INTERMEDIATE COURSE

PAPER – 3

TAXATION

SECTION-A : INCOME TAX LAW

[RELEVANT FOR MAY 2025, SEPTEMBER 2025 & JANUARY 2026 EXAMINATIONS]

BOOKLET ON CASE SCENARIOS

BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

This booklet has been prepared by the faculty of the Board of Studies. The objective of the booklet is to provide teaching material to the students to enable them to obtain knowledge in the subject. In case students need any clarifications or have any suggestions to make for further improvement of the material contained herein, they may write to the Joint Director, Board of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the booklet has not been specifically discussed by the Council of the Institute or any of its Committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

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PREFACE

Under the New Scheme of Education and Training which was introduced on 1st July, 2023, 30% of the examination assessment is by the way of Objective Type Questions at Intermediate and Final level. Therefore, to provide hands-on practice for such type of questions, BOS launched MCQ Paper Practice Dashboard on 1st July, 2023. This Dashboard contains independent MCQs as well as case scenario based MCQs both for conceptual clarity and practice of the students.

In continuation to this handholding initiative and to provide quality academic inputs to the students to help them grasp the intricate aspects of the subject, the Board of Studies has brought forth subject-wise booklets on Case Scenarios at Intermediate and Final level. These booklets are meticulously designed to assist Chartered Accountancy (CA) students in their preparation of the CA course.

At Intermediate level, the **'Booklet on Case Scenarios for Paper 3: Taxation, Section A – Income-tax Law'** contains the case scenarios which have been answered on the basis of the provisions of the Income-tax law as amended by the Finance (No. 2) Act, 2024, including significant circulars and notifications issued and other legislative amendments made upto 31.10.2024. The case scenario-based MCQs are all application oriented MCQs and arise from the facts of the case. At the end of each case scenario followed by MCQs, we have also provided explanations/hints for each MCQ which will enable the students to evaluate their performance and identify areas requiring further attention.

This booklet is relevant for May 2025, September 2025 and January 2026 examinations. Please note that before working out the MCQs of this booklet, students have to be thorough with the provisions discussed in the October, 2024 edition of the Study Material, which is based on the provisions of the Income-tax law as amended by the Finance (No. 2) Act, 2024, including significant circulars and notifications issued and other legislative amendments made upto 31.10.2024.

Students appearing for September 2025 examinations and January 2026 examinations also need to go through the Statutory Update for respective examinations which will be web-hosted at the BoS Knowledge Portal, containing the significant notifications, circulars and other legislative amendments made, upto 28.02.2025 and upto 30.06.2025, respectively.

After attaining conceptual clarity by reading the Study Material (and Statutory Update, if applicable), you are expected to apply the concepts learnt in answering the MCQs given in this booklet. You have to read the case scenarios and the MCQs, identify the provisions of tax law involved, apply the provisions correctly in addressing the issue raised/making the computation required in the MCQ, and finally, choose the correct answer. This process of learning concepts and provisions of tax laws and solving MCQs based thereon will help you attain conceptual clarity and hone your application and analytical skills so that you are able to approach the examination with confidence and a positive attitude.

We are confident that this booklet will serve as a valuable companion in your preparation journey. We encourage students to make the most of this resource by engaging deeply with the scenarios, reflecting on the MCQs, and embracing the learning process.

Best wishes for your studies and success in the CA Intermediate Examination!

CASE SCENARIO 1

Mr. Shashikant, aged 45 years, is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 29th May, 2024.

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Shashikant	29th May, 2024
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Shashikant	19th December, 2024

He stayed in India in the last 4 previous years preceding the P.Y. 2024-25 for 400 days and for a period of 750 days in the last 7 previous years preceding to P.Y. 2024-25. He received salary of ₹ 7,20,000 in his NRE account maintained with State Bank of India, Chennai Branch.

He also furnished details of other income earned by him during the previous year 2024-25:

S.no	Particulars	Amount (₹)
1.	Dividend declared by X limited, a Singapore company. The same was received by him in Singapore	1,00,000
2.	Agriculture income from land in Pakistan, received in India	2,50,000
3.	Rent received from house property in Chennai (Gross)	3,60,000

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

MULTIPLE CHOICE QUESTIONS

1. What is Mr. Shashikant's residential status for the P.Y 2024-25?

   (a) Resident and ordinarily resident

   (b) Resident but not ordinarily resident

(c) Non-resident

(d) Deemed resident

2. What would be the total income of Mr. Shashikant for A.Y.2025-26?

(a) ₹ 7,10,000

(b) ₹ 11,72,000

(c) ₹ 5,02,000

(d) ₹ 6,02,000

3. Assume for the purpose of answering this question that Mr. Shashikant has transferred his house property in Chennai to his minor married daughter on 1st April, 2024 and his wife is a housewife and does not have any income. The minor married daughter receives the rent from house property. In such case, what would be his total income for A.Y. 2025-26 if he has shifted out of the default tax regime under section 115BAC?

(a) ₹ 5,00,500

(b) ₹ 6,00,500

(c) ₹ 5,02,000

(d) ₹ 6,02,000

4. Mr. Shashikant would like to minimize his tax liability and consulted you to compute the amount of same for the P.Y. 2024-25. Accordingly, his tax liability (rounded off) would be -

(a) ₹ 13,420

(b) ₹ 13,210

(c) ₹ 10,500

(d) Nil

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (c) Non-resident

Reason

Mr. Shashikant is an Indian citizen who is leaving India as a member of the crew of an Indian ship. He is non-resident during the A.Y. 2025-26 since he is staying in India only for 160 days during the P.Y. 2024-25. Days from 29.5.2024, being the date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Shashikant till 19.12.2024, being the date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Shashikant are to be excluded.

2. **Option (c)** ₹ 5,02,000

Reason

In case of non-resident, income accrued or arisen or deemed to accrue or arise in India or received or deemed to be received in India is taxable. Accordingly, agriculture income from land in Pakistan, received in India and rent from house property in India is taxable in his hand after providing deduction of 30% u/s 24(a) from rental income.

3. **Option (a)** ₹ 5,00,500

Reason

In this case, clubbing provision u/s 64(1A) would be applicable and not deemed ownership provisions u/s 27. Rental income would be clubbed in the hands of Mr. Shrikant after providing exemption u/s 10(32) of ₹ 1,500.

4. **Option (c)** ₹ 10,500

Reason

Total Income as computed in MCQ 2 = ₹ 5,02,000

Tax liability under default tax regime

Tax = ₹ 10,100

Add: HEC@4% = ₹ 404

Tax liability = ₹ 10,500 (Rounded off)

Tax liability under normal provisions of the Act

Tax = ₹ 12,900

Add: HEC@4% = ₹ 516

Tax liability = ₹ 13,420 (Rounded off)

CASE SCENARIO 2

Mr. Suraj (aged 48 years) furnishes the following particulars for the previous year 2024-25 in respect of an industrial undertaking established in "Special Economic Zone" in March 2018. It began manufacturing in April 2018.

Particulars	(₹)
Total sales	85,00,000
Export sales [proceeds received in India in convertible foreign exchange by 30.9.2025]	45,00,000
Domestic sales	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2024-25 include freight and insurance of ₹ 5 lakhs for delivery of goods outside India.

He received rent of ₹ 25,000 per month for a commercial property let out to Mr. Sudhir, a salaried individual. He earned interest on savings bank A/c of ₹ 12,500 and interest on Post Office savings A/c of ₹ 5,500 during the P.Y. 2024-25.

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

MULTIPLE CHOICE QUESTIONS

1. Compute the amount of export turnover and total turnover for purpose of computing deduction under section 10AA for A.Y. 2025-26.

   (a) ₹ 45,00,000 and ₹ 85,00,000, respectively

   (b) ₹ 40,00,000 and ₹ 80,00,000, respectively

   (c) ₹ 45,00,000 and ₹ 80,00,000, respectively

   (d) ₹ 40,00,000 and ₹ 85,00,000, respectively

2. Compute the amount of deduction available to Mr. Suraj under section 10AA for A.Y. 2025-26 if he has shifted out of the default tax regime under section 115BAC.

   (a) ₹ 10,00,000

   (b) ₹ 4,70,577

   (c) ₹ 5,62,500

   (d) ₹ 5,00,000

3. Assume for the purpose of this question only that Mr. Suraj established SEZ Unit and began manufacturing in April, 2020. Compute the amount of deduction available under section 10AA for A.Y. 2025-26 if he has shifted out of the default tax regime under section 115BAC.

   (a) ₹ 10,00,000

   (b) ₹ 9,41,154

   (c) ₹ 11,25,000

   (d) Nil

4. Compute the total income of Mr. Suraj for the previous year 2024-25, if he has shifted out of the default tax regime under section 115BAC.

   (a) ₹ 12,14,500

   (b) ₹ 17,18,000

   (c) ₹ 17,14,500

   (d) ₹ 17,28,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) ₹ 40,00,000 and ₹ 80,00,000, respectively

Reason

Freight and insurance incurred in foreign exchange for rendering services outside India are to be excluded from both "export turnover" and "total turnover" while computing deduction admissible under section 10AA.

2. **Option (d)** ₹ 5,00,000

Reason

Deduction u/s 10AA = ₹ 20 lakhs x ₹ 40 lakhs/ ₹ 80 lakhs x 50% = ₹ 5 lakhs

3. **Option (d)** Nil

Reason

No deduction would be available under section 10AA since Mr. Suraj has not begun manufacturing till 31.3.2020 i.e., P.Y. 2019-20.

4. **Option (c)** ₹ 17,14,500

Reason

Income from house property **=** ₹ 3,00,000 (₹ 25,000 x 12) – ₹ 90,000 (30%, being deduction u/s 24(a)) = ₹ 2,10,000

Profits and gains from business or profession = ₹ 20,00,000

Income from Other Sources

Interest on savings bank account = ₹ 12,500

Interest on Post Office savings A/c = ₹ 5,500 – Exemption u/s 10(15) of ₹ 3,500 = ₹ 2,000

Gross Total Income = ₹ 22,24,500

Less: Deduction under section 80TTA = ₹ 10,000

Deduction under section 10AA = ₹ 5,00,000

Total Income = ₹ 17,14,500

CASE SCENARIO 3

Mr. Kishan is engaged in the following activities on agricultural land situated in India, total area of land is 5 acres.

Activity A: He grows saplings or seedlings in a nursery spreading over on one acre land, the sale proceeds of which is ₹ 5,00,000. Cost of plantation is ₹ 1,40,000. Basic operations are not performed for growing saplings or seedlings.

Activity B: He grows cotton on 3 acres land. 40% of cotton produce is sold for ₹ 4,00,000, the cost of cultivation of which is ₹ 2,25,000. The cost of cultivation of balance 60% cotton is ₹ 3,37,500 and the market value of the same is ₹ 6,00,000, which is used for the purpose of manufacturing yarn. After incurring manufacturing expenses of ₹ 1,00,000, yarn is sold for ₹ 8,50,000.

Activity C: Land measuring 1 acres is let out to Mr. Ramesh on monthly rental of ₹ 15,000 which is used by Mr. Ramesh as follows:

- 50% of land is used for agricultural purpose and
- 50% of land is used for non-agricultural purpose.

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

MULTIPLE CHOICE QUESTIONS

1. What amount of income arising from activity A would constitute agricultural income in the hands of Mr. Kishan?

   (a) ₹ 5,00,000

   (b) Nil

   (c) ₹ 3,60,000

   (d) ₹ 1,40,000

2. What amount of income from activity B with respect to sale of cotton would constitute agricultural income or/and business income in the hands of Mr. Kishan?

   (a) ₹ 1,75,000 as agricultural income

   (b) ₹ 1,75,000 as business income

   (c) ₹ 1,75,000 as agricultural income and ₹ 2,62,500 as business income

   (d) ₹ 4,00,000 as agricultural income

3. What amount of the income from activity B with respect to sale of yarn constitute agricultural income or/and business income in the hands of Mr. Kishan?

   (a) ₹ 1,50,000 as agricultural income

   (b) ₹ 2,62,500 as agricultural income and ₹ 1,50,000 as business income

   (c) ₹ 3,37,500 as agricultural income and ₹ 1,50,000 as business income

   (d) ₹ 4,12,500 as business income

4. What amount of income arising from activity C constitute agricultural income or otherwise in the hands of Mr. Kishan?

   (a) Whole amount of ₹ 1,80,000 would be agricultural income

   (b) Whole amount of ₹ 1,80,000 would be business income.

   (c) ₹ 90,000 would be agricultural income and ₹ 63,000 is chargeable to tax as income from house property

   (d) ₹ 90,000 would be agricultural income and ₹ 90,000 is chargeable to tax under the head "Income from Other Sources"

5. Compute the gross total income of Mr. Kishan for the P.Y. 2024-25, assuming he has no other source of income.

   (a) ₹ 2,40,000

   (b) ₹ 3,30,000

   (c) ₹ 5,02,500

   (d) ₹ 2,13,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** ₹ 3,60,000

   Reason

   Income derived from saplings or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land.

2. **Option (a)** ₹ 1,75,000 as agricultural income

   Reason

   Any income from the sale of cotton is agricultural income. Agricultural income would be ₹ 4,00,000 - ₹ 2,25,000 = ₹ 1,75,000

3. **Option (b)** ₹ 2,62,500 as agricultural income and ₹ 1,50,000 as business income

   Reason

   When Cotton is subjected to the manufacturing process and the manufactured product i.e., yarn is sold, the profit on such sale will consist of agricultural income as well as business income.

   Agricultural income

   ₹ 6,00,000, being market value of 60% cotton - ₹ 3,37,500, being cost of production of cotton = ₹ 2,62,500

   Business Income

   ₹ 8,50,000, being sale value of yarn - ₹ 6,00,000, being market value of cotton - ₹ 1,00,000, being manufacturing expenses = ₹ 1,50,000

4. **Option (d)** ₹ 90,000 would be agricultural income and ₹ 90,000 is chargeable to tax under the head "Income from Other Sources"

   Reason

   Rent of ₹ 90,000, being ₹ 7,500 p.m. for use of land for agricultural purposes is agricultural income.

Rent of ₹ 90,000, being ₹ 7,500 p.m. for use of land for non-agricultural purpose is chargeable to tax under the head "Income from Other Sources".

5. **Option (a)** ₹ 2,40,000

Reason

Profits and gains from business or profession

Business income as computed in MCQ 3 = ₹ 1,50,000

Income from other Sources

As computed in MCQ 4 = ₹ 90,000

Gross Total Income = ₹ 2,40,000

CASE SCENARIO 4

Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th October, 2024 and returned to India on 2nd April, 2025.

For previous year 2024-25, following information are relevant -

(a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)

(b) Bonus - ₹ 98,000

(c) Medical allowance paid during P.Y. 2024-25 amounting to ₹ 60,000

(d) He was also reimbursed medical bill of his mother amounting to ₹ 15,000.

(e) He was also transferred a laptop by company for ₹ 15,000 on 31st December, 2024. The laptop was acquired by company on 1st October, 2021 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.

(f) He was also reimbursed salary of house servant of ₹ 4,000 per month.

(g) Professional tax paid by employer amounting to ₹ 2,400.

(h) 400 equity shares allotted by ABC India Ltd. at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.

(i) Short-term capital gain on sale of shares in May 2024 of listed company on which STT is paid amounting to ₹ 94,000.

(j) Mr. Rajesh has exercised the option to shift out of the default tax regime under section 115BAC.

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

MULTIPLE CHOICE QUESTIONS

1. What is Mr. Rajesh Sharma's residential status for the A.Y. 2025-26?
   (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
   (b) Non-Resident
   (c) Resident but not ordinarily resident
   (d) Resident and ordinarily resident
2. What are his taxable perquisites for A.Y. 2025-26?
   (a) ₹ 55,000
   (b) ₹ 90,400
   (c) ₹ 1,05,400
   (d) ₹ 1,03,000
3. What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2025-26?
   (a) ₹ 9,76,600
   (b) ₹ 9,86,600
   (c) ₹ 9,71,600
   (d) ₹ 9,61,600
4. The total tax liability of Mr. Rajesh Sharma for A.Y. 2025-26 is:
   (a) ₹ 1,26,800
   (b) ₹ 1,40,710
   (c) ₹ 1,12,130
   (d) ₹ 1,39,960

5. What would be the total tax liability of Mr. Rajesh Sharma for A.Y. 2025-26 if he does not exercise the option of shifting out of the default tax regime under section 115BAC and pays tax under default tax regime under section 115BAC.

   (a) ₹ 81,590

   (b) ₹ 73,790

   (c) ₹ 89,390

   (d) ₹ 61,880

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information

Reason

Since Mr. Rajesh Sharma stayed in India for 188 days during the P.Y. 2024-25, he is a resident in India. However, in the absence of information related to his stay in India for preceding previous years, it cannot be determined whether he is resident and ordinarily resident or resident but not ordinarily resident.

2. Option (c) ₹ 1,05,400

Medical bill reimbursement = ₹ 15,000

<u>Perquisite value of laptop</u>

Actual cost = ₹ 1,00,000

Less: Depreciation @50% till 30.9.2022 = ₹ 1,00,000 x 50% = ₹ 50,000

WDV as on 1.10.2022 = ₹ 50,000

Less: Depreciation @50% till 30.9.2023 = ₹ 50,000 x 50% = ₹ 25,000

WDV as on 1.10.2023 = ₹ 25,000

Less: Depreciation @50% till 30.9.2024 = ₹ 25,000 x 50% = ₹ 12,500

WDV as on 1.10.2024 = ₹ 12,500

Sale value = ₹ 15,000

Perquisite value of laptop= Nil

Reimbursement of house servant salary = ₹ 4,000 x 12 = ₹ 48,000

Professional tax paid by employer = ₹ 2,400

Perquisite value of equity shares = 400 x (₹ 350- ₹ 250) = ₹ 40,000

Taxable perquisites = ₹ 1,05,400

3. **Option (a)** ₹ 9,76,600

Reason

Basic salary = ₹ 58,000 x 12 = ₹ 6,96,000

D.A. = 10% of basic pay = ₹ 69,600

Bonus = ₹ 98,000

Medical allowance = ₹ 60,000

Perquisite value as computed in MCQ 2 = ₹ 1,05,400

Gross salary = ₹ 10,29,000

Less: standard deduction u/s 16(ia) = ₹ 50,000

Professional tax u/s 16(iii) = ₹ 2,400

Net Salary = ₹ 9,76,600

4. **Option (a)** ₹ 1,26,800

Reason

Salaries as computed in MCQ 3 = ₹ 9,76,600

Short term capital gains = ₹ 94,000

Gross Total Income/ Total Income = ₹ 10,70,600

Tax @15% on ₹ 94,000 u/s 111A = ₹ 14,100

Tax on ₹ 9,76,600 at slab rate = ₹ 1,07,820

Total = ₹ 1,21,920

Add: HEC @4% = ₹ 4,877

Tax liability (Rounded off) = ₹ 1,26,800

5. **Option (d)** ₹ 61,880

Reason

Gross Total Income/ Total Income under normal provisions of the Act = ₹ 10,70,600

Add: Professional tax u/s 16(iii) = ₹ 2,400

Less: Additional standard deduction = ₹ 25,000

Gross Total Income/ Total Income under default tax regime = ₹ 10,48,000

Tax @15% on ₹ 94,000 u/s 111A = ₹ 14,100

Tax on ₹ 9,54,000 at slab rate = ₹ 45,400

Total = ₹ 59,500

Add: HEC @4% = ₹ 2,380

Tax liability (Rounded off) = ₹ 61,880

CASE SCENARIO 5

Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2024 in the scale of ₹ 35,000-3500-65,000. He is paid dearness allowance @ 40% of salary forming part of retirement benefits.

He is given rent free unfurnished accommodation on 01.10.2024. The company pays lease rent of ₹ 5,000 p.m.

He has been provided a car of above 1.6 litres capacity which is used by him for private purposes only. The actual cost of the car is ₹ 8,00,000. The monthly expenditure of car is ₹ 5,000, which is fully met by the employer. Car is owned by his employer.

He pays lumpsum premium of ₹ 1,20,000 towards health insurance for self and his wife (age 43 years) for 48 months on 01.10.2024 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

Mr. Hardik wants to pay tax under default tax regime under section 115BAC.

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

MULTIPLE CHOICE QUESTIONS

1. What would be the value of rent-free accommodation chargeable to tax in the hands of Mr. Hardik?

   (a) ₹ 30,380

   (b) ₹ 29,890

   (c) ₹ 44,100

   (d) ₹ 30,000

2. What amount of health insurance premium paid during the previous year 2024-25 by Mr. Hardik can be claimed as deduction while computing total income, if he exercises the option to shift out of default tax regime under section 115BAC?

   (a) ₹ 30,000

   (b) ₹ 15,000

(c) ₹ 24,000

(d) ₹ 25,000

3. What would be the perquisite value of car chargeable to tax in the hands of Mr. Hardik?

   (a) ₹ 28,800

   (b) ₹ 21,600

   (c) ₹ 60,000

   (d) ₹ 1,40,000

4. Would you advise to Mr. Hardik to exercise the option to shift out of the default tax regime under section 115BAC?

   (a) Yes, Mr. Hardik should exercise the option of shifting out of the default tax regime and pays tax under normal provisions of the Act, since in such case his tax liability would be ₹ 53,310, being lower than the tax liability under default tax regime under section 115BAC.

   (b) Yes, Mr. Hardik should exercise the option of shifting out of the default tax regime and pays tax under normal provisions of the Act, since in such case his tax liability would be ₹ 22,110, being lower than the tax liability under default tax regime under section 115BAC.

   (c) No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, his tax liability would be ₹ 18,510, being lower than the tax liability under normal provisions of the Act.

   (d) No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, his tax liability would be nil.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (d) ₹ 30,000

Reason

Perquisite value of rent free accommodation in case accommodation is taken on rent by the employer

Actual amount of lease rental paid or payable by the employer or 10% of salary, whichever is lower.

10% of salary = 10% of ₹ 3,03,800, being salary from 1.10.2024 to 31.3.2025 (₹ 2,17,000, being basic salary + ₹ 86,800, being D.A.) = ₹ 30,380

Rent payable by Sky India Limited = ₹ 5,000 x 6 = ₹ 30,000

Lower of both = ₹ 30,000

2. **Option (c)** ₹ 24,000

Reason

Deduction u/s 80D = Premium paid x 1/No of years in which insurance is in force = ₹ 1,20,000 x 1/5 = ₹ 24,000

3. **Option (d)** ₹ 1,40,000

Reason

Perquisite value of motor car in case car is owned by employer and expenses are also met by the employer and used by employee for personal purposes = Actual expenditure incurred by the employer on running and maintenance expenses and normal wear and tear (calculated @10% p.a. of actual cost of motor car)

= ₹ 5,000 x 12 + 10% x ₹ 8 lakhs = ₹ 1,40,000

4. **Option (d)** No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, his tax liability would be nil.

Reason

Tax liability under default tax regime

Salary

Basic salary = ₹ 35,000 x 10 + ₹ 38,500 x 2 = ₹ 4,27,000

D.A. = 40% of salary = ₹ 1,70,800

Perquisite value of rent free accommodation as computed in MCQ 1 = ₹ 30,000

Perquisite value of motor car as computed in MCQ 3 = ₹ 1,40,000

Gross Salary = ₹ 7,67,800

Less: Standard deduction u/s 16(ia) = ₹ 75,000

Net Salary/ Gross Total Income/ Total Income = ₹ 6,92,800

Tax = ₹ 19,640

Less: Rebate u/s 87A = ₹ 19,640

Tax liability = Nil

Tax liability under normal provisions of the Act

Net Salary/ Gross Total Income/ Total Income as per default tax regime = ₹ 6,92,800

Add: Standard deduction = ₹ 25,000

Gross Total Income under normal provisions = ₹ 7,17,800

Less: Deduction u/s 80C = ₹ 1,50,000

Less: Deduction u/s 80D as computed in MCQ 2 = ₹ 24,000

Total Income = ₹ 5,43,800

Tax = ₹ 21,260

Add: HEC @4% = ₹ 850

Tax liability (Rounded off) = ₹ 22,110

CASE SCENARIO 6

Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 21st March, 2024 to 28th September, 2024 to take care of her ailing mother. In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is $ 32,000 p.a. The value of one USD ($) may be taken as ₹ 75. Municipal taxes paid in New York in January, 2025 are $ 2,000.

She took ownership and possession of her house in New Delhi on 25th March, 2024, for self-occupation, while she is in India. The municipal valuation is ₹ 4,20,000 p.a. and the fair rent is ₹ 4,50,000 p.a. She paid property tax of ₹ 22,000 to Delhi Municipal Corporation on 21st March, 2025. She had taken a loan of ₹ 16 lakhs @ 10% p.a. from IDBI Bank on 1st April, 2020 for constructing this house and the construction got completed on 20th March, 2024. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2024 to March 2025.

She had a house property in Mumbai, which was sold on 28th March, 2024. In respect of this house, she received arrears of rent of ₹ 3,00,000 on 4th February, 2025. This amount has not been charged to tax earlier.

She does not have any income under any other source in India during previous year in 2024-25.

Ananya Gupta wants to exercise the option to shift out of the default tax regime under section 115BAC for A.Y. 2025-26.

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

MULTIPLE CHOICE QUESTIONS

1. What would be the residential status of Ananya Gupta for A.Y. 2025-26?

   (a) Resident and ordinarily resident

   (b) Resident but not ordinarily resident

   (c) Deemed resident but not ordinarily resident in India

   (d) Non-resident

2. Ms. Ananya Gupta can claim benefit of "Nil" Annual Value under section 23(2) in respect of -

   (a) Her Delhi house

   (b) Her New York house, since it is more beneficial; her Delhi house will be deemed to be let out and expected rent would be the annual value.

   (c) Her Delhi house alone; her New York house will be deemed to be let out and expected rent would be the annual value.

   (d) Both her Delhi house and New York house, since benefit of Nil Annual value u/s 23(2) is available in respect of two house properties.

3. What is the income chargeable under the head "Income from house property" of Ananya Gupta for A.Y. 2025-26?

   (a) ₹ 15,65,000

   (b) ₹ 3,09,600

   (c) ₹ 1,00,000

   (d) ₹ 10,000

4. Assuming that, for the purpose of this question alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of $ 6,000 p.m. Such rent was received in a bank account in New York and then remitted to India through approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y. 2025-26?

   (a) ₹ 10,000

   (b) ₹ 17,85,000

   (c) ₹ 17,95,000

   (d) ₹ 18,85,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (d) Non-resident

Reason

Since Ms. Ananya Gupta is an Indian citizen who visited India only for 181 days during the P.Y. 2024-25 and her total income excluding income from foreign sources does not exceed ₹ 15 lakhs, she is a non-resident

2. Option (a) Her Delhi house

Reason

Since Ms. Ananya Gupta is a non-resident, income which is accrued or arisen or deemed to accrue or arisen or received or deemed to be received in India would be taxable in her hands in India. Accordingly, her apartment at New York would not fall under the scope of total income.

3. Option (d) ₹ 10,000

House property in Mumbai

Arrear of Rent = ₹ 3,00,000

Less: Standard deduction@30% = ₹ 90,000

Taxable = ₹ 2,10,000

House property in Delhi

NAV = Nil

Less: Interest on loan u/s 24(b) = ₹ 2,00,000

Current year interest ₹ 16 lakhs x 10% = ₹ 1,60,000

Preconstruction interest ₹ 16 lakhs x 10% x 3 = ₹ 4,80,000/5 = ₹ 96,000

Taxable = (₹ 2,00,000)

Income from house property = ₹ 10,000

4. Option (a) ₹ 10,000

Reason

Same as in MCQ 6.3 since rental income from property at New York is out of scope of total income of Ms. Ananya.

CASE SCENARIO 7

Ram Builders & Developers is the sole-proprietorship concern of Mr. Ram. The main business of the concern is construction, development and sale of residential and commercial units. Ram Builders & Developers developed a project named Luxuria Heaven, which has both residential and commercial units with its own funds. It obtained certificate of completion for the said project with effect from 31/03/2024. Ram sold majority of its residential units and commercial units in the F.Y.2024-25. However, around 30 residential units and 15 commercial units were held by him as stock in trade as on 31.3.2025. During this period, there was a slump in the real estate sector. In order to earn some income from these units, Ram incidentally let out some of the units held as stock-in-trade. The details of units constructed, sold and held as stock-in-trade are given hereunder:

Particulars	Total Units constructed	Units sold	Units held as stock-in-trade as on 31.3.2025 [(2) – (3)]	Units let out during P.Y. 2024-25 out of (4)	Units vacant during the whole of P.Y.2024-25 [(4) – (5)]	Actual rent per unit per month [in respect of let out units mentioned in (5)]
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Residential Units	100	70	30	10	20	10,000 pm.
Commercial Units	40	25	15	5	10	18,000 pm.
	140	**95**	**45**	**15**	**30**	

Out of the residential units sold, 5 residential units were sold to his friend, Mr. Gaurav, who is also a real estate developer, on 15.2.2025, for ₹ 20 lakhs each. The stamp duty value on the date of sale was ₹ 23 lakhs each. However, the agreement of sale was entered into on 1.11.2024, on which the date the stamp duty value was ₹ 22 lakhs. Mr. Ram received ₹ 1 lakh by way of account payee bank draft on 1.11.2024 from Mr. Gaurav.

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

MULTIPLE CHOICE QUESTIONS

1. While computing the total income of Mr. Ram, the income from residential and commercial units let out during the P.Y.2024-25 will be taxed under head:

    (a) Income from house property

    (b) Profits and gains of business or profession

    (c) Income from let out residential units will be taxed under the head "Income from house property" and income from let out commercial units will be taxed under the head "Profits and gains of business or profession"

    (d) Income from other source

2. What would be the tax treatment of vacant residential and commercial units held as stock in trade as on 31.3.2025?

    (a) The vacant residential units would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2025-26.

    (b) The vacant units, both residential and commercial, would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2025-26.

    (c) The annual value of both vacant residential and commercial units would be Nil for A.Y.2025-26. Hence, no income is chargeable for such units under the head "Income from house property" for A.Y. 2025-26.

    (d) Vacant units held as stock-in-trade can never be deemed as let out at any point of time

3. What would be the full value of consideration in respect of sale of units to Mr. Gaurav for the purpose of computing profits and gains from transfer of units?

    (a) ₹ 1,00,00,000

(b) ₹ 1,15,00,000

(c) ₹ 1,10,00,000

(d) ₹ 99,00,000

4. Assume that ₹ 1 lakh was paid in cash by Mr. Gaurav to Mr. Ram on 1.11.2024 instead of by way of account payee bank draft, what would be the income chargeable under section 56(2)(x) in the hands of Mr. Gaurav?

   (a) ₹ 15 lakh

   (b) ₹ 10 lakh

   (c) Nil, since the stamp duty value is within the permissible deviation limit

   (d) Nil, since section 56(2)(x) is not applicable in this case

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Income from house property

Reason

Rental income from letting residential and commercial units by Ram Builders & Developers is chargeable to tax under Income from house property since its main business is to construct, develop and sale of residential and commercial units..

2. **Option (c)** The annual value of both vacant residential and commercial units would be Nil for A.Y.2025-26. Hence, no income is chargeable for such units under the head "Income from house property" for A.Y. 2025-26.

Reason

As per section 23(5), the annual value of property being held as stock in trade would be treated as NIL for a period of two years from the end of the financial year in which certificate of completion of construction of the property is obtained from the competent authority, if such property is not let-out during such period.

Since the completion certificate is received during the F.Y. 2023-24, the annual value of the such properties will be Nil for P.Y. 2024-25 and P.Y. 2025-26.

3. **Option (a)** ₹ 1,00,00,000

Reason

Mr. Gaurav has made the advance payment by way of account payee bank draft on the date of the agreement. Therefore, as per section 43CA, stamp duty value as on the date of agreement i.e., on 1.11.2024 is to be taken into consideration for determining full value of consideration. Since the stamp duty value of ₹ 22 lakhs as on 1.11.2024 does not exceed 110% of actual consideration of ₹ 20 lakhs, ₹ 20 lakhs will be the full value of consideration for each residential unit. Hence, full value of consideration would be ₹ 1 crore (₹ 20 lakhs x 5).

4. **Option (d)** Nil, since section 56(2)(x) is not applicable in this case

Reason

The provisions of section 56(2)(x) are applicable to the assessee in case of property which is a capital asset of the assessee. In this case, since Mr. Gaurav is a real estate developer, the residential unit will be his stock-in-trade and not capital asset. Hence, section 56(2)(x) is not applicable.

CASE SCENARIO 8

For the assessment year 2025-26, Mr. Sonu submits the following information:

Particulars	Building at Chennai (₹)	Building at Kochi (₹)
Municipal valuation	35,000	80,000
Standard Rent	36,000	70,000
Fair Rent	31,000	82,000
Rent received	38,000	68,000
Municipal taxes paid by tenant Mr. Ramu for building at Chennai and paid by Mr. Sonu for Building at Kochi.	3,000	4,000
Repairs paid by tenant Mr. Ramu for Chennai building and Mr. Sonu paid for Kochi building	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Interest on loan borrowed for payment of municipal tax of house property	200	400
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	1.4.1996	1.7.2008

Mr. Sonu is constructing one more building in Mumbai during the previous year 2024-25. Mr. Raju, a film director, took on rent the building under construction in Mumbai at ₹ 5,000 per month for his film shooting. The construction of the said building would be completed by April 2025. Mr. Sonu is a real estate developer and letting out properties is not the business of Mr. Sonu.

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

MULTIPLE CHOICE QUESTIONS

1. Which of the building's income is chargeable to tax under the head "Income from house property" in the hands of Mr. Sonu?

   (a) Building at Chennai only

   (b) Building at Kochi only

   (c) Both buildings at Chennai and Kochi

   (d) All the three buildings at Chennai, Kochi and Mumbai

2. Which of the following payments/expenditure is allowable as deduction while computing income under the head "Income from house property" incurred in respect of the building at Chennai and Kochi?

   (a) Municipal taxes paid by Mr. Sonu and Mr. Ramu

   (b) Municipal tax, land revenue, insurance premium, interest on loan borrowed for payment of Municipal tax paid by Mr. Sonu

   (c) Only municipal tax paid by Mr. Sonu

   (d) Both Municipal tax and repairs paid by Mr. Sonu

3. Under which head of income, the amount received from Mr. Raju would be chargeable to tax?

   (a) Income from house property

   (b) Profits and gains from business or profession

   (c) Income from other sources

   (d) Income from house property or Income from other sources, at the option of Mr. Sonu

4. What is the amount chargeable to tax under the head "Income from house property" in the hands of Mr. Sonu for the P.Y. 2024-25?

   (a) ₹ 72,800

   (b) ₹ 81,200

   (c) ₹ 1,14,800

   (d) ₹ 70,700

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Both buildings at Chennai and Kochi

   Reason

   Since Mr. Sonu is a real estate developer and letting out properties is not his main business, rental income from building at Chennai and Kochi would be chargeable to tax under the head "Income from house property". Rental income from letting out of building in Mumbai would not be chargeable to tax under "Income from house property" since it is under constructed property.

2. **Option (c)** Only municipal tax paid by Mr. Sonu

   Reason

   Municipal taxes paid by the owner, standard deduction @30% u/s 24(a) and interest on loan for acquisition/ construction or repair of house property is allowed as deduction while computing income chargeable to tax in case of let out property. Hence, only municipal taxes paid by Mr. Sonu will be allowed while computing income under the head "Income from house property" in respect of the building at Chennai and Kochi.

3. **Option (c)** Income from other sources

   Reason

   Rental income from Mr. Raju for letting out of building in Mumbai would not be chargeable to tax under "Income from house property" since it is under constructed property. It would be chargeable to tax under the head "Income from other sources".

4. **Option (a)** ₹ 72,800

   Reason

   Building at Chennai

   GAV = ₹ 38,000 [Higher of Rent received and Expected Rent]

   Less: Municipal tax = Nil

   NAV = ₹ 38,000

Less: Deduction@30% u/s 24(a) = ₹ 11,400

Taxable = ₹ 26,600

Building at Kochi

Expected Rent = ₹ 70,000 [Lower of Standard rent and higher of Municipal valuation and Fair Rent]

GAV = ₹ 70,000 [Higher of Rent received and Expected Rent]

Less: Municipal tax paid by Mr. Sonu = ₹ 4,000

NAV = ₹ 66,000

Less: Deduction@30% u/s 24(a) = ₹ 19,800

Taxable = ₹ 46,200

Total = ₹ 72,800

CASE SCENARIO 9

Mr. Ganesha (a salaried person) has three houses. One in Thane (Maharashtra), second in Jaipur (Rajasthan) and third in Ratlam (Madhya Pradesh). Details of the flats/houses are as follows:

- **Thane flat:** 3 BHK flat purchased in April, 2001 for ₹ 90 lakhs. Afterwards, interior work done in 2006 of ₹ 15 lakhs. Mr. Ganesha took loan of ₹ 65 lakhs for purchase of this flat in 2001 and settled full loan in 2021.
- **Jaipur house:** Purchased in July, 2019 of ₹ 62 lakhs and interior work done in September, 2020 of ₹ 10 lakhs. Loan taken for purchase of this house of ₹ 15 lakhs in June, 2019. As per interest certificate, he paid ₹ 12,00,500 and ₹ 43,500 towards principal and interest, respectively, during the P.Y. 2024-25.
- **Ratlam House:** Purchased in December 2021 for ₹ 70 lakhs (stamp duty value of ₹ 65 lakhs). For acquiring this house, he took loan of ₹ 40 lakhs from Canara Bank. Loan was sanctioned on 1.8.2021. He pays EMI of ₹ 38,100 per month. As per interest certificate, for the previous year 2024-25, he paid ₹ 60,900 and ₹ 3,96,300 towards principal and interest, respectively.

Particulars	Thane House	Jaipur House (Apr-24 to Dec-25)	Ratlam House
Municipal Taxes paid	18,574	8,090	6,909
Municipal value (per month)	30,500	6,800	7,200
Fair Rent (per month)	33,000	7,000	7,500
Standard Rent (per month)	32,000	8,000	7,300

Other details are as follows:

- He has sold Jaipur house on 1st January, 2025 for ₹ 90 lakhs and invested ₹ 15 lakh in RECL bonds issued by the Central Government on 10th August 2025.
- Mr. Ganesha is working in WinDoor Exports Pvt Ltd, Mumbai and self-occupied Thane flat. He earned salary of ₹ 22,50,350 for the previous year 2024-25.

- He has no other income from any source for the P.Y. 2024-25.
- He has given Ratlam house on rent for F.Y. 2024-25 to Mr. Pratap on a monthly rent of ₹ 8,500.
- He has given Jaipur house on rent for the period of April, 2024 to June, 2024 to Mrs. Madhura Mahto on monthly rent of ₹ 7,100 and vacant for remaining period from July, 2024 to December, 2024.

Mr. Ganesha wants to exercise the option to shift out of the default tax regime under section 115BAC.

Cost inflation index (CII) for the Financial Year (F.Y.) 2019-20 is 289; 2020-21: 301; F.Y. 2024-25: 363.

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

MULTIPLE CHOICE QUESTIONS

1. What would be Net Annual Value of each house for the previous year 2024-25?
   (a) Thane – Nil; Jaipur – ₹ 13,210; Ratlam – ₹ 95,091
   (b) Thane – Nil; Jaipur – ₹ 54,910; Ratlam – ₹ 95,091
   (c) Thane – Nil; Jaipur – ₹ 21,300; Ratlam – ₹ 1,02,000
   (d) Thane – Nil; Jaipur – ₹ 13,210; Ratlam – ₹ 80,691
2. What would be income/loss under the head "Income from house property" in the hands of Mr. Ganesha?
   (a) Loss of ₹ 1,67,689
   (b) Loss of ₹ 2,86,236
   (c) Loss of ₹ 3,20,489
   (d) Loss of ₹ 3,63,989
3. How much amount will be carried forward as loss from house property for the subsequent assessment year 2026-27?
   (a) ₹ 3,63,989
   (b) ₹ 1,63,989

(c) ₹ 2,00,000

(d) ₹ 1,50,000

4. What would the amount of capital gains chargeable to tax in the hands of Mr. Ganesha during the previous year 2024-25?

(a) Short-term capital gains of ₹ 18,00,000

(b) Long-term capital gains of ₹ 18,00,000

(c) Long-term capital gain of ₹ 3,00,000

(d) Long-term capital gain of Nil, since he is eligible for deduction u/s 54EC in respect of amount invested in RECL bonds issued by Central Government

5. What would be the gross total income of Mr. Ganesha for the A.Y. 2025-26?

(a) ₹ 24,28,460

(b) ₹ 24,69,920

(c) ₹ 23,00,350

(d) ₹ 38,00,350

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) Thane – Nil; Jaipur – ₹ 13,210; Ratlam – ₹ 95,091

Reason

Thane House = Nil, since the property is self occupied

Jaipur House

Expected Rent = ₹ 63,000 [₹ 7,000 x 9] [Lower of Standard rent and higher of Municipal valuation and Fair Rent]

Rent Received = ₹ 7,100 x 3 = ₹ 21,300

GAV = ₹ 21,300 since rent received is lower than expected rent due to vacancy

Less: Municipal taxes = ₹ 8,090

NAV = ₹ 13,210

Ratlam House

Expected Rent = ₹ 87,600 [₹ 7,300 x 12] [Lower of Standard rent and higher of Municipal valuation and Fair Rent]

Rent Received = ₹ 8,500 x 12 = ₹ 1,02,000

GAV = ₹ 1,02,000 [Higher of rent received and expected rent]

Less: Municipal taxes = ₹ 6,909

NAV = ₹ 95,091

2. Option (d) Loss of ₹ 3,63,989

Reason

Particulars	**Thane**	**Jaipur**	**Ratlam**
NAV	Nil	13,210	95,091
Less: Deduction @30% u/s 24(b)	Nil	3,963	28,527
Less: Interest on loan	Nil	43,500	3,96,300
Taxable	Nil	(34,253)	(3,29,736)

Total loss under the head house property = ₹ 3,63,989

3. Option (b) ₹ 1,63,989

Reason

Loss of house property upto ₹ 2,00,000 can be set off from salary income and balance ₹ 1,63,989 will be carried forward to A.Y. 2026-27.

4. Option (b) Long-term capital gain of ₹ 18,00,000

Reason

Full value of consideration	= ₹ 90 lakhs
Less: Cost of acquisition	= ₹ 62 lakhs
Less: Cost of improvement	= ₹ 10 lakhs
Long term capital gains	= ₹ 18 lakhs

Exemption would not be available u/s 54EC since investment in RECL has been made after 6 months from the date of transfer.

5. **Option (d)** ₹ 38,00,350

Reason

Salaries = ₹ 22,00,350 (₹ 22,50,350 - ₹ 50,000, being standard deduction)

Less: Loss of house property = ₹ 2,00,000

Taxable salary = ₹ 20,00,350

Long term capital gains = ₹ 18,00,000

Gross Total Income = ₹ 38,00,350

CASE SCENARIO 10

"LUX Enterprise" a proprietorship firm of Mr. Lucifer Mornigstar, a resident individual, in Maharashtra engaged in business of printing and publishing. The following details pertain to the assets of the business:

Particulars	Date of purchase	Date of put to use	Amount
Office building superstructure constructed on leased land	30.09.2024	30.12.2024	1,85,00,000
BMW M4 convertible car	23.08.2019	25.08.2019	94,80,000
Machineries used in printing and publishing process	25.09.2024	15.10.2024	9,12,500

Written down value of Plant & Machinery (Depreciable @15%) as on 1.4.2024 is ₹ 1,45,00,000.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions, assuming all the aforementioned assets are purchased through account payee cheque:

MULTIPLE CHOICE QUESTIONS

1. What would be the amount of depreciation allowable on plant and machinery (@15%) for the previous year 2024-25?

   (a) ₹ 24,25,938

   (b) ₹ 23,34,688

   (c) ₹ 24,94,375

   (d) ₹ 24,03,125

2. What would be the WDV of plant and machinery (Depreciable@15%) as on 1.4.2025?

   (a) ₹ 1,29,86,562

   (b) ₹ 1,29,18,125

   (c) ₹ 1,30,77,812

   (d) ₹ 1,30,09,375

3. What would the WDV of Office building superstructure constructed on leased land as on 1.4.2025?
   (a) ₹ 1,85,00,000
   (b) ₹ 1,66,50,000
   (c) ₹ 1,75,75,000
   (d) ₹ 1,57,25,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** ₹ 23,34,688

Reason

WDV as on 1.4.2024 = ₹ 1,45,00,000

Add: Addition of P & M = ₹ 9,12,500

= ₹ 1,54,12,500

Depreciation @15% on ₹ 1,45,00,000 = ₹ 21,75,000

Depreciation @15% x 50% on ₹ 9,12,500 = ₹ 68,438

Additional depreciation on ₹ 9,12,500 x 20% x 50% = ₹ 91,250

Total depreciation on P & M for P.Y. 2024-25 = ₹ 23,34,688

2. **Option (c)** ₹ 1,30,77,812

Reason

WDV as on 1.4.2025 = ₹ 1,54,12,500 - ₹ 23,34,688 = ₹ 1,30,77,812

3. **Option (c)** ₹ 1,75,75,000

Reason

WDV as on 1.4.2024 = Nil

Add: Addition of building = ₹ 1,85,00,000

= ₹ 1,85,00,000

Depreciation@ 10% x 50% for P.Y. 2024-25 = ₹ 9,25,000

WDV as on 1.4.2025 = ₹ 1,75,75,000

CASE SCENARIO 11

Mr. X has set up a manufacturing unit in Chittor, Andhra Pradesh on 1st April 2023.

During the previous year 2023-24 and 2024-25, Mr. X has purchased following assets:

Date of put to use	Asset	Amount (₹)
7 Jun 2023	Plant & machinery "X"	14,75,340
25 July 2023	Office Furniture	7,65,400
14 Jan 2024	Plant & machinery "Y"	5,00,000
15 May 2024	Plant & machinery "Z"	8,00,000

He has paid professional fees of ₹ 35,000 each to Mr. A, Mr. B and Mr. C, respectively on 10th September 2024 credited in the books on the same day, to discuss some legal matter related to business.

The net profit computed in accordance with "Chapter IV-D - Computation of business income" of the Income-tax Act, 1961 for the previous year 2024-25 is ₹ 10.2 crore.

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

MULTIPLE CHOICE QUESTIONS

1. What would be the amount of depreciation in respect of Plant & Machinery "Y" allowable as deduction while computing income under the head "Profit & Gains from business or profession" for the previous year 2024-25?

   (a) ₹ 61,875

   (b) ₹ 1,11,875

   (c) ₹ 69,375

   (d) ₹ 63,750

2. What shall be the total amount of depreciation for the previous year 2024-25 allowable as deduction while computing profits and gains from business or profession?

   (a) ₹ 3,77,481

   (b) ₹ 3,71,856

   (c) ₹ 5,54,607

   (d) ₹ 6,04,607

3. Mr. X wanted to know from you, whether tax is required to be deducted on professional fees paid to Mr. A, Mr. B and Mr. C respectively. If tax has to be deducted, then what would be the rate and amount of tax to be deducted at source?

   (a) Yes, TDS amounting to ₹ 7,875 @7.5% on ₹ 1,05,000 is to be deducted

   (b) Yes, TDS amounting to ₹ 1,575 @1.5% on ₹ 1,05,000 is to be deducted

   (c) No, tax is to be deducted, since amount does not exceed the threshold limit

   (d) Yes, TDS amounting to ₹ 10,500 @10% on ₹ 1,05,000 is to be deducted

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) ₹ 1,11,875

Reason

Depreciation on Plant & machinery "Y"

Purchased on 14.1.2024 = ₹ 5,00,000

Depreciation @15% x 50% for P.Y. 2023-24 = ₹ 37,500

Additional depreciation @20% x 10% for P.Y. 2023-24 = ₹ 50,000

WDV as on 1.4.2024 = ₹ 4,12,500

Depreciation @15% for P.Y. 2024-25 = ₹ 61 875

Balance additional depreciation @20% x 10% for P.Y. 2024-25 = ₹ 50,000

Total depreciation for P.Y. 2024-25 = ₹ 1,11,875

2. **Option (d)** ₹ 6,04,607

Reason

Depreciation on Plant & machinery

Purchased on 7.6.2023 = ₹ 14,75,340

Purchased on 14.1.2024 = ₹ 5,00,000

Total = ₹ 19,75,340

<u>For P.Y. 2023-24</u>

Depreciation @15% on ₹ 14,75,340 = ₹ 2,21,301

Depreciation @15% x 50% on ₹ 5,00,000 = ₹ 37,500

Additional depreciation @20% on ₹ 14,75,340 = ₹ 2,95,068

Additional depreciation @20% x 10% on ₹ 5,00,000 = ₹ 50,000

WDV as on 1.4.2024 = ₹ 13,71,471

Add: Purchased on 15.5.2024 = ₹ 8,00,000

Total = ₹ 21,71,471

<u>For P.Y. 2024-25</u>

Depreciation @15% on ₹ 21,71,471 = ₹ 3,25,721

Balance additional depreciation @20% x 10% = ₹ 50,000

Additional depreciation @20% on ₹ 8,00,000 = ₹ 1,60,000

Total depreciation on P & M for P.Y. 2024-25 = ₹ 5,35,721

Depreciation on Furniture

Purchased on 25.7.2023 = ₹ 7,65,400

Depreciation @10% on P.Y. 2023-24 = ₹ 76,540

WDV as on 1.4.2024 = ₹ 6,88,860

Depreciation @10% on P.Y. 2024-25 = ₹ 68,886

Total depreciation for P.Y. 2024-25 = ₹ 5,35,721 + ₹ 68,886 = ₹ 6,04,607

3. **Option (d)** Yes, TDS amounting to ₹ 10,500 @10% on ₹ 1,05,000 is to be deducted

Reason

TDS u/s 194J is to be deducted on professional fees paid to Mr. A, Mr. B and Mr. C respectively on ₹ 35,000 @10% each. Total TDS to be deducted = ₹ 1,05,000 x 10% = ₹ 10,500

CASE SCENARIO 12

ABC & Co. is a partnership firm engaged in the business of sale of footwear. The partnership firm consist of three partners – A, B & C. A & B are working partners and C is a sleeping partner. The firm is liable to tax audit under section 44AB of the Act. It has a book profit of ₹ 11,50,000.

Following payments were made to partners as authorised by the partnership deed:

- Remuneration to A & B - ₹ 32,000 p. m. to each partner
- Remuneration to C - ₹ 10,000 p. m.
- Interest on capital @ 19.5% to A & B - ₹ 18,500 p.a. to each partner
- Interest on capital @ 17% to C - ₹ 10,540 p.a.

The firm has following brought forward losses of past years:

A.Y.	Business loss	Unabsorbed depreciation	Long-term capital loss
2022-23	26,000	17,600	5,300
2023-24	78,000	29,860	-
2024-25	1,05,670	54,180	13,470

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

MULTIPLE CHOICE QUESTIONS

1. What amount of interest is allowable as deduction in the hands of firm while computing profits and gains from business or profession?

   (a) ₹ 29,040

   (b) ₹ 22,770

   (c) ₹ 47,540

   (d) ₹ 30,210

2. What amount of remuneration not allowable as deduction in the hands of firm while computing profits and gains from business or profession?

   (a) ₹ 1,20,000

   (b) Nil

   (c) ₹ 1,08,000

   (d) ₹ 78,000

3. What is the due date of filing of return of income for Mr. A and Mr. C for the A.Y. 2025-26?

   (a) 31st July 2025 for Mr. C and 30th September 2025 for Mr. A

   (b) 31st July 2025 for Mr. C and 31st October 2025 for Mr. A

   (c) 31st October 2025 for both Mr. A and Mr. C

   (d) 31st October 2025 for Mr. C and 31st July 2025 for Mr. A

4. What would be the income under the head "Profits and gains from business or profession" in the hands of ABC & Co. for the A.Y. 2025-26?

   (a) ₹ 70,690

   (b) ₹ 1,72,330

   (c) ₹ 51,920

   (d) ₹ 1,53,560

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (d) ₹ 30,210

Reason

As per section 40(b), interest to all partners whether working or not, is allowable as deduction upto 12% p.a.

Interest on capital to A & B allowable = ₹ 18,500 x 2/19.5% x 12% = ₹ 22,770

Interest on capital to C allowable = ₹ 10,540 /17% x 12% = ₹ 7,440

Total interest deduction allowable = ₹ 30,210

2. **Option (a)** ₹ 1,20,000

Reason

As per section 40(b), remuneration to working partners only is allowable in the hands of ABC & Co. upto the prescribed limit. Hence, remuneration to C is not allowed.

Allowable remuneration as per section 40(b)

Book profit = ₹ 11,50,000

Upto ₹ 6,00,000 @90% = ₹ 5,40,000

Above 6,00,000 @60% = ₹ 3,30,000

Total = ₹ 8,70,000

Remuneration paid to A & B = ₹ 32,000 x 12 x 2 = ₹ 7,68,000

So, remuneration allowed = ₹ 7,68,000

Remuneration disallowed = ₹ 10,000 x 12 = ₹ 1,20,000 i.e., remuneration to C

3. **Option (c)** 31st October 2025 for both Mr. A and Mr. C

Reason

The due date of filing return of income in case of a partner of a firm whose accounts are required to be audited under the Income-tax Act, 1961 is 31st October, 2025.

4. **Option (b)** ₹ 1,72,330

Reason

Book Profit = ₹ 11,50,000

Less: Allowable remuneration u/s 40(b) = ₹ 7,68,000

Less: Brought forward business losses = ₹ 2,09,670

Business profit = ₹ 1,72,330

CASE SCENARIO 13

Mr. Narendra Sharma, aged 54 years, an Indian citizen, carrying on retail business in Dubai. He frequently visits India for business purpose. Details of his visits in India are as follows:

1) Came to India on 03.12.2019 and left India on 26.04.2020

2) Again came to India on 09.09.2022 and left India on 10.01.2023

3) Again came to India on 27.12.2023 and left India on 20.02.2024

Afterwards he decided to shift permanently in India and closed his business in Dubai. So, he came to India on 27.11.2024 and joined Indian Company "Cosmos Heritage India Limited" at registered office in Mumbai from 01.12.2024. From December 2024, he has taken a flat on rent for ₹ 60,000 per month from Mr. Sarthak, an Indian resident, and Mr. Sarthak has provided his PAN No. to Mr. Narendra Sharma.

Following details of his salary income earned in India:

- Basic Salary – ₹ 2,75,675 per month
- COLA (Cost of Living Allowance) (forms part of retirement benefits) – ₹ 1,20,200 per month
- HRA – ₹ 1,37,838 per month
- Other Allowances – ₹ 1,56,000 per month

For the period from April 2024 to November 2024, his business income arising in Dubai is ₹ 26,00,000 and his turnover for the P.Y. 2023-24 is ₹ 95,00,000. He is not liable to pay any tax in Dubai.

He is active in equity share trading after coming to India. Following are the details of his portfolio:

S. No	Sale/ Purchase	Company	Date of Purchase/ Sale	Qty	Price per Share (₹)	Brokerage
1.	Purchase	First Smile Ltd	10.12.2024	250	203	1.5%
2	Purchase	Rainbow Ltd	10.12.2024	50	503	1.5%
3.	Purchase	Mega Service Ltd	12.12.2024	150	82	1.5%

4.	Sale	First Smile Ltd	18.12.2024	100	325	1.8%
5.	Purchase	Mega Service Ltd	15.12.2024	110	110	1.5%
6.	Sale	Mega Service Ltd	26.12.2024	150	100	1.8%
7.	Purchase	Rainbow Ltd	28.12.2024	200	385	1.5%
8.	Purchase	Rainbow Ltd	03.01.2025	100	465	1.5%
9.	Sale	First Smile Ltd	23.03.2025	150	250	1.8%
10.	Sale	Mega Service Ltd	26.03.2025	110	110	1.8%

Rainbow Limited declared an interim dividend of 200% on 28.02.2025 (face value of each share is ₹ 10). The record date was 31.1.2025.

He wants to exercise the option to shift out of the default tax regime under section 115BAC.

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

MULTIPLE CHOICE QUESTIONS

1. What is the residential status of Mr. Narendra for the previous year 2024-25?

   (a) Resident

   (b) Resident and ordinary resident

   (c) Non-resident

   (d) Deemed resident

2. Which of the following statements is correct, in respect of dividend paid by Rainbow Ltd. to Mr. Naredra?

   (a) Dividend received from Rainbow Ltd is exempt in the hands of Mr. Narendra. Hence, no tax is required to be deducted at source.

   (b) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra but, since the dividend is less than ₹ 10,000, no tax is required to be deducted at source.

(c) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of ₹ 525 is required to be deducted at source.

(d) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of ₹ 700 is required to be deducted at source.

3. What shall be the TDS liability of Mr. Narendra for rent paid to Mr. Sarthak?

(a) There is no TDS liability of Mr. Narendra, since he is a salaried individual.

(b) Mr. Narendra is liable to deduct TDS u/s 194-I of ₹ 6,000 for each month.

(c) Mr. Narendra is liable to deduct TDS u/s 194-IB of ₹ 4,800 in the month of March 2025

(d) Mr. Narendra is liable to deduct TDS u/s 194-IB of ₹ 12,000 in the month of March 2025

4. What would be income chargeable to tax under the head "Income from Salaries" in the hands of Mr. Narendra for the A.Y. 2025-26?

(a) ₹ 26,27,202

(b) ₹ 26,77,202

(c) ₹ 27,08,852

(d) ₹ 26,58,852

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Deemed resident

Reason

Mr. Narendra Sharma is a not a resident as per section 6(1) since he does not fulfill any of the two conditions of being a resident in India.

However, Mr. Narendra Sharma is a deemed resident in India u/s 6(1A) since he is an Indian citizen having his total income other than income from foreign sources exceeds ₹ 15 lakhs and he is not liable to tax in Dubal.

2. **Option (d)** Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of ₹ 700 is required to be deducted at source.

Reason

Shares of Rainbow Ltd. held by Mr. Narendra as on 31.1.2025, being the record date = 350 (50+200+100)

Dividend to be receivable = 350 x 10 x 200% = ₹ 7,000

TDS deductible by Rainbow Ltd. u/s 194 @10% = ₹ 700

3. **Option (c)** Mr. Mr. Narendra is liable to deduct TDS u/s 194-IB of ₹ 4,800 in the month of March 2025

Reason

Since Mr. Narendra pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source @5% till 30.09.2024 and thereafter @2%. The tax is to be deducted in the last month of the P.Y. 2024-25 i.e., March 2025 or in the last month of tenancy, if the property is vacated during the year. Since property is not vacated during the year, ₹ 4,800 [(₹ 60,000 x 4 x 2%)] has to be deducted from rent payable for March, 2025.

4. **Option (a)** ₹ 26,27,202

Reason

Basic Salary = ₹ 2,75,675 x 4 = ₹ 11,02,700

COLA = ₹ 1,20,200 x 4 = ₹ 4,80,800

Other Allowances = ₹ 1,56,000 x 4 = ₹ 6,24,000

HRA = ₹ 1,37,838 x 4 = ₹ 5,51,352

Less: HRA Exempted = ₹ 81,650

50% of salary = ₹ 15,83,500 x 50% = ₹ 7,91,750

Rent paid – 10% of salary = ₹ 2,40,000 - ₹ 1,58,350 = ₹ 81,650

HRA received = ₹ 5,51,352

Gross Salary = ₹ 26,77,202

Less: Standard deduction u/s 16(ia) = ₹ 50,000

Net Salary = ₹ 26,27,202

CASE SCENARIO 14

Mr. Akshaya Biyani celebrated his 26th birthday on 15th May 2024 and arranged a grand party at Radisson Blu hotel. On this occasion, he invited his friends, blood relatives and distant relatives to attend the party. The ceremony was very grand, the feast was also very spectacular. All the arrangements and decorations were absolutely wonderful. At the end of party, Mr. Akshaya was awarded by gifts and flower's bouquet as infra:

Gifts received from	Type of Gift	Remarks
Mother	One 22K Gold Chain	She purchased on the same day for ₹ 37,822
Father	One 22K Gold Bracelet	He purchased on the same day for ₹ 56,075
Wife	4 Gold Rings	She purchased these rings on 15.5.2023 for ₹ 35,500 each. Fair market value on 15th May 2024 is ₹ 37,429 each.
Sister	Painting	This painting is made by her. Fair market value is ₹ 45,000.
Father's brother	One Gold chain	He purchased it on the same day for ₹ 18,200.
Closest cousins (mother's sister's sons/daughters)	I-20 Car	Value of ₹ 4,10,000
Friends and other distant relatives	Cash	₹ 1,51,000

Mr. Akshaya desires to set up a new manufacturing unit with his friend in partnership on 1.12.2024. For making investment in the firm, he sold following jewellery which he has received on his 26th birthday celebration as gifts:

- Mother's gifted Gold Chain for ₹ 42,150

- Father's gifted Gold Bracelet for ₹ 60,180
- Father's brother's gifted Gold Chain for ₹ 20,600

His wife gave him ₹ 1 lakh as a gift so that he could invest sufficient money in the unit.

On 1st December 2024, he invested ₹ 6,00,000 (including the amount received on sale of above gifts and amount received from his wife) and his friend invested ₹ 4,00,000 in the firm.

On 1st February 2025, his wife again gave him ₹ 1 lakh as a gift to invest such money in the firm and apart from that he invested ₹ 50,000 more from his individual savings. On this day, his friend also invested ₹ 1,00,000 in the firm.

Since the firm is a manufacturing unit and at initial stage, the firm requires sufficient fund so Mr. Akshaya sold his wife's gifted Gold Rings for ₹ 40,250 each as on 31st March 2025 and he deployed the funds as partner's capital in the firm on 01st April, 2025.

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

MULTIPLE CHOICE QUESTIONS

1. What is the amount of capital gain taxable in the hand of Mr. Akshaya for P.Y. 2024-25?
   (a) Short term capital gains ₹ 10,833
   (b) Short term capital gains ₹ 29,833
   (c) Short term capital gains ₹ 22,117
   (d) No, capital gains is taxable in his hands, since he received the capital assets as gift.

2. What is the gift amount not considered as income under section 56(2)(x) for P.Y. 2024-25?
   (a) ₹ 8,98,613
   (b) ₹ 3,06,813

(c) ₹ 9,16,813

(d) ₹ 7,16,813

3. What is the gift amount taxable in the hands of Mr. Akshaya for P.Y. 2024-25?

(a) ₹ 1,51,000

(b) ₹ 1,69,200

(c) ₹ 5,79,200

(d) ₹ 5,61,000

4. Is any amount taxable in the hands of Akshaya's wife in respect of sale of jewellery by Mr. Akshaya, if yes, what shall be the taxable amount in her hands for P.Y. 2024-25?

(a) No

(b) Yes; ₹ 15,284

(c) Yes; ₹ 19,000

(d) Yes; ₹ 11,284

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) Short term capital gains ₹ 10,833

Reason

Short term capital gain on sale of mother's gifted gold chain

= ₹ 42,150 - ₹ 37,822 = ₹ 4,328

Short term capital gain on sale of father's gifted gold bracelet

= ₹ 60,180 - ₹56,075 = ₹ 4,105

Short term capital gain on sale of father's brother's gold chain

= ₹ 20,600 - ₹ 18,200 = ₹ 2,400

Total short term capital gain = ₹ 10,833

2. **Option (c)** ₹ 9,16,813

Reason

FMV of the following

Gift from mother = ₹ 37,822

Gift from father = ₹ 56,075

Gift from wife = ₹ 37,429 x 4 = ₹ 1,49,716

Gift from sister = ₹ 45,000

Gift from Father's brother = ₹ 18,200

Gift from closet cousins = ₹ 4,10,000 [Since car is not a capital asset]

Cash from wife = ₹ 2,00,000

Amount not taxable u/s 56(2)(x) = ₹ 9,16,813

3. **Option (a)** ₹ 1,51,000

Reason

₹ 1,51,000 since cash gift exceeds ₹ 50,000 from friends and other distant relatives

4. **Option (c)** Yes; ₹ 19,000

Reason

Capital gain on sale of rings gifted by Mr. Akshaya's wife would be taxable in the hands of his wife. Short term capital gain would be ₹ [4 x (₹40,250 - ₹ 35,500)] = ₹ 19,000

CASE SCENARIO 15

Mr. Rajesh gifted ₹ 15 lakhs to his wife, Raavi, on her birthday on 23rd February, 2024. Raavi lent ₹ 6,00,000 out of the gifted amount to Karuna on 1st April, 2024 for six months on which she received interest of ₹ 30,000. The said sum of ₹ 30,000 was invested in shares of a listed company on 18th October, 2024, which were sold for ₹ 66,000 on 25th March, 2025. Securities transactions tax was paid on purchase and sale of such shares. The balance amount of gift was invested on 1st April 2024, as capital by Raavi in her new business. She suffered loss of ₹ 22,000 in the business in Financial Year 2024-25. Raavi is working with a Private company as sales executive at a salary of ₹ 62,000 p.m. She paid ₹ 3,500 p.m towards tuition fees for her daughter Riya studying in St. Thomas School, Mumbai.

Rajesh is working with an MNC on a monthly salary of ₹ 64,000. He has gifted ₹ 1,25,000 to Riya on her 13th Birthday. This amount is deposited as 2 years term deposits with SBI bank in her name. On which interest of ₹ 11,500 is earned during the previous year 2024-25. Both Mr. Rajesh and Mrs. Raavi want to pay tax under default tax regime under section 115BAC.

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

MULTIPLE CHOICE QUESTIONS

1. In whose hands, the interest income received from Karuna and interest on fixed deposits in the name of Riya would be included?

   (a) both interest income to be included in the hands of Mr. Rajesh

   (b) both interest income to be included in the hands of Mrs. Raavi

   (c) interest income from Karuna to be included in the hands of Mrs. Raavi and interest on two years term deposits to be included in the hands of Mr. Rajesh.

   (d) interest income from Karuna to be included in the hands of Mr. Rajesh and interest on two years term deposits to be included in the hands of Mrs. Raavi.

2. In whose hand, loss from business and capital gains would be included in Assessment Year 2025-26? Assume that capital invested in the business was entirely out of the funds gifted by her husband.

   (a) Both loss from business and capital gains would be included in the hands of Mr. Rajesh

   (b) Both loss from business and capital gains would be included in the hands of Mrs. Raavi

   (c) Loss from business included in the hands of Mr. Rajesh and capital gains included in the hands of Mrs. Raavi

   (d) Loss from business included in the hands of Mrs. Raavi and capital gains included in the hands of Mr. Rajesh

3. What would be the total income of Mrs. Raavi for the previous year 2024-25?

   (a) ₹ 7,16,500

   (b) ₹ 7,80,000

   (c) ₹ 7,41,500

   (d) ₹ 7,90,000

4. What would be total income of Mr. Rajesh for the previous year 2024-25?

   (a) ₹ 7,26,000

   (b) ₹ 8,09,500

   (b) ₹ 8,08,000

   (c) ₹ 7,01,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** interest income from Karuna to be included in the hands of Mr. Rajesh and interest on two years term deposits to be included in the hands of Mrs. Raavi.

Reason

Interest received from Karuna is includible in the hands of Mr. Rajesh as per section 64(1)(iv) since he gifted cash to Mr. Raavi, his wife, and she lent the same to Mrs. Karuna.

Interest on fixed deposits in the name minor daughter is includible in the hands of Mrs. Raavi as per section 64(1A) since Mrs. Raavi total income excluding this interest income is higher than of Mr. Rajesh's total income.

2. **Option (c)** Loss from business included in the hands of Mr. Rajesh and capital gains included in the hands of Mrs. Raavi

Reason

As per section 64(1)(ii), loss from business would be includible in the hands of Mr. Rajesh since the capital invested in business was entirely out of the fund gifted by him.

Capital gains would be includible in the hands of Mrs. Raavi since income from the accretion of the transferred asset is not to be clubbed with the income of the transferor.

3. **Option (a)** ₹ 7,16,500

Reason

Salary = ₹ 62,000 x 12 = ₹ 7,44,000

Less: Standard deduction u/s 16(ia) = 75,000

Net Salary = ₹ 6,69,000

Capital gain on sale of shares = ₹ 66,000 - ₹ 30,000 = ₹ 36,000

Interest on deposits of Riya = ₹ 11,500

Total Income = ₹ 7,16,500

4. **Option (d)** ₹ 7,01,000

Reason

Salary = ₹ 64,000 x 12 = ₹ 7,68,000

Less: Standard deduction u/s 16(ia) = 75,000

Net Salary = ₹ 6,93,000

Interest from Karuna = ₹ 30,000

Less: loss from business = ₹ 22,000

Net Other sources incomes = ₹ 8,000

Total Income = ₹ 7,01,000

CASE SCENARIO 16

Miss Hetal transferred to his husband, Mr. Hemant, a residential property worth ₹ 45 lakhs located in Nagpur without any consideration. The expected rent of such property is ₹ 5 lakhs. Municipal tax of ₹ 5,000 paid by Miss Hetal for this property during the previous year 2024-25. Miss Hetal has three residential properties in Mumbai. The expected rent from the 3 properties situated in Mumbai is ₹ 10 lakhs, ₹ 11 lakhs and ₹ 12 lakhs respectively. She purchased the properties out of her own funds. Municipal taxes due are ₹ 15,000, ₹ 20,000 and ₹ 25,000. The same have, however, not been paid this year in respect of the three properties. The expected rent is lesser than the standard rent in case of all the aforementioned properties. Miss Hetal does not have any income from any other source.

Miss Hetal's father, aged 58 years had capital gains of ₹ 5 crores from sale of house property. He reinvested the proceeds from sale in another residential house of ₹ 4.98 crores and the remaining sale proceeds were deposited in his savings bank account. He has paid ₹ 1,50,000 towards LIC premium. He has no other source of income.

Miss Hetal's grandfather is aged 81 years and has interest income of ₹ 6 lakhs on fixed deposits. He has no other income for the P.Y. 2024-25. He has to fly to USA for his treatment of cancer on 31st July, 2025 and his return of income is not filed before his flying to USA.

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

MULTIPLE CHOICE QUESTIONS

1. What is the amount of income liable to be taxed in the hands of Miss Hetal under the head "Income from House Property" for A.Y.2025-26?

   (a) ₹ 7,00,000

   (b) ₹ 10,46,500

   (c) ₹ 10,50,000

   (d) ₹ 13,76,500

2. What would be tax liability of Miss Hetal for the assessment year 2025-26? Compute in a manner so that her tax liability is minimum.

   (a) ₹ 66,300

   (b) ₹ 59,250

   (c) ₹ 69,650

   (d) ₹ 1,31,510

3. Is Hetal's father required to furnish his return of income in India for the A.Y.2025-26?

   (a) No, he is not required, since his income does not exceed basic exemption limit

   (b) Yes, he is required to furnish return of income on or before 31st July, 2025

   (c) Yes, he is required to furnish return of income on or before 30th September, 2025

   (d) Yes, he is required to furnish return of income on or before 31st October, 2025

4. Is Miss Hetal's grandfather required to pay advance tax during the previous year 2024-25 if he has shifted out of default tax regime?

   (a) No, he is not required to pay advance tax, since he is a senior citizen

   (b) Yes, he is required to pay advance tax, since his tax liability exceeds ₹ 10,000

   (c) No, he is not required to pay advance tax, since he is a senior citizen and he is not having any income under the head "Profits and gains from business or profession"

   (d) Yes, he is required to pay advance tax, since his total income exceeds basic exemption limit of ₹ 5,00,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** ₹ 10,46,500

   Reason

   Miss Hetal is a deemed owner u/s 27 of property transferred to Mr. Hemanth. Miss Hetal can claim benefit of Nil value in respect of two properties. So, it is beneficial for Miss Hetal to claim property II and III in Mumbai as self occupied since their expected rent is higher.

   Income from deemed let property in Nagpur

   GAV = ₹ 5,00,000

   Less: Municipal taxes = ₹ 5,000

   NAV = ₹ 4,95,000

   Less: 30% deduction u/s 24(a) = ₹ 1,48,500

   Income = ₹ 3,46,500

   Income from deemed let property I in Mumbai

   GAV = ₹ 10,00,000

   Less: Municipal taxes = Nil

   NAV = ₹ 10,00,000

   Less: 30% deduction u/s 24(a) = ₹ 3,00,000

   Income = ₹ 7,00,000

   Income under the head house property = ₹ 10,46,500

2. **Option (b)** ₹ 59,250

   Reason

   Tax liability under default tax regime

   Upto ₹ 3,00,000 = Nil

   ₹ 3 lakhs to ₹ 7 lakhs @5% = ₹ 20,000

   ₹ 7 lakhs to ₹ 10 lakhs @10% = ₹ 30,000

   ₹ 10 lakhs to ₹ 10,46,500 @15% = ₹ 6,975

Total = ₹ 56,975

Add: HEC@4% = ₹ 2,279

Tax liability = ₹ 59,250 (Rounded off)

Tax liability under normal provisions of the Act

Upto ₹ 2,50,000 = Nil

₹ 2.50 lakhs to ₹ 5 lakhs @5% = ₹ 12,500

₹ 5 lakhs to ₹ 10 lakhs @20% = ₹ 1,00,000

₹ 10 lakhs to ₹ 10,46,500 @30% = ₹ 13,950

Total = ₹ 1,26,450

Add: HEC@4% = ₹ 5,058

Tax liability = ₹ 1,31,510 (Rounded off)

3. **Option (b)** Yes, he is required to furnish return of income on or before 31st July,2025

   Reason

   Miss Hetal's father is required to furnish his return of income since total income before exemption under section 54 and deduction under section 80C exceeds the basic exemption limit and due date of filing return of income in his case is 31.7.2025.

4. **Option (c)** No, he is not required to pay advance tax, since he is a senior citizen and he is not having any income under the head "Profits and gains from business or profession"

   As per section 207, an individual resident in India is not required to pay advance tax if he does not have any income chargeable under the head "Profits and gains from business or profession" and is age of 60 years or more at any time during the previous year.

CASE SCENARIO 17

Ms. Chanchal, aged 45, provides the following data of her gross receipts for the financial year 20223-24 and 2024-25. She is engaged in agency business along with providing services as tarot card reader. She is generally engaged in cash payments and cash receipts.

F.Y.	Receipts from business (₹)	Receipts from profession (₹)	Total Gross Receipts (₹)
2023-24	1,05,00,000	47,00,000	1,52,00,000
2024-25	98,00,000	49,00,000	1,47,00,000

She paid an amount of ₹ 12,00,000 to a contractor for polishing her old furniture in her self-occupied residential house property on 12.04.2024. Further on 05.06.2024, she has taken services from renowned interior designer for the same residential house property for which she paid ₹ 2,50,000.

On 28.05.2024, she sold one commercial property for ₹ 50,00,000. The stamp duty value on the date of registration is ₹ 58,00,000. The value adopted for stamp duty was ₹ 54,00,000 on the date of agreement (part payment by account payee cheque was received on the date of agreement). It was purchased for ₹ 40,00,000 on 28.06.2022. (Cost Inflation Index for F.Y. 2024-25: 363, F.Y. 2022-23: 331).

The brought forward long-term capital loss from unlisted shares of F.Y. 2023-24 is ₹ 5,50,000.

During the year, Ms. Chanchal incurred a loss of ₹ 70,00,000 while trading in the agricultural commodity derivatives (no CTT paid).

Ms. Chanchal has opted out of the default tax regime under section 115BAC for A.Y. 2025-26.

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

MULTIPLE CHOICE QUESTIONS

1. Is Ms. Chanchal liable to tax audit under the Income-tax Act, 1961 for the P.Y. 2024-25?

   (a) Yes, as the total gross receipts exceeds ₹ 1,00,00,000

(b) No, as the gross receipts from business or profession are below the specified threshold limits.

(c) Yes, as the gross receipts from business exceeds ₹ 50,00,000

(d) Yes, as the gross receipts from profession exceeds ₹ 25,00,000

2. With respect to payment made to contractor and to the interior designer during the P.Y. 2024-25, Ms. Chanchal consulted various persons and they have the following views -

(i) She is required to deduct tax at source under section 194C and 194J, since her turnover from business for the previous year 2023-24 exceeds ₹ 1,00,00,000

(ii) She is required to deduct tax at source under section 194M on both the payments

(iii) She is not required to deduct tax at source neither under section 194C nor under section 194J, since such amounts are paid for personal purposes

(iv) She is not required to deduct tax at source under section 194M, since payment to each individual does not exceed ₹ 50,00,000

Which views are correct?

(a) (iii) and (iv) views are correct

(b) (i) view is correct

(c) (ii) view is correct

(d) (i) and (iv) views are correct

3. What is the amount and nature of Capital gain chargeable to tax in the hands of Ms. Chanchal?

(a) ₹ 14,00,000 and Short-term capital gain.

(b) ₹ 10,00,000 and Short-term capital gain.

(c) ₹ 11,00,000 and Long-term capital gain.

(d) ₹ 7,00,000 and Long-term capital gain.

4. What is the amount of losses which can be carried forward to A.Y. 2026-27, assuming that business income is ₹ 45,00,000 and income from profession is ₹ 25,00,000 for the P.Y. 2024-25?

(a) ₹ 5,50,000 under section 74

(b) ₹ 70,00,000 under section 73

(c) No loss is required to be carried forward, since brought forward loss and current year loss are set-off against current year's income

(d) ₹ 5,50,000 under section 74 and ₹ 70,00,000 under section 73

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** No, as the gross receipts from business or profession are below the specified threshold limits.

   Reason

   Ms. Chanchal is not liable to tax audit for the P.Y. 2024-25 since receipts from business does not exceed ₹ 1 crore and receipts from profession does not exceed ₹ 50 lakhs.

2. **Option (a)** (iii) and (iv) views are correct

3. **Option (b)** ₹ 10,00,000 and Short-term capital gain.

   Reason

   The capital gain would be short term since the property was held for less than 24 months. As per section 50C, full value of consideration will be ₹ 50,00,000, being the sale consideration since the part payment was received on the date of agreement by account payee cheque and stamp duty value on date of agreement does not exceed 110% of sale consideration.

4. **Option (a)** ₹ 5,50,000 under section 74

   Reason

   Loss of ₹ 70 lakhs from trading in the agricultural commodity derivatives is normal business loss and can be set off from business and profession loss of ₹ 70 lakhs. Brought forward long-term capital loss of ₹ 5,50,000 can be set off only against long term capital gain and hence, in the absence of long term capital gain in P.Y. 2024-25 the same will be carried forward to A.Y. 2026-27 under section 74.

CASE SCENARIO 18

Mr. Abhishek Seth, aged 42 years, is working as a CEO of Soil Limited. He provides you the following information for preparation and filing of his income-tax return for the year ended 31st March 2025:

- Salary, allowances and perquisites from Soil Limited - ₹ 1,35,00,000
- Dividend from PRQ Ltd. declared and received in July, 2024 - ₹ 5,90,000 (Gross)
- Interest income on saving bank account in SBI – ₹ 24,530
- Long term capital gains on transfer of residential house in Mumbai on 15th December, 2024 - ₹ 1,73,540
- Short term capital gain on transfer of listed equity shares (STT paid both at the time of transfer and acquisition) of Ind Ltd. on 22.6.2024 - ₹ 73,00,000

He also furnished the following details of investment/ payments made by him during the P.Y. 2024-25:

(a) Three-year post office time deposit - ₹ 25,000

(b) Contribution to PPF - ₹ 35,000

(c) Tuition fees of three children in Bharti Sr. Sec. School in Delhi - ₹ 20,000 per annum per children

(d) Subscription to NHAI redeemable bonds after 5 years on 16th March, 2025 - ₹ 2,00,000.

Further, his son Master Dhaval, aged 15 years, has also earned the following income:

(a) Income from a quiz competition - ₹ 25,000

(b) Interest on bank fixed deposit - ₹ 9,500

Assuming that the tax has been deducted on time, wherever applicable. Mr. Abhishek has opted out of the default tax regime under section 115BAC.

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

MULTIPLE CHOICE QUESTIONS

1. What is the quantum of income of Mr. Dhaval which is to be clubbed with the income of Mr. Abhishek, if any, assuming that income of Mr. Abhishek is greater than the income of his spouse?

   (a) ₹ 34,500

   (b) ₹ 8,000

   (c) ₹ 33,000

   (d) ₹ 9,500

2. What is the gross total income of Mr. Abhishek for A.Y. 2025-26?

   (a) ₹ 2,13,72,530

   (b) ₹ 2,14,22,530

   (c) ₹ 2,13,64,530

   (d) ₹ 2,15,46,070

3. What is the amount of deduction allowable under section 80C to Mr. Abhishek?

   (a) ₹ 1,00,000

   (b) ₹ 1,20,000

   (c) ₹ 95,000

   (d) ₹ 75,000

4. What shall be the tax liability of Mr. Abhishek for A.Y. 2025-26?

   (a) ₹ 62,67,350

   (b) ₹ 61,04,100

   (c) ₹ 59,60,050

   (d) ₹ 61,45,610

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** ₹ 8,000

   Reason

   Income from a quiz competition will be taxable in the hands of minor son, Dhaval since it is earned by him from his talent. Interest of ₹ 9,500 on bank fixed deposit is to be included in the hands of parents whose income is greater without including this income.

   Exemption under section 10(32) of ₹ 1,500 is available to Mr. Abhishek since he has opted out of the default tax regime under section 115BAC.

2. **Option (a)** ₹ 2,13,72,530

   Reason

   Salaries

   Salary = ₹ 1,35,00,000

   Less: Standard deduction u/s 16(ia) = ₹ 50,000

   Net Salary = ₹ 1,34,50,000

   Capital gain

   LTCG = ₹ 1,73,540

   Less: Exemption u/s 54EC = ₹ 1,73,540

   LTCG = Nil

   STCG = 73,00,000

   Income from other sources

   Dividend = ₹ 5,90,000

   Interest on saving bank account = ₹ 24,530

   Interest on fixed deposit of minor son = ₹ 8,000

   Gross Total Income = ₹ 2,13,72,530

3. Option (d) ₹ 75,000

Reason

Deduction under section 80C

Contribution to PPF = ₹ 35,000

Tuition fees = ₹ 20,000 x 2 = ₹ 40,000

Total = ₹ 75,000

4. Option (b) ₹ 61,04,100

Reason

Gross Total Income = ₹ 2,13,72,530

Less: Deduction under section 80C = ₹ 75,000

Less: Deduction under section 80TTA = ₹ 10,000

Total Income = ₹ 2,12,87,530

Tax liability

Tax on STCG of ₹ 73 lakhs @15% = ₹ 10,95,000

Tax on balance income of ₹ 1,39,87,530

Upto ₹ 2,50,000 = Nil

₹ 2.50 lakhs to ₹ 5 lakhs @5% = ₹ 12,500

₹ 5 lakhs to ₹ 10 lakhs @20% = ₹ 1,00,000

₹ 10 lakhs to ₹ 1,39,87,530 @30% = ₹ 38,96,259

Total = ₹ 51,03,759

Add: Surcharge @15% = ₹ 7,65,564

= ₹ 58,69,323

Add: HEC@4% = ₹ 2,34,773

Tax liability = ₹ 61,04,100 (Rounded off)

CASE SCENARIO 19

Mr. X wanted to file his return of income for the previous year 2024-25. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2024-25.

Mr. X owned a house property in Mumbai and the same was rented out for ₹ 70,000 p.m. He claims that this was the only income which he earned during the P.Y. 2024-25. However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975 towards income-tax refund which includes ₹ 5,775 towards interest on income-tax refund. On 15th August, 2024, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60th birthday. On further assessment you were able to understand that Mr. X and his wife had travelled to Australia during the P.Y. 2024-25 to spend some time with their daughter, who is staying in Australia, since her marriage. On scrutiny of their passport and relevant documents you conclude that they had left India on 27th September, 2024 and retuned on 30th March, 2025. During the 4 years preceding previous year 2024-25, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

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

MULTIPLE CHOICE QUESTIONS

1. What is the residential status of Mr. X for the P.Y. 2024-25?

   (a) Resident and ordinarily resident

   (b) Resident but not ordinarily resident

   (c) Non-resident

   (d) Deemed resident but not ordinarily resident

2. Mr. X requests you to compute his tax liability for the A.Y. 2025-26 in a manner such that his tax liability is minimum. Accordingly, his tax liability would be

   (a) ₹ 22,750

   (b) ₹ 29,910

   (c) ₹ 32,510

   (d) Nil

3. Mr. X had given the house property at Mumbai on rent to Mr. Y, a salaried employee. Is there any requirement to deduct tax at source on such rent by Mr. Y, if yes, what would be the amount of TDS to be deducted?

   (a) No, there is no requirement to deduct tax at source, since Mr. Y is a salaried employee

   (b) Yes, Mr. Y is required to deduct tax at source of ₹ 42,000

   (c) Yes, Mr. Y is required to deduct tax at source of ₹ 16,800

   (d) No, there is no requirement to deduct tax at source, since Mr. X is a non-resident

4. Which of the following statements is correct with respect to advance tax liability of Mr. X for P.Y. 2024-25?

   (a) Advance tax liability shall not arise to Mr. X since he is a non-resident

   (b) Advance tax liability shall not arise, since Mr. X is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession

   (c) Advance tax liability shall arise, since he is a non-resident

   (d) Advance tax liability shall arise, since his tax liability is not less than ₹ 10,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Resident and ordinarily resident

   Reason

   Mr. X is a resident in India during the P.Y. 2024-25 since he stayed in India for 182 days during the P.Y. 2024-25. He is resident and ordinarily resident since he satisfies both the additional conditions of being a resident and ordinarily resident.

2. **Option (d)** Nil

   Reason

   Income under the head house property

   Rental income = ₹ 70,000 x 12 = ₹ 8,40,000

   Less: deduction u/s 24(a)@30% = 2,52,000

   = ₹ 5,88,000

   Income from other sources

   Interest on income-tax refund = ₹ 5,775

   Gift from grandchildren (Not taxable)

   Total Income = ₹ 5,93,775

   Tax liability under default tax regime

   ₹ 3,00,000 to ₹ 5,93,775@5% = ₹ 14,689

   Less: Rebate u/s 87A since total income does not exceed ₹ 7 lakhs = ₹ 14,689

   Tax liability = Nil

   Tax liability under normal provisions of the Act

   ₹ 3,00,000 to ₹ 5,00,000@5% = ₹ 10,000

   ₹ 5,00,000 to ₹ 5,93,775@20% = ₹ 18,755

   Total = ₹ 28,755

   Add: HEC@4% = ₹1,150

   Tax liability = ₹ 29,910

3. **Option (c)** Yes, Mr. Y is required to deduct tax at source of ₹ 16,800

Reason

Mr. Y is required to deduct tax at source u/s 194-IB @2% from the rent of March 2025.

4. **Option (b)** Advance tax liability shall not arise, since Mr. X is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession

As per section 207, an individual resident in India is not required to pay advance tax if he does not have any income chargeable under the head "Profits and gains from business or profession" and is age of 60 years or more at any time during the previous year.

CASE SCENARIO 20

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 2020-21 for 270 days, in the year 2021-22 for 190 days, in the year 2022-23 for 145 days and in the year 2023-24 for 155 days. In the current financial year 2024-25, he along with his family had come to India on 10th August, 2024 for a pleasure trip. His family returned to Singapore on 31st August, 2024, however he stayed back to complete some business commitments and then returned to Singapore on 17th November, 2024.

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 ₹ 8,75,000 was received in Singapore out of this activity in the P.Y. 2024-25. He had purchased a residential property for ₹ 17,50,000 in Indore in April 2020. On getting an attractive deal in November, 2024, he sold the property for ₹ 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 2024-25 was ₹ 6,50,000.

Cost inflation index (CII) for the Financial Year (F.Y.) 2020-21: 301; F.Y. 2024-25: 363

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

MULTIPLE CHOICE QUESTIONS

1. What is the Residential Status of Mr. Zukaro for the assessment year 2025-26?

    (a) Resident and ordinarily resident

    (b) Resident but not ordinarily resident

    (c) Non-resident

    (d) Deemed resident but not ordinarily resident

2. Assume for the purpose of answering this question only, that Mr. Zukaro is a non-resident in India for the P.Y. 2024-25, would income of ₹ 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

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 tax.

   (a) Yes, long term capital gain of ₹ 4,62,035 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 ₹ 5,14,535 is chargeable to tax, since he is resident in India

   (c) Yes, long term capital gain of ₹ 4,62,035 is chargeable to tax, since he is resident in India

   (d) Yes, long term capital gain of ₹ 8,22,500 is chargeable to tax, since he is resident in India

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.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Resident and ordinarily resident

   Reason

   Mr. Zukaro will be a resident in India if he satisfies any one of the basic conditions. He is a resident in India during the P.Y. 2024-25 since he stays in India for 60 days or more (100 days, in this case) and 365 days or more (760 days, in this case) during the immediately preceding 4 years.

   He is a resident and ordinarily resident during P.Y. 2024-25 since he satisfies both the additional conditions of staying 729 days or more during the immediately preceding 7 years and resident in 2 or more P.Y. out of immediately 10 previous years.

2. **Option (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

   Reason

   As per section 9(1)(i) in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

3. **Option (d)** Yes, long term capital gain of ₹ 8,22,500 is chargeable to tax, since he is resident in India.

   Reason

   Full value of consideration = ₹ 26,25,000

   Less: Brokerage on sale @2%= ₹ 52,500

   Net consideration = ₹ 25,72,500

   Less: Cost of acquisition = ₹ 17,50,000

   Long term capital gain = ₹ 8,22,500

4. **Option (a)** No, such income is exempt, since it is agricultural income

   Reason

   Rental income from agricultural land is agricultural income and exempt under section 10(1).

CASE SCENARIO 21

Mr. Rajan, aged 62 years, an Indian citizen, resides in Delhi. His wife Sheetal and daughter Riya also reside with him. Riya, aged 16 years, is studying in 12th Standard in DAV school at New Delhi. Mr. Rajan left for employment to Dubai on 15th September, 2024 but his family did not accompany him. He returned to India on 25th March 2025. Mr. Rajan had gone outside India for the first time in his life. During April, 2024 to September, 2024, he was working with a multinational company in Delhi. He earned salary of ₹ 14,00,000 from his job in India. He paid Tuition Fee of ₹ 1,80,000 for Riya's education in DAV school.

Apart from that, Mr. Rajan also earned professional income of ₹ 60,00,000 (Gross Receipts – ₹ 90 lakhs) from India. During the year, he also earned interest from his Indian savings bank account to the tune of ₹ 12,000 and interest from fixed deposits with nationalized banks of ₹ 45,000. Mr. Rajan also earned a salary income equivalent to ₹ 6,00,000 for his job in Dubai, on which no tax is paid or payable in Dubai, which was deposited in his bank account in Dubai and later on remitted to India. Mr. Rajan has exercised the option to shift out of the default tax regime under section 115BAC.

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

MULTIPLE CHOICE QUESTIONS

1 What is the residential status of Mr. Rajan for the previous year 2024-25?

(a) Resident and ordinarily in India

(b) Resident but not ordinarily resident in India

(c) Non-resident in India

(d) Deemed resident but not ordinarily resident in India

2 What would be the income chargeable to tax under the head "Salaries" in the hands of Mr. Rajan in India for P.Y. 2024-25?

(a) ₹ 20,00,000

(b) ₹ 19,50,000

(c) ₹ 13,50,000

(d) ₹ 19,60,000

3. How much deduction is available under Chapter VI-A from the Gross Total Income of Mr. Rajan?

(a) ₹ 2,30,000

(b) ₹ 1,95,000

(c) ₹ 1,60,000

(d) ₹ 2,00,000

4. What shall be the tax liability of Mr. Rajan for the A.Y. 2025-26?

(a) ₹ 22,69,810

(b) ₹ 22,58,940

(c) ₹ 22,56,080

(d) ₹ 22,72,670

5. What would be the due date for filing income-tax return of Mr. Rajan for the P.Y. 2024-25?

(a) 31st July, 2025

(b) 31st October, 2025

(c) 30th November, 2025

(d) 31st March, 2026

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (d) Deemed resident but not ordinarily resident in India

Reason

Since Mr. Rajan is an Indian citizen who leaves India for the purpose of employment, he will be resident in India during P.Y. 2024-25 if he stayed in India for 182 days or more during the P.Y. 2024-25. Mr. Rajan stayed in India for 175 days, hence, he is not a resident as per section 6(1).

Mr. Rajan is a deemed resident u/s 6(1A) since he is an Indian citizen whose total income excluding income from foreign source exceeds ₹ 15 lakhs and he is not liable to tax in Dubai. Deemed resident u/s 6(1A) would be a resident but not ordinarily resident by default.

2. **Option (c)** ₹ 13,50,000

Reason

Salary from multinational company in Delhi = 14,00,000

Less: Standard deduction u/s 16(ia) = ₹ 50,000

Salary chargeable to tax = ₹ 13,50,000

3. **Option (d)** ₹ 2,00,000

Reason

Deduction u/s 80C in respect of tuition fees = ₹ 1,50,000

Deduction u/s 80TTB = ₹ 50,000

Total deduction = ₹ 2,00,000

4. **Option (c)** ₹ 22,56,080

Reason

Salaries = ₹ 13,50,000

Business income = ₹ 60,00,000

Income from Other Sources = ₹ 57,000 (₹ 12,000 + ₹ 45,000)

Gross Total Income = ₹ 74,07,000

Less: Deduction under Chapter VI-A as computed in MCQ 3 = ₹ 2,00,000

Total Income = ₹ 72,07,000

Tax liability

Upto ₹ 3,00,000 = Nil

₹ 3,00,000 to ₹ 5,00,000 @5% = ₹ 10,000

₹ 5,00,000 to ₹ 10,00,000 @20% = ₹ 1,00,000

₹ 10,00,000 to ₹ 72,07,000 @30% = ₹ 18,62,100

Total = ₹ 19,72,100

Add: Surcharge @10% = ₹ 1,97,210

=₹ 21,69,310

Add: HEC@4% = ₹ 86,772

Tax liability = ₹ 22,56,080 (Rounded off)

5. **Option (b)** 31st October, 2025

Reason

Mr. Rajan is required to get his books of account audited since his gross receipts from profession exceeds ₹ 50,00,000. In such case, the due date for filing return of income will be 31st October of the relevant assessment year.

CASE SCENARIO 22

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 ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2021 for ₹ 42,00,000. The stamp duty value of the flat was ₹ 35,00,000. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2024-25 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Animesh has given this flat on monthly rent of ₹ 32,500 since April, 2024. The annual property tax of Delhi flat is ₹ 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 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He had a house in Ranchi which was sold in May 2021. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2025 (not taxed earlier).

He also derived some other incomes during the F.Y. 2024-25 which are as follows:

(i) Profit from business in Canada ₹ 2,75,000

(ii) Interest on bonds of a Canadian Co. ₹ 6,20,000 out of which 50% was received in India

(iii) Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2024-25, was received by Animesh in Nepal

Mr. Animesh has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.5.2024, which he acquired on 05-04-2017 @ ₹ 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 - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

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

MULTIPLE CHOICE QUESTIONS

1. What would be the residential status of Mr. Animesh for the A.Y. 2025-26?
   (a) Resident and ordinarily resident in India
   (b) Resident but not ordinarily resident in India
   (c) Non-resident
   (d) Deemed resident
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. 2025-26?
   (a) ₹ 2,52,200
   (b) ₹ 1,38,200
   (c) ₹ 9,78,200
   (d) ₹ 10,92,200
3. What amount of capital gain would arise in the hands of Mr. Animesh on transfer of shares of A Ltd?
   (a) ₹ 18,00,000
   (b) ₹ 19,00,000
   (c) ₹ 20,00,000
   (d) ₹ 38,00,000
4. What would be total income of Mr. Animesh for the A.Y. 2025-26, if he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?
   (a) ₹ 22,82,200

(b) ₹ 22,68,200

(c) ₹ 22,48,200

(d) ₹ 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. 2025-26?

(a) ₹ 1,82,950

(b) ₹ 1,77,750

(c) ₹ 1,80,350

(d) ₹ 1,81,910

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) Resident but not ordinarily resident in India

Reason

Mr. Animesh is an Indian citizen who visits India and his total income other than income from foreign sources exceeds ₹ 15 lakhs. Since he stayed in India during the P.Y. 2024-25 for 120 days or more and for 365 days or more during the immediately preceding 4 years, he is a resident but not ordinarily resident in India.

2. Option (b) ₹ 1,38,200

Reason

Property in Delhi

GAV = ₹ 32,500 x 12 = ₹ 3,90,000

Less: Municipal taxes paid = ₹ 40,000

NAV = ₹ 3,50,000

Less: Deduction u/s 24(a) @30% = ₹ 1,05,000

Less: Interest on loan u/s 24(b) = ₹ 3,14,000

Taxable income = (₹ 69,000)

Property in Ranchi

Arrears of Rent = ₹ 2,96,000

Less: Deduction @30% = ₹ 88,800

Taxable = ₹ 2,07,200

Income under the head house property = ₹ 1,38,200

3. **Option (a)** ₹ 18,00,000

Reason

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

Less: Cost of acquisition = ₹ 30,00,000

Higher of

Actual cost of ₹ 10,00,000 (10,000 x 100) and

Lower of FMV as on 31.1.2018 i.e., ₹ 30 lakhs or full value of consideration of ₹ 48 lakhs

Long term capital gain = ₹ 18,00,000

4. **Option (d)** ₹ 21,68,200

Reason

Income under the head house property = ₹ 1,38,200

Capital gains = ₹ 18,00,000

Income from other sources = Interest on bonds of Canadian Co. (received in India) = ₹ 3,10,000

Gross Total Income = ₹ 22,48,200

Less: Deduction u/s 80C for principal repayment of loan = ₹ 80,000

Total Income = ₹ 21,68,200

5. **Option (b)** ₹ 1,77,750

Reason

Tax liability under normal provisions of the Act

Total Income = ₹ 21,68,200

Tax on ₹ 16,75,000 u/s 112A@10% = ₹ 1,67,500

Tax on balance income of ₹ 3,68,200

Upto ₹ 3,00,000 = Nil

₹ 3,00,000 to ₹ 3,68,200 @5% = ₹ 3,410

Total = ₹ 1,70,910

Add: HEC@4% = ₹ 6,836

Tax liability = ₹ 1,77,750 (Rounded off)

Tax liability as per default tax regime

Total income as per default tax regime = Gross Total Income under normal provisions of the Act =₹ 22,48,200

Tax on ₹ 16,75,000 u/s 112A@10% = ₹ 1,67,500

Tax on balance income of ₹ 4,48,200

Upto ₹ 3,00,000 = Nil

₹ 3,00,000 to ₹ 4,48,200 @5% = ₹ 7,410

Total = ₹ 1,74,910

Add: HEC@4% = ₹ 6,996

Tax liability = ₹ 1,81,910 (Rounded off)

CASE SCENARIO 23

Mr. Akash had bought a residential house worth ₹ 2.5 crores at South Extension, Delhi in 2019 and let out the house on rent to Mr. Riyaz. The property was funded through loan from PNB. The interest due for F.Y.2024-25 to PNB is ₹ 25 lakhs, out of which he paid only ₹ 20 lakhs during the year. Mr. Akash then took a loan of ₹ 1.5 crores from SBI on 1.7.2024 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2025. Mr. Akash started repaying EMIs due to SBI. During the P.Y. 2024-25, he repaid principal amount of ₹ 25 lakhs and ₹ 5 lakhs to PNB and SBI, respectively. He also paid interest of ₹ 8 lakhs to SBI out of ₹ 10 lakhs, being interest due for the period from 1.7.2024 to 31.3.2025.

Mr. Akash owns another house in Haryana. He transferred that house to his minor daughter Miss Sia on her birthday as her birthday gift. Miss Sia gave the said house to the local Panchayat from September, 2024 at a rent of ₹ 5,000 per month. Mrs. Akash's total income for A.Y.2025-26 is higher than that of Mr. Akash. This is the first year when Miss Sia has any source of income.

Mr. Akash bought electric vehicle worth ₹ 50 lakhs on loan from BSM Bank which it sanctioned on 1.4.2022. BSM Bank charged interest of ₹ 7 lakhs on electric vehicle for the P.Y.2024-25. Mr. Akash has also taken loan from ABC Bank for his daughter's higher education. He paid ₹ 50,000 as interest to ABC Bank. He also paid mediclaim of ₹ 20,000 to New India Assurance Scheme for insuring his health via cheque.

Mrs. Akash owns a shop of 200 square feet area in Gurgaon. She rented it to Mr. Vishal from October, 2024 at ₹ 60,000 per month, who gave her an interest-free deposit of ₹ 1,50,000.

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

MULTIPLE CHOICE QUESTIONS

1. What is the amount of interest allowable as deduction u/s 24(b) to Mr. Akash for A.Y.2025-26?

(a) ₹ 2 lakhs

(b) ₹ 25 lakhs

(c) ₹ 28 lakhs

(d) ₹ 35 lakhs

2. What is the amount of deduction permissible to Mr. Akash under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2025-26?

   (a) ₹ 1,70,000

   (b) ₹ 2,20,000

   (c) ₹ 3,70,000

   (d) ₹ 9,20,000

3. Is notional interest on interest free deposit received in respect of shop let out on rent chargeable to income-tax? If so, under which head of income would the same be taxable?

   (a) No, it is not chargeable to tax

   (b) Yes, it is chargeable to tax as profits and gains from business, since a commercial property has been let out.

   (c) Yes, it is chargeable to tax as "Income from Other Sources", being the residuary head of income.

   (d) Yes, it is chargeable to tax as "Income from house property", since section 22 does not distinguish between a residential house property and commercial house property.

4. In whose hands would Sia's rental income from house property at Haryana be taxable and how much income would be taxable?

   (a) In Sia's hands; ₹ 24,500

   (b) In Mr. Akash's hands; ₹ 24,500

   (c) In Mrs. Akash's hands; ₹ 23,000

   (d) It would change every year depending on the parent whose income is higher in that year.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** ₹ 25 lakhs

   Reason

   Interest on borrowings from PNB on accrual basis = ₹ 25 lakhs. Interest on borrowings from SBI is not allowed during P.Y. 2024-25 since the construction is in progress.

2. **Option (c)** ₹ 3,70,000

   Reason

   Deduction under section 80C = Repayment of loan to PNB of ₹ 25,00,000, subject to maximum of ₹ 1,50,000

   Deduction under section 80D = ₹ 20,000

   Deduction under section 80E = ₹ 50,000

   Deduction under section 80EEB = ₹ 1,50,000

   Total deduction under Chapter VI-A = ₹ 3,70,000

3. **Option (a)** No, it is not chargeable to tax

   Reason

   Notional interest on interest free deposit is not taxable.

4. **Option (b)** In Mr. Akash's hands; ₹ 24,500

   Reason

   Mr. Akash is a deemed owner u/s 27 of the property transferred to Miss Sia. Accordingly, rental income would be chargeable to tax in his hands

   NAV = ₹ 5,000 x 7 = ₹35,000

   Less: Deduction u/s 24(a) @30% = 10,500

   Income from house property = ₹ 24,500

CASE SCENARIO 24

Mr. Kashyap, a manufacturer, has disclosed a net profit of ₹ 40 lakhs for the year ended 31st March, 2025. He claimed depreciation of ₹ 12,20,000 in his books of account. Expenditure in profit and loss account includes interest payable to Mr. Raj, a resident, without deduction of tax at source, ₹ 1,50,000. Such tax was, however, deducted on 15.4.2025 and remitted on 17.5.2025.

Mr. Kashyap is engaged in in-house scientific research and development. He incurred expenditure of ₹ 1,50,000 on purchase of research equipments and ₹ 1,00,000 as remuneration paid to scientists. The said sums are also debited in the profit and loss account.

Mr. Kashyap purchased a new plant and machinery for ₹ 45,00,000 on 2nd August, 2024 and put the same to use on 1st November, 2024. For this purpose, he borrowed ₹ 25,00,000 on 1st August, 2024 and paid interest@10% p.a. which is debited in profit and loss account. Written down value of block of plant and machinery (15%) as on 1st April, 2024 is ₹ 95,00,000. Turnover for the P.Y. 2023-24 and P.Y. 2024-25 is ₹ 2.5 crores and ₹ 3 crores, respectively.

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

MULTIPLE CHOICE QUESTIONS

1. What would be the depreciation allowable u/s 32 in respect of block of plant and machinery (15%) for A.Y.2025-26?

   (a) ₹ 22,23,438

   (b) ₹ 17,67,188

   (c) ₹ 22,12,500

   (d) ₹ 17,62,500

2. What is the amount of disallowance, if any, attracted for non-deduction of tax at source on interest payable to Mr. Raj during the P.Y.2024-25?

   (a) Nil, since the tax was deducted and deposited on or before the due date of filing of return of income

(b) ₹ 30,000

(c) ₹ 45,000

(d) ₹ 1,50,000

3. What would be the income under the head "Profits and gains of business and profession" of Mr. Kashyap for A.Y.2025-26 under the normal provisions of the Act?

   (a) ₹ 31,04,062

   (b) ₹ 30,41,562

   (c) ₹ 29,19,162

   (d) ₹ 35,28,712

4. What would be the income chargeable under the head "Profits and gains of business and profession" of Mr. Kashyap for A.Y.2025-26, if he pays tax under default tax regime?

   (a) ₹ 36,05,312

   (b) ₹ 33,54,062

   (c) ₹ 35,60,312

   (d) ₹ 38,10,312

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** ₹ 22,23,438

   Reason

   WDV as on 1.4.2024 = ₹ 95,00,000

   Add: Purchased on 2nd August but put to use on 1st November

   Actual cost = ₹ 45,00,000 + Interest of ₹ 62,500 till put to use (₹ 25 lakhs x 10% x 3/12) = ₹ 45,62,500

   For P.Y. 2024-25

   Depreciation @15% on ₹ 95 lakhs = ₹ 14,25,000

   Depreciation @15% x 50% on ₹ 45,62,500 = ₹ 3,42,188

Additional depreciation @20% x 50% on ₹45,62,500 = ₹ 4,56,250

Total depreciation = ₹ 22,23,438

2. **Option (c)** ₹ 45,000

Reason

30% of ₹ 1,50,000 is disallowed u/s 40(a)(ia) since tax was not deducted during the P.Y. 2024-25.

3. **Option (a)** ₹ 31,04,062

Reason

Net profit = ₹ 40,00,000

Add: Depreciation as per books of account = ₹ 12,20,000

Add: Disallowed interest u/s 40(a)(ia) as computed in MCQ 2 = ₹ 45,000

Add: Interest on borrowing capitalized to actual cost =₹ 62,500

Less: Depreciation as per Income-tax Rules, 1962 as computed in MCQ 1 = ₹ 22,23,438

Profits and gains from business or profession = ₹ 31,04,062

4. **Option (c)** ₹ 35,60,312

Reason

Profits and gains from business or profession as per normal provisions of the Act = ₹ 31,04,062

Add: Additional depreciation = ₹ 4,56,250

Profits and gains from business or profession as per default tax regime = ₹ 35,60,312

CASE SCENARIO 25

M/s Abhinav & sons, a sole proprietorship is engaged in the business of manufacturing pharmaceutical products and it had started its business on 20th June 2020. Tax head of M/s Abhinav & sons furnishes you the following particulars for the year ended 31 March 2025:

- Income under the head PGBP - ₹ 5,75,22,750
- Interest on fixed deposits (Gross) - ₹ 12,50,000 [The same was received on 30th April, 2024 after deduction of tax at source]
- Donation to PM Cares Fund - ₹ 2,50,000
- Turnover during the previous year 2024-25 - ₹ 15,50,00,000

M/s Abhinav & sons opted out of the default tax regime. It has employed total 150 employees during the P.Y. 2023-24 with an annual increment of 10% in their monthly emoluments. Details of the same are as under:

Date of joining	No. of employees	Employee category	Monthly emoluments per employee (₹)	Participate in recognised provident fund
1.5.2023	50	Regular	26,500	Yes
1.6.2023	65	Casual	23,000	No
1.7.2023	35	Regular	22,500	Yes

It has employed further 50 employees during the P.Y. 2024-25. Details of the same are as under:

Date of joining	No. of employees	Employee category	Monthly emoluments per employee	Participate in recognised provident fund
1.4.2024	20	Regular	21,000	Yes
1.8.2024	30	Regular	26,000	Yes

Emoluments to all the employees are being paid by way of account payee cheque only. No employees have left the job during P.Y. 2023-24 as well as during P.Y. 2024-25.

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

MULTIPLE CHOICE QUESTIONS

1. What is the due date of filing of return of income of M/s Abhinav & sons for A.Y. 2025-26?

   (a) 31st July, 2025

   (b) 30th November, 2025

   (c) 30th September, 2025

   (d) 31st October, 2025

2. What shall be the amount of deduction available to M/s Abhinav & sons under section 80JJAA for A.Y. 2025-26?

   (a) ₹ 36,38,250

   (b) ₹ 15,12,000

   (c) ₹ 46,30,500

   (d) ₹ 33,84,000

3. What would be the total income of M/s Abhinav & sons for the A.Y. 2025-26?

   (a) ₹ 5,70,10,750

   (b) ₹ 5,48,84,500

   (c) ₹ 5,57,60,750

   (d) ₹ 5,52,64,250

4. What would be the tax payable of M/s Abhinav & sons for the A.Y. 2025-26?

   (a) ₹ 2,47,47,810

   (b) ₹ 1,94,68,310

   (c) ₹ 2,31,92,680

   (d) ₹ 2,30,67,680

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** 31st October, 2025

   Reason

   Since the turnover of M/s Abhinav & sons from business is ₹ 15.50 crores, he is required to get his books of account audited. In such case, the due date of filing return of income would be 31st October of the assessment year.

2. **Option (a)** ₹ 36,38,250

   Reason

   Additional Employee cost during P.Y. 2024-25 = ₹ 21,000 x 12 x 20 = ₹ 50,40,000

   Deduction u/s 80JJAA = ₹ 50,40,000 x 30% = ₹ 15,12,000

   Additional Employee cost during P.Y. 2023-24 = ₹ 22,500 x 9 x 35 = ₹ 70,87,500

   Deduction u/s 80JJAA = ₹ 70,87,500 x 30% = ₹ 21,26,250

   Total deduction u/s 80JJAA for P.Y. 2024-25 = ₹ 36,38,250

3. **Option (b)** ₹ 5,48,84,500

   Reason

   Business income = ₹ 5,75,22,750

   Other sources

   Interest on fixed deposits (Gross) = ₹ 12,50,000

   Gross Total Income = ₹ 5,87,72,750

   Less: Deduction under section 80G = ₹ 2,50,000

   Less: Deduction u/s 80JJAA as computed in MCQ 2 = ₹ 36,38,250

   Total Income = ₹ 5,48,84,500

4. **Option (d)** ₹ 2,30,67,680

Reason

Tax payable as per normal provisions of the Act

Upto ₹ 2,50,000 = Nil

₹ 2,50,000 to ₹ 5,00,000 @5% = ₹ 12,500

₹ 5,00,000 to ₹ 10,00,000 @20% = ₹ 1,00,000

₹ 10,00,000 to ₹ 5,48,84,500 @30% = ₹ 1,61,65,350

Total = ₹ 1,62,77,850

Add: Surcharge @37% = ₹ 60,22,805

= ₹ 2,23,00,655

Add: HEC@4% = ₹ 8,92,026

Tax liability = ₹ 2,31,92,681

Less: TDS u/s 194A = ₹ 1,25,000

Tax payable = ₹ 2,30,67,680 (Rounded off)

Tax payable under AMT provisions

Adjusted Total Income = ₹ 5,48,84,500 + ₹ 36,38,250 = ₹ 5,85,22,750

AMT @18.5% = ₹ 1,08,26,709

Add: Surcharge @37% = ₹ 40,05,882

Total = ₹ 1,48,32,591

Add: HEC@4% = ₹ 5,93,304

Tax liability = ₹ 1,54,25,895

Less: TDS u/s 194A = ₹ 1,25,000

Tax payable = ₹ 1,53,00,900 (Rounded off)

Since tax payable as per normal provisions of the Act is higher than AMT liability, tax payable by M/s Abhinav & Sons would be ₹ 2,30,67,680