Incurred loss of ₹ 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.

- (vii) Interest received amounting ₹ 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.
 - (viii) She Received ₹ 60,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.
 - (ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2023 for ₹ 6,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2023-24:384)
 - (x) She received a gold coin (bullion) worth ₹ 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2023-24.
 - (xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹ 75,000.
 - (xii) She deposited a sum of ₹ 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
 - (xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹ 1,55,000 to get transfer the property in her name.
- You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2024-25. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

(CA Inter May 2022 exam - 14 Marks)

- Q3)** Mr. Kamal, a resident individual aged 48 years, is working at a senior management position in a private bank since past 20 years. During the previous year 2023-24, he received the following emoluments from the employer:
- (a) Basic Salary ₹ 3,50,000 per month.
 - (b) Client entertainment reimbursement of ₹ 20,000 per month out of which he submitted bills for ₹ 2,00,000 for the relevant year.
 - (c) Leave travel allowance of ₹ 4,00,000 per annum. He took a trip to Goa with his spouse and two children in December 2023, for which plane boarding tickets of ₹ 1,00,000 and hotel bookings of ₹ 3,00,000 were submitted to the employer.
 - (d) Performance bonus amounting to 20% of annual basic salary.
 - (e) He is eligible to take a staff housing loan upto ₹ 20,00,000 at a concessional rate of 2.5% p.a. He availed a housing loan of ₹ 15,00,000 out of the same on 1st June 2023. No repayment of loan has been made during the F.Y. 2023-24. The lending rate of SBI as on 1.4.2023 for housing loan may be taken as 8% p.a.
 - (f) The Bank also allotted 1,500 sweat equity shares to Mr. Kamal in May 2023 at the rate of ₹ 1,300 per share. The Fair market value of the share was ₹ 1,500 per share on the date of exercise of option by Mr. Kamal. He sold all the shares for ₹ 2,100 per share on 31.03.2024 on recognised stock exchange. Assume Securities transaction tax has been paid.

The following transactions were made by Mr. Kamal during the previous year 2023-24:

- (a) He earned rental income of ₹ 35,000 per month from a 3 BHK residential flat situated at Delhi. He purchased the said flat for ₹ 45 Lakhs in June, 2023 using the housing loan availed from the employer and his own savings. It was let out from July, 2023. Municipal taxes of ₹ 12,000 for F.Y. 2023-24 was paid by Mr. Kamal.

- (b) He invested ₹ 30,00,000 in RBI Floating Rate Savings Bonds on 1st September 2023 earning an interest of 7% p.a. Interest is credited half yearly on 1st January and 1st July every year. (Assume receipt basis for taxation)
- (c) He also paid LIC premium of ₹ 15,000 for self, ₹ 20,000 for wife and ₹ 30,000 for dependent father, aged 75 years. Medical insurance premium paid on the health of dependent brother and major dependent son amounted to ₹ 5,000 (paid by cheque) and ₹ 10,000 (paid in cash), respectively.
- (d) In December 2023, he earned dividend income of ₹ 5,00,000 (gross) on shares of the bank held by him. You are required to compute his total income and tax liability for the assessment year 2024-25, clearly showing all workings. (Ignore section 115BAC provisions) **(ICAI RTP May 2023)**

- Q4)** Mrs. Kashish, a resident individual, aged 62 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Kashish for the year ending 31.3.2024 is as under:

| Particulars | (₹) | Particulars | (₹) |
|--|------------------|--|------------------|
| To Salary to Staff | 7,20,000 | By Consultation Fees | 74,28,000 |
| To Administrative Exp. | 11,64,000 | By Salary received from True Care Hospitals (P) Ltd. | 10,80,000 |
| To Rent of clinic | 5,76,000 | By Rental Income from House Property | 2,40,000 |
| To Conveyance Expenses | 1,44,000 | By Dividend from Foreign Companies (gross) | 60,000 |
| To Power & Fuel | 1,44,000 | | |
| To Interest on Housing Loan | 2,20,000 | | |
| To Interest on Education Loan for son | 1,56,000 | | |
| To Amount paid to scientific research association approved & Notified under section 35 | 1,50,000 | | |
| To net profit | 55,34,000 | | |
| Total | 88,08,000 | | 88,08,000 |

- (i) She is working part-time with True Care Hospitals (P) Ltd. Her salary details are as under:

| | |
|---------------------|----------------------|
| Basic Pay | ₹ 85,000 p.m. |
| Transport Allowance | ₹ 5,000 p.m. |
| Total | ₹ 90,000 p.m. |

Further, during P.Y. 2023-24, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of ₹ 1,60,000 for a similar treatment to unrelated patients.

- (ii) She owns a residential house. The reconstruction of the house was started on 01-04-2023 and was completed on 30-09-2023. After reconstruction, ground floor of the house is self-occupied by her while first floor has been rented out since 1.10.2023. Both the floors are of equal area. The monthly rent is ₹ 40,000. The tenant also pays ₹ 3,000 p.m. as power back-up charges. She took a housing loan of ₹ 25 lakhs for reconstruction on 01-04-2023. Interest on housing loan for the period 01-04-2023 to 30-09-

2023 was ₹ 1,20,000 and for the period 01-10-2023 to 31-03-2024 was ₹ 1,00,000. During the year, she also paid municipal taxes for the F.Y. 2022-23 ₹ 5,000 and for F.Y. 2023-24 ₹ 5,000.

(iii) Other information:

- Conveyance expenses include a sum of ₹ 48,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and vice versa in relation to her employment.
- Power & fuel expenses include a sum of ₹ 10,000 incurred for generator fuel for providing power back-up to the tenant.
- Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.
- Clinic equipments' details are:
Opening W.D.V. of clinic equipments as on 01-04-2023 was ₹ 5,00,000 and fresh purchase made on 28-08-2023 is ₹ 75,000 which was paid in cash.
- She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.
- She availed a loan of ₹ 25,00,000 from bank for higher education of her son. She repaid principal of ₹ 3,00,000 and interest of ₹ 1,56,000 during P.Y. 2023-24.

You are required to compute the total income and tax liability of Mrs. Kashish for the A.Y. 2024-25 assuming she is not opting for the provisions of section 115BAC. **(ICAI RTP Nov 2023)**

- Q5)** 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

| Expenditure | | Amount (₹) | Income | | Amount (₹) |
|--------------|--|------------------|--------------|---|------------------|
| 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 | By | | |
| 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 Rs. 46,000 paid as commission to brother of Assessee. The Commission amount at the market rate in Rs. 36,000.
- (ii) The assessee paid Rs. 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 Rs. 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 Rs. 20,000 and the balance was paid in October 2024.
- (v) Miscellaneous Expenses include Rs. 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
- (viii) Housing Loan Principal repaid during the year was Rs. 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was Rs. 2,60,000. Housing Loan was taken from Canara Bank (Value of house property is Rs. 45 Lakhs, loan value Rs. 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%) | Rs. |
|---|-----------|
| 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 |
| Note: Ignore Additional Depreciation u/s 32(1)(iia) | |

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). **(CA Inter May 2024 - 15 Marks)**

- Q6)** Mr. Ramesh is an authorized wholesale distributor of fertilizers and other agricultural products. An analysis of his trading and profit & loss account for the previous year 31.3.2024 revealed the following information:
- (1) Net Profit Rs. 75,43,000.
 - (2) The following incomes were credited in the profit and loss account
 - (a) Rent received Rs. 5,40,000
 - (b) Income-tax refund Rs. 15,000
 - (c) Dividend from Indian companies Rs. 2,50,000 (Gross)
 - (3) Rates and taxes debited to profit and loss account include Rs. 1,000 paid towards late filing of his IT return for A.Y. 2023-24 under section 234F of Income-tax Act
 - (4) Salaries debited to profit and loss account include Rs. 35,000 paid on single day by way of cash to his accountant
 - (5) Interest of Rs. 1,20,000 paid on loan of Rs. 10,00,000 taken from NBFC. Out of the loan, amount of Rs. 2 lakhs was used for personal purposes and the balance was used for business purposes. No TDS was deducted while paying interest. Interest of Rs. 1,20,000 is debited to profit and loss account
 - (6) Municipal Taxes of Rs. 10,000 paid for the building was debited to profit and loss account.

Additional Information

- (1) Closing stock was undervalued by Rs. 40,000
 - (2) Income-tax refund includes Rs. 2,000 towards interest.
 - (3) An amount of Rs. 45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
 - (4) Advance Tax paid during the year is Rs. 15 lakhs.
 - (5) Half of the building is used for business purpose and remaining half let out to Mr. Anshul for residential purpose.
 - (6) He also sold his vacant land on 10.11.2023 for Rs. 10 lakhs. The stamp duty value of land at the time of transfer was Rs. 14 lakhs. The FMV and stamp duty value of the land as on 1st April, 2001 was Rs. 4 lakhs and Rs. 3 lakhs, respectively. This land was acquired by him on 05.08.1995 for Rs. 1.80 lakhs. He had incurred registration expenses of Rs. 10,000 at that time. The cost of inflation index for the years 2023-24 and 2001-02 are 348 and 100, respectively.
 - (7) Mr. Ramesh's turnover for the P.Y. 2022-23 was Rs. 3 crores
- You are required to compute the total income and tax payable by Mr. Ramesh for the A.Y. 2024-25 under regular provisions of the Act

(ICAI RTP Jan 2025)

- Q7)** 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:
 - (a) 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.
 - (b) 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 ₹ 16,00,000 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. **(ICAI MTP Nov 2022 - 14 Marks)**

- Q8)** Mr. Anand, a resident Indian aged 45 years, has provided you the following information for the previous year ended on 31.03.2024

(i) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was Rs. 200 lakhs. Export turnover received in India in convertible foreign exchange on or before 30.9.2024 is Rs. 120 lakhs. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is Rs. 35 lakhs.

(ii) Mr. Anand sold equity shares of different Indian companies on 14th March, 2024:

| Name | Sale value (per share) | Purchase price (per share) | Acquired on | No. of shares | FMV as on 31.1.2018 |
|----------|------------------------|-----------------------------------|------------------|---------------|---------------------|
| Sam Ltd. | Rs. 150 | Rs. 120 (STT paid at acquisition) | 2nd Feb, 2024 | 2000 | - |
| Jam Ltd. | Rs. 100 | Rs. 72 (STT paid at acquisition) | 16th April, 2017 | 1250 | 50 |

CII – F.Y. 2017-18: 272; F.Y. 2023-24: 348 Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration.

(iii) He made payment of Rs. 90,000 on 1.9.2023 vide cheque towards medical insurance as lumpsum premium for himself and his wife till 31.8.2027. He also made cash payment of Rs. 7,500 towards preventive health checkup for himself and his wife.

(iv) He received royalty of Rs. 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 16% of value of books and expenditure made for earning this royalty was Rs. 40,000. The amount remitted to India till 30th September, 2024 is Rs. 2,50,000.

(v) He received income-tax refund of ₹ 15,750 (including interest ₹ 1,750) relating to the assessment year 2023-24.

(v) He occupies ground floor of his residential building and has let out first floor for residential use for a monthly rent of Rs. 15,000. He has paid municipal taxes of Rs. 30,000 for the current financial year. Both floors are of equal size. He has taken a loan from bank of Rs. 50 lakhs for the construction of this property in 2020 and has repaid Rs. 2,05,000 (including interest Rs. 1,00,000) during the year 2023-24.

(vi) Mr. Anand deposited Rs. 1,30,000 in Public Provident Fund and Rs. 80,000 in 5 years term deposit in the name of his minor son, Aman.

You are required to compute the total income and tax liability of Mr. Anand under section 115BAC as well as under normal provisions for the A.Y. 2024-25. Ignore AMT provisions. **(ICAI RTP Sep 2024)**

Q9) Mr. Raman, a resident individual aged 62 years, is engaged in the business of manufacturing and sales of spare parts for motor bikes, as a proprietor. He prepares his accounts on mercantile basis. This business is carried out on the ground floor of a two storied commercial building owned by him, the written down value of which is Rs. 8 lakhs as on April 1, 2023. He prepares his accounts on accrual basis. The Statement of Profit and Loss for the previous year ended on March 31, 2024 shows a net profit of Rs. 9.25 lakhs (before taxation and depreciation) after debiting/crediting the following items:

(i) Travelling expenses includes Rs. 2,40,000 being expenditure incurred on a foreign tour to Taiwan for attending a business exhibition and meeting with vendors, out of which Rs. 40,000 is incurred in Indian currency and Rs. 2,00,000 in foreign currency. Mr. Raman has spent 10 days in Taiwan, out of which 4 days were utilized by him for attending marriage ceremony of a vendor's son.

(ii) Administrative expenses include Rs. 9,525 paid towards interest on delay in deposit of GST.

(iii) General expenses include a sum of Rs. 3,88,000 paid to a non-resident as fee for technical services without deduction of tax at source.

(iv) Fire insurance premium of Rs. 66,000 for the entire building remained unpaid till 31st March, 2024.

(v) Expenditure of Rs. 75,000, was paid to a scientific research association approved under section 35. Out of Rs. 75,000, Rs. 50,000 was utilised towards the purchase of land by the research association.

(vi) He let out first floor of his commercial building to Mr. Aman on April 1, 2023 and received rent of Rs. 35,000 per month. Municipal taxes Rs. 20,000 relating to the building were paid equally by both Mr. Raman and Mr. Aman. Rent received was credited and municipal taxes of Rs. 10,000 (relating to ground floor) was debited to the statement of profit and loss.

(vii) He sold a piece of land for Rs. 44 lakhs on 12th April, 2023. He had acquired the land for 40 lakhs on 1st January, 2022. The gain of 4,00,000 is credited to the statement of profit and loss.

(CII for F.Y. 2021-22-317; F.Y. 2023-24-348)

Additional Information:

(i) Mr. Raman purchased raw material from M/s. Paul Industries, a micro enterprise, for Rs. 49,000 on March 10, 2024. However, the payment to M/s. Paul Industries was made on April 5, 2024 by cheque. No written agreement for payment existed between M/s. Paul Industries and Mr. Raman. Another supplier M/s. Kal Industries, a small enterprise, with whom also no written agreement existed for payment, was paid Rs. 1,34,000 in cash on April 5, 2024 for purchase of raw material on March 31, 2024. Both M/s. Paul Industries and M/s. Kal Industries follow mercantile system of accounting.

(ii) Mr. Raman acquired a registered trademark on July 15, 2023 for Rs. 2,00,000. Mr. Raman started using this trademark for his business from January 15, 2024. Mr. Raman omitted to enter any transaction relating to this trademark in his books of accounts.

(iii) Mr. Raman bought a car for personal use on 12th April, 2020 for Rs. 5,40,000. He started using this car for business purposes from 01.04.2023. As on that day, the market value of the car was Rs. 2,10,000. Assume the rate of depreciation to be 15%.

(iv) He incurred Rs. 2,50,000 on the purchase of a new machinery to be used in the production of spare parts for motor bikes on May 15, 2023.

(v) He has paid tuition fees of Rs. 25,000 for the education of his daughter to a college.

(vi) During the year, Mr. Raman has incurred Rs. 9,500 in cash for preventive health check-up where Rs. 5,000 was for himself and Rs. 4,500 was for his parents who are super senior citizens.

(vii) Donation paid to a registered political party by way of cheque Rs. 20,000.

Compute the total income and tax payable for assessment year 2024-25 by Mr. Raman under default tax regime and optional tax regime as per normal provisions of the Act. Which option is advantageous to Mr. Raman?

(CA Inter Sep 2024 – 15 Marks)

Q10) Mr. Rishabh, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. 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

Additional information -

- (i) Mr. Rishabh 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.
- (ii) Mr. Rishabh took a loan from SBI of ₹ 50 lakhs on 15.9.2023 @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. Interest is charged by the bank on monthly basis.
- (iii) Advance tax paid during the year is ₹ 17,50,000
- (iv) Rishabh 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 1.4.2017.
- (vi) He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- (vii) On 1.7.2023, Mr. Rishabh withdrew ₹ 1.5 crores in cash from three current accounts maintained by him with HSBC. 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. Rishabh for the A.Y. 2024 -25, in the manner so that he can make maximum tax savings.

(ICAI MTP May 2023 - 14 Marks)

Answers to Comprehensive Questions of Income Tax

Ans. 1) 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)] [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%)] | 2,40,000 | | |
| | 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) | 20,000 | | |
| | Interest on loan for construction of house, ₹ 80,000 x 50% x 1/2 (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 | | 36,97,500 | |
| | Add: Expenses debited to Income & Expenditure A/c but not allowable as deduction | | | |

| | | | | |
|----|--|----------|-----------------------|-----------|
| | 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 30,000 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 | 38,02,500 |
| IV | Income from Other Sources Interest on savings bank account | | 25,000 | |
| | Winnings from Lottery [No expenditure or allowance is allowed from lottery income] | | 1,00,000 ¹ | |
| | | | | 1,25,000 |
| | Gross Total Income | | | 42,82,000 |
| | Less: Deduction under Chapter VI-A | | 18,000 | |

| | | | |
|--|----------|-----------|-----------|
| 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] | | | |
| 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 |

Ans. 2) Computation of total income of Mrs. Nisha for A.Y. 2024-25

| Particulars | ₹ | ₹ | ₹ |
|---|----------|----------|---|
| I. Income from business or profession | | | |
| Net Profit as per profit and loss account | | 5,61,000 | |
| Add: Items not credited but taxable while computing business income | | | |
| - Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2023-24 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income] | 50,000 | | |
| - Interest on capital from partnership firm 1,60,000 [₹2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. | 1,60,000 | | |

| | | | | |
|---|-----------|----------|------------|----------|
| Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner] | | | | |
| | | | | 2,10,000 |
| | | | | 7,71,000 |
| Less: Items not debited but allowable while computing business income | | | | |
| - Job charges without deduction of tax 63,000 [₹ 90,000- 30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2022-23 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia). Remaining job charges paid would be allowable as deduction while computing business income | | 63,000 | | |
| - Payment to creditor in cash [Payment to creditor in - cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash by virtue of section 40A(3)] | | - | | |
| | | 63,000 | | |
| | | 7,08,000 | | |
| Less: Depreciation as per Income-tax Rules | | | | |
| Opening WDV of machinery | 4,75,000 | | | |
| Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2023-24 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost (₹7,25,000 - ₹1,45,000). | 5,80,000 | | | |
| | 10,55,000 | | | |
| Less: Sale proceeds | 75,000 | | | |
| WDV as on 31.3.2024 before depreciation for P.Y. 2023-24 | 9,80,000 | | | |
| Depreciation @ 15% on 9,80,000 | | 1,47,000 | | |
| Additional Depreciation@20% on ₹ 5,80,000 | | 1,16,000 | | |
| (As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y. 2023-24, depreciation and additional depreciation will be allowed in full) | | | 2,63,000 | |
| | | | 4,45,000 | |
| Less: Loss from eligible transaction carried out in 1,17,500 respect of trading in derivatives in a | | | (1,17,500) | |

| | | | | | |
|------------|--|--|----------|----------|-----------------|
| | recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70. | | | | |
| | | | | | 3,27,500 |
| II | Capital Gains | | | | |
| | Long term capital gain on sale of gold bracelet since it is held for more than 36 months | | 6,00,000 | | |
| | Sales consideration | | | | |
| | Less: Cost of acquisition (40,000 x 348/113) | | 1,23,186 | | |
| | Less: Cost of improvement (50,000 x 348/129) | | 1,34,884 | | |
| | Long- term capital gain on sale of gold bracelet | | | 3,41,930 | |
| | Less: Long term capital loss from sale of STT paid 75,000 shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70. | | | (75,000) | 2,66,930 |
| III | Income from Other Sources | | | | |
| | Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000] | | | 55,000 | |
| | Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha] | | | 60,000 | 1,15,000 |
| | Gross Total Income | | | | 7,09,430 |
| | Less: Deduction under Chapter VI-A | | | | |
| | Deduction under section 80C | | | | |
| | Stamp duty and registration fee of ₹ 1,55,000 for the 1,50,000 purpose of transfer of house property, restricted to | | | 1,50,000 | |
| | Deduction under section 80DD | | | | |
| | Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹ 1,25,000 in case of severe disability irrespective of amount deposited with LIC] | | | 1,25,000 | |
| | | | | | 2,75,000 |
| | Total Income | | | | 4,34,430 |

Computation of tax liability of Mrs. Nisha for A.Y.2024-25

| Particulars | ₹ |
|---|--------|
| Tax on Normal Income of Rs. 1,67,500 (being less than the exemption limit of Rs. 2,50,000 and hence No Tax) | Nil |
| Tax on long-term capital gains @20% on ₹ 1,84,430 [₹ 2,66,930 - ₹ 82,500, being unexhausted basic exemption limit(₹ 2,50,000 - ₹ 1,67,500)] | 36,886 |
| | 36,886 |

| | |
|---|----------|
| Less: Rebate u/s 87A [Tax payable or ₹ 12,500, whichever is less] | (12,500) |
| | 24,386 |
| Add: Health and education cess@4% | 975 |
| Tax liability | 25,361 |
| Tax liability (rounded off) | 25,360 |

Ans. 3) Computation of total income of Mr. Kamal for the A.Y. 2024-25

| | Particulars | ₹ | ₹ |
|------------|--|-----------|------------------|
| I | Income from salaries | | |
| | Basic Salary [₹ 3,50,000 x 12] | 42,00,000 | |
| | Client entertainment reimbursement [₹ 2,40,000 - ₹ 2,00,000] | 40,000 | |
| | Leave Travel Allowance [₹ 4,00,000 - ₹ 1,00,000] | 3,00,000 | |
| | [Note 1] | | |
| | Performance Bonus [20% of Basic Salary] | 8,40,000 | |
| | Interest on Housing loan [₹ 15,00,000 x (8% - 2.5%) x 10/12] | 68,750 | |
| | Sweat Equity allotted by the employer (₹ 1,500 - ₹ 1,300) x 1,500 | 3,00,000 | |
| | Gross Salary | 57,48,750 | |
| | Less: Standard deduction | 50,000 | |
| | Taxable Salary | | 56,98,750 |
| II | Income from house property | 3,15,000 | |
| | Gross Annual Value under section 23(1) [Rent received for 9 months has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent] [₹ 35,000 X 9] | | |
| | Less: Municipal taxes paid [Paid by Mr. Kamal] | 12,000 | |
| | Net Annual Value (NAV) | 3,03,000 | |
| | Less: Deduction u/s 24 | | |
| | (a) @30% of NAV | 90,900 | |
| | (b) Interest on borrowed capital [15,00,000 x 2.5% x 10/12] | 31,250 | |
| | | | 1,80,850 |
| III | Capital gains | | 9,00,000 |
| | STCG on sale of sweat equity shares [1,500 X (₹ 2,100 - ₹ 1,500)] | | |
| IV | Income from other sources | | |
| | Dividend Income | 5,00,000 | |
| | Interest on RBI bonds [₹ 30,00,000 X 7% X 4/12] | 70,000 | 5,70,000 |
| | Gross total Income | | 73,49,600 |
| | Less: Deduction under Chapter VI-A | | |
| | Deduction u/s 80C for LIC premium paid for self and wife [Note 2] | 35,000 | |
| | Deduction u/s 80 D [Note 3] | Nil | 35,000 |
| | Total Income | | 73,14,600 |

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

| Particulars | ₹ | ₹ |
|---|---|----------|
| Tax on STCG u/s 111A @15% on ₹ 9,00,000 | | 1,35,000 |
| Tax on other income of ₹ 64,14,600 | | |

| | | |
|--|-----------|-----------|
| Upto ₹ 2,50,000 | Nil | |
| ₹ 2,50,001 - ₹ 5,00,000 @5% | 12,500 | |
| ₹ 5,00,001 - ₹ 10,00,000 @20% | 1,00,000 | |
| ₹ 10,00,001 - ₹ 64,14,600 @30% | 16,24,380 | 17,36,880 |
| | | 18,71,880 |
| Add: Surcharge@10% since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore | | 1,87,188 |
| | | 20,59,068 |
| Add: Health and Education cess @ 4% | | 82,363 |
| Tax Liability | | 21,41,431 |
| Tax Liability (Rounded off) | | 21,41,430 |

Notes:

- (1) Hotel Bookings and lodgings are not covered under leave travel facility. Hence, only ₹ 1,00,000 of cost of tickets would be exempt under section 10(5).
- (2) Premium for life insurance policy of father is not allowed as deduction under section 80C.
- (3) Medical insurance premium on the health of brother is not allowable since brother does not come within the meaning of family u/s 80D. In case of son, premium is paid in cash, hence, the same is not allowed.

Ans. 4) Computation of total income and tax liability of Mrs. Kashish for A.Y. 2024-25

| | Particulars | ₹ | ₹ | ₹ |
|----|---|----------|------------|-----------|
| I | Income from Salaries: | | | |
| | Basic Pay (₹ 85,000 x 12) | | 10,20,000 | |
| | Transport Allowance(₹ 5,000 x 12) [Fully taxable] | | 60,000 | |
| | Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite] | | Nil | |
| | Gross Salary | | 10,80,000 | |
| | Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less] | | (50,000) | |
| | | | | 10,30,000 |
| II | Income from House Property | | | |
| | Let out portion [First floor] | | | |
| | Gross Annual Value [Rent received is taken as GAV= ₹ 40,000 p.m. x 6 months] | | 2,40,000 | |
| | Less: Municipal taxes paid by her in the P.Y.2023-24 pertaining to let out portion ((₹ 5,000 + ₹ 5,000)/2), allowable since it is paid during the year, even if it relates to earlier years | | (5,000) | |
| | Net Annual Value (NAV) | | 2,35,000 | |
| | Less: Deduction u/s 24 | | | |
| | (a) 30% of ₹ 2,35,000 | 70,500 | | |
| | (b) Interest on housing loan [(₹ 1,20,000 (+) ₹ 1,00,000)/2] | 1,10,000 | (1,80,500) | |
| | | | | 54,500 |

| | | | | |
|-----|---|-----------|-----------|-----------|
| | Self-occupied portion [Ground Floor] | | | |
| | Annual Value | NII | | |
| | Less: Deduction u/s 24 | | | |
| | Interest on housing loan for reconstruction | | | |
| | ₹ 1,10,000 [(₹ 1,20,000 + ₹ 1,00,000)/2] restricted to | 30,000 | (30,000) | |
| | | | | 24,500 |
| III | Profits and gains of business or profession | | | |
| | Net profit as per Income and Expenditure account | | 55,34,000 | |
| | Less: Items of income to be treated separately under the respective head of income | | | |
| | (i) Salary received from True Care Hospitals (P) Ltd. | 10,80,000 | | |
| | (ii) Rent from house property | 2,40,000 | | |
| | (iii) Dividend from foreign companies (gross) | 60,000 | | |
| | | | 13,80,000 | |
| | | | 41,54,000 | |
| | Less: Allowable expenditure | | | |
| | ➤ Depreciation on Clinic equipments | | | |
| | On Opening WDV ₹ 5,00,000 @15% | 75,000 | | |
| | On additions during the year | Nil | (75,000) | |
| | ₹ 75,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost. | | | |
| | | | 40,79,000 | |
| | Add: Items of expenditure not allowable while computing business income | | | |
| | (i) Interest on housing loan for reconstruction of residential house | 2,20,000 | | |
| | (ii) Interest on education loan for son | 1,56,000 | | |
| | (iii) Conveyance expenses in relation to her employment with True Care Hospitals debited to Income and Expenditure A/c, not allowed | 48,000 | | |
| | (iv) Power and fuel expenses incurred for providing power back up to tenant not deductible | 10,000 | | |
| | (v) Municipal tax paid relating to residential house included in administrative expenses, not deductible | 10,000 | 4,44,000 | 45,23,000 |
| | Income from Other Sources | | | |
| | Power back up charges from tenant (₹ 3,000 p.m. x 6 months) | 18,000 | | |
| | Less: Actual expenditure incurred for providing power back up | (10,000) | 8,000 | |
| IV | Dividend from foreign companies | | 60,000 | 68,000 |
| | Gross Total Income | | | 56,45,000 |
| | less: Deduction under Chapter VI-A | | | |
| | Deduction under section 80C - Tuition fee paid for grand child is not allowable | | Nil | |

| | | | |
|--|--|----------|------------------|
| Deduction under section 80E - Interest on loan taken for higher education of her son is deductible [principal repayment is not deductible] | | 1,56,000 | 1,56,000 |
| Total income | | | 54,89,500 |

Computation of tax liability of Mrs. Kashish for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|---|-----------|-----------|
| Tax on total income of ₹ 54,89,500 | | |
| Upto ₹ 3,00,000 | Nil | |
| ₹ 3,00,001 - ₹ 5,00,000 [@5% of ₹ 2 lakhs] | 10,000 | |
| ₹ 5,00,000 - ₹ 10,00,000 [@20% of ₹ 5 lakhs] | 1,00,000 | |
| ₹ 10,00,000 - ₹ 54,89,500 [@30% of ₹ 44,89,500] | 13,46,850 | |
| | | 14,56,850 |
| Add: Surcharge @10% [Since the total income > ₹ 50 lakhs but ≤ ₹ 1 crore] | | 1,45,685 |
| | | 16,02,535 |
| Add: Health and education cess @4% | | 64,101 |
| Tax liability | | 16,66,636 |
| Tax liability (rounded off) | | 16,66,640 |

Ans. 5) Computation of total income and tax liability of Mr. Sahil for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|--|------------|---|
| I Income from house property | | |
| Annual value of self-occupied property | Nil | |
| Less: Deduction under section 24(b) | 2,00,000 | |
| Interest on housing loan of Rs. 2,60,000 restricted to Rs. 2,00,000 | | |
| Income u/h House Property | (2,00,000) | |
| II Profits and gains from business or profession | | |
| Net profit as per profit and loss account | 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 Rs. 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 | |
| - 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 | (45,000) | |
| | Less: Depreciation allowable as per Income-tax Rules,1962 | (2,25,000) | |
| | - On Plant & Machinery [@15% on Rs. 14,00,000, being opening WDV of Rs. 12 lakhs and additions put to use for more than 180 days of Rs. 2 lakhs + @7.5% on Rs. 2,00,000, being additions put to use for less than 180 days] | | |
| | | 13,47,500 | |
| | [8% of sales i.e. Rs. 43,50,000 x 8% 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] – Also See Working Note 1 | 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 Rs. 3,48,000 (8% of total turnover i.e., Rs. 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 Rs. 13,47,500 as his income from business.]</i> | | |
| | Less: Set off of loss from house property as per section 71(3A) | (2,00,000) | |
| | 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.] – See Working Note 2 for Alternative Answer | 48,000 | 11,95,500 |
| III | Capital Gains | | |
| | Long term capital gains taxable u/s 112A [Since shares are held for 2 years and STT has been paid] | 45,000 | |
| | Less: Set off of short term capital loss as per section 70(2) | (20,000) | 25,000 |
| IV | Income from Other Sources | | |
| | Dividend from Indian companies | 15,000 | |
| | Winning from lotteries (Rs. 10,500 + Rs. 4,500) | 15,000 | 30,000 |
| | Gross Total Income | | 12,50,500 |
| | Less: Deduction under Chapter VI-A | | |
| | <u>Deduction under section 80C</u> | 50,000 | |
| | Principal repayment of housing loan | | |
| | <u>Deduction under section 80EE</u> | 50,000 | |
| | Interest on housing loan of Rs. 60,000 [Rs. 2,60,000 – Rs. 2,00,000, allowed u/s 24(b)] allowable under section 80EE upto Rs. 50,000 | | |
| | <u>Deduction under section 80G</u> | 10,000 | (1,10,000) |
| | Contribution to Prime Minister's Relief Fund | | |

| | | |
|--|--|------------------|
| Note:- It has been assumed that contribution is made otherwise than by way of cash | | |
| Total income | | 11,40,500 |

Working Notes-

- 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) 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 expenditure. In such a case, it would not be considered as deemed income and the same would be allowed as deduction 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 Rs. 10,99,500, Rs. 10,44,500 and Rs. 1,23,080

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

| Particulars | ₹ | ₹ |
|---|----------|-----------------|
| Tax on LTCG of Rs. 25,000 u/s 112A [Exempt upto Rs. 1 lakh] | | Nil |
| Tax on winning from lotteries of Rs. 15,000 @30% | | 4,500 |
| Tax on unexplained expenditure of Rs. 48,000 @60% | | 28,800 |
| Tax on balance income of Rs. 10,52,500 at slab rate | | |
| Upto ₹ 2,50,000 | Nil | |
| Rs. 2,50,001 - Rs. 5,00,000 [i.e., Rs. 2,50,000 @5%] | 12,500 | |
| Rs. 5,00,001 - Rs. 10,00,000 [i.e., Rs. 5,00,000 @20%] | 1,00,000 | |
| From Rs. 10,00,001 to Rs. 10,52,500 @30% | 15,750 | 1,28,250 |
| | | 1,61,550 |
| Add: Surcharge @25% on tax on unexplained expenditure of Rs. 28,800 | | 7,200 |
| | | 1,68,750 |
| Add: Health and education cess @4% | | 6,750 |
| Tax liability | | 1,75,500 |

Ans. 6) Computation of total income of Mr. Ramesh for A.Y. 2024-25 under normal provisions of the Act

| | Particulars | ₹ | ₹ |
|----|---|------------|----------|
| I | Income from house property | | |
| | Rent received (Rent received has been taken as gross annual value, due to absence of information relating to expected rent) | 5,40,000 | |
| | Less:- Municipal tax paid by Ramesh (Rs. 10,000 x ½) | (5,000) | |
| | Net Annual Value | 5,35,000 | |
| | Less: Deduction u/s 24(a) – 30% of NAV | (1,60,500) | 3,74,500 |
| II | Profits and gains from business or profession | | |
| | Net profit as per profit and loss account | 75,43,000 | |
| | Add: Expenses/Payments debited to profit and loss account but not allowed | | |
| | - Fee for late filing of income-tax return for A.Y. 2023-24 – disallowed | 1,000 | |
| | - Salary paid to an accountant in cash exceeding Rs. 10,000 – disallowed under section 40A(3) | 35,000 | |
| | - Interest paid to NBFC on loan which is used for personal purposes (Rs. 1,20,000 x 2,00,000/10,00,000) – not allowed as per section 37 | 24,000 | |

| | | | |
|-----|---|-------------|------------------|
| | Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of Rs. 96,000 under section 40(a)(ia) [Since Mr. Ramesh's turnover for the immediately preceding previous year i.e., P.Y. 2022-23 exceeds Rs. 1 crore, he is required to deduct tax at source. Disallowance @30% of interest is attracted for non-deduction of tax at source] | 28,800 | |
| | - Municipal taxes paid for let out portion [Rs. 10,000 x ½] | 5,000 | |
| | Add: Undervaluation of Closing stock | 40,000 | |
| | | 76,76,800 | |
| | Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account | | |
| | - Rent received (Taxable under the head "Income from house property") | 5,40,000 | |
| | - Income-tax refund | 15,000 | |
| | - Dividend received from Indian companies (Taxable under the head "Income from other sources") | 2,50,000 | 68,71,800 |
| III | Capital Gains | | |
| | Long-term capital gains on sale of land (since held for more than 24 months) | | |
| | Full Value of Consideration [Higher of stamp duty value of Rs. 14 lakhs and Actual consideration of Rs. 10 lakhs, since stamp duty value exceeds actual consideration by more than 10%] | 14,00,000 | |
| | Less: Indexed Cost of acquisition [Rs. 3,00,000 x 348/100] | (10,44,000) | 3,56,000 |
| | Cost of acquisition | | |
| | Higher of:- | | |
| | - Actual cost Rs. 1.80 lakhs + Rs. 0.10 lakhs = Rs. 1.90 lakhs and | | |
| | - Fair Market Value (FMV) Rs. 4 lakhs as on 1.4.2001 restricted to stamp duty value of Rs. 3 lakhs as on 1.4.2001 = Rs. 3 lakhs | | |
| IV | Income from Other Sources | | |
| | Interest on income-tax refund | 2,000 | |
| | Dividend from Indian companies | 2,50,000 | 2,52,000 |
| | Gross Total Income | | 78,54,300 |
| | Less: Deduction under Chapter VI-A | | |
| | Section 80D - Health insurance premium paid for self, spouse and his children allowable as deduction to the extent Rs. 25000 | | (25,000) |
| | Total income | | 78,29,300 |

Computation of tax liability of Mrs. Ramesh for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|--|-----------|-----------|
| Tax on Rs. 3,56,000@20% under section 112 | | 71,200 |
| Tax on balance income of Rs. 74,73,300 | | |
| Upto ₹ 2,50,000 | Nil | |
| Rs. 2,50,001 - Rs. 5,00,000 [i.e., Rs. 2,50,000 @5%] | 12,500 | |
| Rs. 5,00,001 - Rs. 10,00,000 [i.e., Rs. 5,00,000 @20%] | 1,00,000 | |
| Above Rs. 10,00,000 [i.e., Rs. 64,73,300 @30%] | 19,41,990 | 20,54,490 |

| | | |
|---|--|-------------|
| | | 21,25,690 |
| Add: Surcharge @10%, since total income exceeds Rs. 50,00,000 but does not exceed Rs. 1 crore | | 2,12,569 |
| | | 23,38,259 |
| Add: Health and education cess @4% | | 93,530 |
| Tax liability | | 24,31,789 |
| Less:- Advance Tax | | (15,00,000) |
| Tax Payable | | 9,31,789 |
| Tax Payable (Rounded Off) | | 9,31,790 |

Ans. 7) 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 32,000 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 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 ₹ 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 ₹ 7,00,000 | 7,00,000 | | |
| | - Undervaluation of stock [(₹ 4,38,000 - ₹ 3,30,000) X 10/90] | 12,000 | | |

| | | | | |
|------|---|------------|-----------|-----------|
| | 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. | | | |
| - | 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 | | | |
| | A) Short-term capital gains on 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 | |
| | B) Long-term capital gains on Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5) | | | |
| | Compensation received | 16,00,000 | | |
| | 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] | 8,86,885 | | |
| | Less: Exemption u/s 54D for Acquisition of industrial plot within 3 years | 7,00,000 | 1,86,885 | 386,885 |
| 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 | 52,500 | 1,20,000 |
| | Gross Total Income | | | 41,70,885 |
| | Less: Deduction under Chapter VI-A | | | |
| | Deduction under section 80EEB | | | 1,50,000 |
| | Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of | | | |

| | | | |
|---------------------|--|--|------------------|
| Total Income | | | 40,20,885 |
|---------------------|--|--|------------------|

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

| Particulars | ₹ | ₹ |
|--|----------|------------------|
| Tax on long-term capital gains @20% of ₹ 1,86,885 | | 37,377 |
| 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 |
| | | 10,00,077 |
| Add: Health and education cess@4% | | 40,003 |
| Tax liability | | 10,40,080 |

Ans. 8) Computation of total income and tax liability of Mr. Anand for A.Y. 2024-25 under section 115BAC

| | Particulars | ₹ | ₹ |
|------------|---|------------|-----------|
| I | Income from house property | | |
| | Let out portion [First floor] | | |
| | Gross Annual Value [Rent received is taken as GAV, in the absence of other information] | 1,80,000 | |
| | Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [Rs. 30,000/2] | (15,000) | |
| | Net Annual Value | 1,65,000 | |
| | Less: Deduction u/s 24(a) – 30% of NAV | (49,500) | |
| | Less: Deduction u/s 24(b) - Interest on loan [Rs. 1,00,000/2] | (50,000) | |
| | | 65,500 | |
| | Self-occupied portion [Ground Floor] | | |
| | Annual Value | Nil | |
| | [No deduction is allowable in respect of municipal taxes paid] | | |
| | Net Annual Value (NAV) Nil Less: Interest on loan | Nil | |
| | Less: Interest on loan [Not allowable under section 115BAC] | Nil | 65,500 |
| II | Profits and gains from business or profession | | |
| | Income from SEZ unit | | 35,00,000 |
| III | Capital Gains | | |
| | Short-term capital gains on sale of equity shares of Sam Ltd. (since held for not more than 12 months) | | |
| | Full Value of Consideration [2000 x Rs. 150] | 3,00,000 | |
| | Less: Brokerage @ 0.1% | (300) | |
| | Net sale consideration | 2,99,700 | |
| | Less: Cost of acquisition [Rs. 2000 x 120] | (2,40,000) | |
| | | 59,700 | |

| | | | |
|-----------|---|----------|------------------|
| | Long-term capital gains on sale of equity shares of Jam Ltd. (since held for more than 12 months) | | |
| | Full Value of Consideration [1250 x Rs. 100] | 1,25,000 | |
| | Less: Brokerage @ 0.1% | (125) | |
| | Net sale consideration | 1,24,875 | |
| | Less: Cost of acquisition [No indexation benefit would be available] Higher of cost of acquisition of Rs. 90,000 (72 x 1250) and Rs. 62,500, being lower of FMV of Rs. 62,500 and full value of consideration of Rs. 1,25,000 | (90,000) | |
| | | 34,875 | 94,575 |
| IV | Income from Other Sources | | |
| | Royalty from artistic book | 2,88,000 | |
| | Less: Expenses incurred for earning royalty | (40,000) | |
| | | 2,48,000 | |
| | Interest on income-tax refund | 1,750 | 2,49,750 |
| | Gross Total Income | | 39,09,825 |
| | Less: Deduction under Chapter VI-A [Not allowable under section 115BAC] | | Nil |
| | Total income | | 39,09,825 |
| | Total Income (Rounded off) | | 39,09,830 |

Computation of tax liability under Default Tax Regime for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|--|----------|-----------------|
| Tax on total income of Rs. 39,09,830 | | |
| Tax on LTCG exceeding Rs. 1 lakhs @10% u/s 112A | | Nil |
| Tax on STCG of Rs. 59,700 @15% u/s 111A | | 8,955 |
| Tax on remaining total income of Rs. 38,15,255 | | |
| Upto Rs. 3,00,000 | Nil | |
| Rs. 3,00,001 - Rs. 6,00,000[@5% of Rs. 3 lakhs] | 15,000 | |
| Rs. 6,00,001 - Rs. 9,00,000[@10% of Rs. 3 lakhs] | 30,000 | |
| Rs. 9,00,001 - Rs. 12,00,000[@15% of Rs. 3 lakhs] | 45,000 | |
| Rs. 12,00,001 - Rs. 15,00,000[@20% of Rs. 3 lakhs] | 60,000 | |
| Rs. 15,00,001 - Rs. 38,15,255[@30% of Rs. 23,15,255] | 6,94,577 | 8,44,577 |
| | | 8,53,532 |
| Add: Health and education cess @4% | | 34,141 |
| Tax liability | | 8,87,673 |
| Tax Payable (Rounded Off) | | 8,87,670 |

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

| Particulars | ₹ | ₹ |
|--|---|-----------|
| Gross Total Income as per section 115BAC | | 39,09,825 |
| Less: Interest on loan for self occupied property [Rs. 1,00,000/2] | | (50,000) |
| Gross Total Income as per normal provisions of the Act | | 39,59,825 |

| | | |
|--|----------|-------------|
| 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 5th year of operations] [Profits of the SEZ x Export Turnover received in India in convertible foreign exchange on or before 30.9.2024/Total Turnover] x 100% [Rs. 35 lakhs x Rs. 120 lakhs/ Rs. 200 lakhs x 100%] | | (21,00,000) |
| Less: Deduction under Chapter VI-A | | |
| Deduction under section 80C | | |
| Repayment of housing loan | 1,05,000 | |
| Public Provident Fund | 1,30,000 | |
| 5 years Term deposit (not allowed as deduction in the name of minor son) | Nil | |
| Restricted to | | (1,50,000) |
| Deduction under section 80D | | |
| Medical insurance premium [90,000 x 1/5] | 18,000 | |
| Preventive health check up of Rs. 7,500, subject to maximum of Rs. 5,000 | 5,000 | (23,000) |
| Deduction under section 80QQB | | (2,10,000) |
| Royalty [Rs. 2,88,000 x 15/16 = Rs. 2,70,000, restricted to amount brought into India in convertible foreign exchange Rs. 2,50,000 minus Rs. 40,000 expenses already allowed as deduction while computing royalty income] | | |
| Total Income | | 13,76,825 |
| Total Income (Rounded Off) | | 13,76,830 |

Computation of tax liability under Regular Tax Regime for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|---|----------|-----------------|
| Tax on total income of Rs. 13,76,830 | | |
| Tax on LTCG exceeding Rs. 1 lakhs @10% u/s 112A | | Nil |
| Tax on STCG of Rs. 59,700 @15% u/s 111A | | 8,955 |
| Tax on remaining total income of Rs. 12,82,255 | | |
| Upto Rs. 2,50,000 | Nil | |
| Rs. 2,50,001 - Rs. 5,00,000[@5% of Rs. 2,50,000] | 12,500 | |
| Rs. 5,00,001 - Rs. 10,00,000[@20% of Rs. 5,00,000] | 1,00,000 | |
| Rs. 10,00,001 - Rs. 12,82,255[@30% of Rs. 2,82,255] | 84,677 | 1,91,177 |
| | | 2,06,132 |
| Add: Health and education cess @4% | | 8,245 |
| Tax liability | | 2,14,377 |
| Tax Payable (Rounded Off) | | 2,14,380 |

Ans. 9) Computation of total income and tax payable by Mr. Raman for A.Y. 2024-25 under default tax regime

| Particulars | ₹ | ₹ |
|--|----------|---|
| I Income from house property | | |
| Gross Annual Value of first floor (Rent received has been taken as gross annual value in the absence of other information) [Rs. 35,000 x 12] | 4,20,000 | |
| Less: Municipal taxes (paid by tenant, Mr. Aman, hence not deductible) | Nil | |

| | | | |
|-----------|---|------------|----------|
| | Net Annual Value | 4,20,000 | |
| | Less: Deduction @30% of NAV | (1,26,000) | 2,94,000 |
| II | Profits and gains from business or profession | | |
| | Net Profit | 9,25,000 | |
| | Add: Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other heads of income | | |
| | - Travelling expenses [Allowable since the same is incurred wholly and exclusively for business purpose] [Note - Alternatively, it is possible to assume that the proportionate foreign tour expenditure attributable to attending the marriage ceremony of a vendor's son is a personal expenditure. In such case, Rs. 2,40,000 X 4 /10 = Rs. 96,000 would be disallowed.] | Nil | |
| | - Interest on delay in deposit of GST [Interest on delay in deposit in GST is compensatory in nature and hence, allowable as expenditure] | Nil | |
| | - Fee for technical services to non-resident [100% disallowed under section 40(a)(i) since the TDS was not deducted] | 3,88,000 | |
| | - Fire insurance premium [Fire insurance premium for ground floor which is occupied for business purpose is allowed since Mr. Raman is following mercantile system of accounting. Remaining half for let out portion is disallowed] [Rs. 66,000/2] | 33,000 | |
| | - Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime] | 75,000 | |
| | - Municipal taxes for ground floor [Allowable since the ground floor is occupied for business purpose] | Nil | |
| | - Sum payable for purchase of raw material from M/s Paul Industries, a micro enterprise [Not allowable as per section 43B(h) since payment was made to a micro enterprise on 5.4.2024 which is beyond the time limit specified u/s 15 of the MSMED Act, 2006 i.e., within 15 days from 10.3.2024] | 49,000 | |
| | - Sum payable for purchase of raw material from M/s Kal Industries, a small enterprise [Allowable as per section 43B(h) since payment was made to a small enterprise on 5.4.2024 i.e., within 15 days from 31.3.2024. However, since the payment is made in cash on 5.4.2024, Rs. 1,34,000 for purchase of raw material would be the deemed income of P.Y. 2024-25 as per section 40A(3A)] | Nil | |
| | | 14,70,000 | |
| | Less: Incomes credited to profit and loss account but not taxable as business income | | |
| | - Rent received for let out portion | (4,20,000) | |
| | - Gain on sale of land | (4,00,000) | |
| | | 6,50,000 | |
| | Less: Depreciation | | |
| | - On trademark [Rs. 2,00,000 x 25% x 50%, since trademark is put to use for less than 180 days] | (25,000) | |

| | | | |
|------------|---|-------------|------------------|
| | - On Car [Rs. 5,40,000 x 15%] | (81,000) | |
| | - On new Plant & machinery [Rs. 2,50,000 x 15%] | (37,500) | |
| | - On Building [Rs. 8,00,000 x 10%] | (80,000) | |
| | Additional depreciation | | |
| | On new Plant & machinery [Not allowable under default tax regime] | Nil | |
| | Income from Business | | 4,26,500 |
| III | Capital Gains | | |
| | Full Value of Consideration | 44,00,000 | |
| | Less: Cost of acquisition | (40,00,000) | |
| | Short term capital gains on land [Since land is held for less than 24 months] | | 4,00,000 |
| | Gross Total Income | | 11,20,500 |
| | Less: Deduction under Chapter VI-A [Not allowable under section 115BAC] | | Nil |
| | Total income | | 11,20,500 |

Computation of tax liability under Default Tax Regime for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|---|--------|---------------|
| Tax on total income of Rs. 11,20,500 | | |
| Upto Rs. 3,00,000 | Nil | |
| Rs. 3,00,001 - Rs. 6,00,000 [@5% of Rs. 3 lakhs] | 15,000 | |
| Rs. 6,00,001 - Rs. 9,00,000 [@10% of Rs. 3 lakhs] | 30,000 | |
| From Rs. 9,00,001 to Rs. 11,20,500 @15% | 33,075 | 78,075 |
| Add: Health and education cess @4% | | 3,123 |
| Tax Payable | | 81,198 |
| Tax Payable (Rounded Off) | | 81,200 |

Computation of total income and tax payable by Mr. Raman for A.Y. 2024-25 under normal provisions of the Act

| Particulars | ₹ | ₹ |
|---|--------|-----------------|
| Gross Total Income as per section 115BAC | | 11,20,500 |
| Less: Additional depreciation on new Plant & machinery [Rs. 2,50,000 x 20%] | | (50,000) |
| Less: Contribution to scientific research association approved u/s 35 | | (75,000) |
| Gross Total Income as per normal provisions of the Act | | 9,95,500 |
| Less: Deduction under Chapter VI-A | | |
| Deduction under section 80C | | |
| Tuition fees to a college for daughter's education | 25,000 | |
| Deduction under section 80D | | |
| Preventive health check-up for self and parents restricted to | 5,000 | |
| Deduction under section 80GGC | | |
| Donation to a registered political party since the payment is made otherwise than by cash | 20,000 | (50,000) |
| Total Income as per normal provisions of the Act | | 9,45,500 |

Computation of tax liability under Regular Tax Regime for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|--|--------|-----------------|
| Tax on total income of Rs. 9,45,500 | | |
| Upto Rs. 3,00,000 | Nil | |
| From Rs. 3,00,001 to Rs. 5,00,000 @5% | 10,000 | |
| From Rs. 5,00,001 to Rs. 9,45,500 @20% | 89,100 | 99,100 |
| Add: Health and education cess @4% | | 3,964 |
| Tax liability | | 1,03,264 |
| Tax Payable (Rounded Off) | | 1,03,060 |

Since tax payable under default tax regime is lower than the tax payable under normal provisions of the Act, it would be beneficial for Mr. Raman to pay tax under default tax regime u/s 115BAC

Ans. 10)

Computation of total income of Mr. Rishabh 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 1,53,125 [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 ₹ 1,53,125 [₹ 50,00,000 x 10.5% x 3.5/12] has to be added back, since the same is debited to the profit and loss account] | 1,53,125 | | |
| (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 | 6,53,125 | |
| Less: Items of income to be treated separately under the respective head of income | | 88,98,125 | |
| (i) Income-tax refund including interest on refund of ₹ 4,550 | 15,550 | | |
| (ii) Dividend from Indian companies | 15,00,000 | | |
| (ii) Short term capital gains on transfer of listed equity shares | 10,00,000 | 25,15,550 | |
| | | 63,82,575 | |
| Less: Depreciation on interest on loan capitalised to plant and machinery 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% of Rs.1,53,125 | 11,484 | | |

| | | | | |
|------------|--|--------|-----------|------------------|
| | 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] | 15,313 | 26,797 | |
| | | | | 63,55,778 |
| 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 | |
| | Dividend from Indian companies | | 15,00,000 | 15,04,550 |
| | Gross Total Income | | | 88,60,328 |
| | Less: Deductions under Chapter VI-A | | | |
| | - Deduction under section 80C 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] | | 40,000 | 65,000 |
| | - 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] | | 25,000 | |
| | | | | |
| | Total Income | | | 87,95,328 |
| | Total Income (Rounded off) | | | 87,95,330 |

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

| Particulars | ₹ | ₹ |
|--|-----------|-----------------|
| Tax on total income of ₹ 87,95,330 | | |
| 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 ₹ 77,95,330 | | |
| 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 | 21,51,099 |
| ₹ 10,00,001 - ₹ 77,95,330 [@30% of ₹ 67,95,330] | 20,38,599 | |
| | | 23,01,099 |
| Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore | | 2,30,110 |
| | | 25,31,209 |
| Add: Health and education cess@4% | | 1,01,248 |
| Total tax liability | | 26,32,457 |
| less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore | 1,00,000 | |
| less: Advance tax paid | 17,50,000 | 18,50,000 |
| Tax payable | | 7,82,457 |

| | | |
|---------------------------|--|----------|
| Tax payable (rounded off) | | 7,82,460 |
|---------------------------|--|----------|

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

| Particulars | ₹ | ₹ |
|---|----------|-----------|
| Gross Total Income as per regular provisions of the Income-tax Act | | 88,60,328 |
| Add: Additional depreciation on plant and machinery | | |
| - On interest which is capitalised | 15,313 | |
| - On cost of plant and machinery [₹ 65 lakhs x 20% x 50%] | 6,50,000 | 6,65,313 |
| Gross Total Income/ Total Income as per section 115BAC | | 95,25,641 |
| [No deduction under section IOAA or under Chapter VI-A allowable except u/s 80JJAA] | | |
| Total Income as per section 115BAC (rounded off) | | 95,25,640 |

Computation of tax liability as per section 115BAC

| Particulars | ₹ | ₹ |
|---|-----------|-----------|
| Tax on total income of ₹ 95,25,640 | | |
| Tax on STCG of ₹ 10,00,000@15% u/s 111A | | 1,50,000 |
| Tax on remaining total income of ₹ 85,25,640 | | |
| Upto ₹ 3,00,000 | Nil | |
| ₹ 3,00,000 - ₹ 6,00,000 [₹ 3,00,000 @5%] 15,000 | 15,000 | |
| ₹ 6,00,001 - ₹ 9,00,000 [₹ 3,00,000 @10%] 30,000 | 30,000 | |
| ₹ 9,00,001 - ₹ 12,00,000 [₹ 3,00,000 @15%] 45,000 | 45,000 | |
| ₹ 12,00,001 - ₹ 15,00,000 [₹ 3,00,000 @20%] 60,000 | 60,000 | |
| Above ₹ 15,00,000 @30% [₹ 70,25,640 @30%] | 21,07,692 | |
| | | 22,57,962 |
| Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore | | 2,25,769 |
| | | 24,83,461 |
| Add: Health and education cess@4% | | 99,338 |
| Total tax liability | | 25,82,799 |
| less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore | 1,00,000 | |
| less: Advance tax paid | 17,50,000 | 18,50,000 |
| Tax payable | | 7,32,799 |
| Tax payable (rounded off) | | 7,32,800 |

Since tax payable as per section 115BAC is lower than the tax payable as per normal provisions of the Income tax Act, 1961, it is beneficial for Mr. Rishabh to exercise option under section 115BAC. In such case, the tax payable by him would be ₹ 7,32,800 as per the regular provisions of the Act.