

Super 30 Questions for SEP-25 & JAN 26 CA Inter

Question 1

[Topics Covered: Total Income - Indirect Method]

Statement of Profit and Loss account of Mr. BB, resident individual, age 34 years, engaged in production and marketing of diversified products, shows a net profit (before tax) of ₹72,00,000 for the financial year ended 31st March, 2025 after charge of the following items:

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

- (i) Depreciation as per Books of accounts: ₹24,00,000
- (ii) Interest amounting to ₹60,000 for short payment of advance tax paid as per section 234B relating to the assessment year 2023-24.
- (iii) Expenditure of ₹41,000 paid in cash comprising of ₹22,000 directly paid to producer of dairy farming products and ₹19,000 paid towards printing and stationery items to a trader.
- (iv) ₹3,50,000 paid to a contractor for carrying out repair work at factory premises. Tax was not deducted at source on this payment.
- (v) Contribution to AAM Aadmi Party: ₹3,00,000 paid by way of cheque.
- (vi) Expenditure towards advertising charges in a brochure of a political party registered u/s 29A of Representation of People Act, 1951: ₹40,000 paid by way of cheque.
- (vii) Interest on term loans obtained from Cooperative Bank is ₹ 2,60,000. Interest ₹ 1,60,000 not paid before the due date of filing of return of income (due date being 30.10.2025) & on 12.12.24 Co. op bank converted outstanding interest of 1,00,000 into loan and assessee deducted the said interest while computing profits and gains of business of A.Y.2025-26.
- (viii) Actual contribution to the pension scheme of employees: ₹1,50,000
- (ix) The assessee has made provision for Gratuity based on actuarial valuation of ₹ 5 lacs. Actual gratuity paid amounting to ₹ 1,20,000 during financial year 2024-25 was debited to provision of Gratuity Account.
- (x) Employer's contribution to EPF of ₹2 lakhs for the month of March, 2025 were remitted on 8th June 2025.
- (xi) Advertisement expenditure debited to profit and loss account includes the sum of ₹60,000 paid by NEFT to the sister of assessee, the market value of which is ₹52,000.
- (xii) The opening and closing stock for the year were ₹ 55 lakhs and ₹ 54 lakhs respectively. Opening stock was overvalued by 10% and Closing stock was undervalued by 10%.
- (xiii) ₹ 45,000 paid in cash to Mr. Raj employee of the company at the time of his retirement.
- (xiv) Contribution of ₹ 2,50,000 to a scientific laboratory functioning at the national level with a specific direction for use of the amount for scientific research programme approved by the prescribed authority.
- (xv) An amount of ₹ 5 lakhs was paid to the manager of the company under Voluntary Retirement Scheme.
- (xvi) Raw material of ₹ 5,00,000 purchased on 17th March, 2025 from Mr. Kuku (a small enterprise as per MSME Act), payment made to Kuku on 15th April, 2025. There is no written agreement between parties related to payments.

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

- (i) Unrealised rent of ₹3,80,000 pertaining to financial year 2021-22 & 2022-23 recovered during the year in respect of a commercial property owned by the assessee, which was sold by the assessee on 23.03.2024.

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- (ii) Dividends from a foreign company ₹1,60,000.
- (iii) Interest from banks on fixed deposits net of TDS at 10% : ₹1,35,000
- (iv) The assessee had made a sale of for ₹ 20 Lakhs to M/s A. Co Engineers a sole proprietary concern, on 10-10-2023. On 01-02-2024 ₹ 10 lakhs were written off in the books as bad debts. Due to the demise of the sole proprietor, the assessee could collect only ₹ 7 Lakhs towards the final settlement on 01-03-2025. The amount recovered was shown as Bad debts recovered and credited to Statement of Profit and Loss.
- (v) Trade creditors ₹5,00,000 were outstanding for more than 5 years and there is no business relationship with them. The amount was unilaterally transferred to credit of statement of profit and loss.

Additional Information:

- (1) Depreciation as per Income-tax Rules: ₹28,00,000
- (2) Expenditure pertaining to previous financial year allowed on due basis, but paid in current financial year in cash on 18.01.2025: ₹35,000
- (3) Audit fee for the previous year 2023-24: ₹75,000. TDS deducted but not paid in the relevant previous year. However, TDS was paid on 31.12.2024.
- (4) The eligible salary and dearness allowance for the pension scheme referred to u/s 80CCD is ₹10,00,000.
- (5) The assessee has obtained a loan of ₹ 5 lakhs from Manu Textiles Private Limited in which he holds 16% voting rights. The accumulated profits of Manu Textiles Private Limited on the date of receipt of loan was ₹ 2 lacs.
- (6) Grant received from State Government for acquisition of generator ₹10 lakhs. The generator was acquired and put to use for printing business on 01.06.2024 for ₹35 lakhs. A sum of ₹5 lakhs was paid as advance by cash to the supplier of generator.
Further following expenses related to acquisition of asset –
 - (a) Transportation charges paid of transporter ₹ 25,000 in cash
 - (b) Installation charges paid to Mr. Ali ₹ 35,000 through BHIM UPI
 This adjustment is not recorded in books of account.
- (7) An asset was purchased for ₹ 6,00,000 on 17-11-23 for conducting scientific research and the deduction was claimed u/s 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2024 for a consideration of ₹ 8,00,000.
- (8) Employees contribution to EPF of ₹ 2 lakhs recovered from their salaries for the month of March 2025 and shown in the Balance Sheet under the head Sundry Creditors was remitted on 31st May, 2025.
- (9) During the year F.Y. 2024-25, the assessee has employed 56 additional employees for leather manufacturing business. All these employees contribute to a recognized provident fund. 39 out of 56 employees joined on 1-6-2024 on a salary of ₹ 15,000 per month, 14 joined on 1-7-2024 on a salary of ₹ 45,700 per month, and 3 joined on 1-11-2024 on a salary of ₹ 22,000 per month. The salaries of 9 employees who joined on 1-6-2024 are being settled by bearer cheques every month. Audit u/s 44AB has been done before the due date.

Compute the total income & tax liability of Mr. BB for assessment year 2025-26 under default tax regime and optional tax regime and also advice the assessee that which option is more beneficial. Give brief reasons for the treatment given to each of the items taken into consideration in computation of income of the assessee. [Ignore AMT Provisions] Assume last year turnover of Mr. BB was more than 1 crore.

Answer**Computation of Total Income & Tax liability Mr. BB for the A.Y. 2025-26 as per default taxation regime u/s 115BAC**

	Particulars	Amount (₹)		
I	Income from house property			
	Unrealised rent [Taxable u/s 25A, even if Mr. BB is no longer the owner of commercial property]		3,80,000	

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	Particulars	Amount (₹)		
	Less: 30% of above		<u>1,14,000</u>	2,66,000
II	Profits and gains of business and profession			
	Net profit as per the statement of profit and loss		72,00,000	
	Add: Items debited but to be considered separately or to be disallowed			
	(i) Depreciation as per Books	24,00,000		
	(ii) Interest u/s 234B for short payment of advance tax [Any interest payable for default committed by assessee for discharging his statutory obligations under Income-tax Act, 1961 which is calculated with reference to the tax on income is not allowable as deduction u/s 40(a)(ii). Since the same has been debited to statement of profit and loss, it has to be added back]	60,000		
	(iii) Cash payment in excess of ₹10,000 [Disallowance u/s 40A(3) is attracted in respect of expenditure, for which payment exceeding ₹10,000 in a day has been made in cash. Since expenditure of ₹19,000 towards printing and stationery items is debited to the statement of profit and loss, the same has to be added back. However, payment of ₹22,000 to producer for dairy farming products is not disallowed since it is covered under the exceptions specified in Rule 6DD]	19,000		
	(iv) Repair work paid to contractor without deduction of tax at source [Disallowance of 30% of the amount of ₹3,50,000 paid for carrying out repair work to a contractor without deduction of tax at source would be attracted u/s 40(a)(ia)]	1,05,000		
	(v) Contribution to political party [Contribution to political party is not allowable as deduction while computing business profits. Since the contribution has been debited to statement of profit and loss, the same has to be added back while computing business income]	3,00,000		
	(vi) Advertisement in brochure of a political party [Advertisement charges paid in respect of brochure published by a political party is not allowable as deduction from business profits as per section 37. Since the expenditure has been debited to statement of profit and loss, the same has to be added back while computing business income]	40,000		
	(vii) Interest to co-operative bank not paid before 31.10.2025 & Interest converted into loan [Disallowance u/s 43B would be attracted for A.Y.2025-26, since the interest was not paid on or before the due	260,000		

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	Particulars	Amount (₹)		
	date of filing of return] [1,60,000 + 1,00,000]			
	Section 43B clarifies that if any sum payable by the assessee as interest on any such loan is converted into a loan or borrowing or advance, the interest so converted and not actually paid shall not be deemed as actual payment, and hence, would not be allowed as deduction. (viii) Contribution towards pension scheme of employees [Contribution towards pension scheme, referred to in section 80CCD, of employees is allowed only to the extent of 14% of salary of the employee in the P.Y. i.e., ₹1,40,000 being 14% of ₹10,00,000. Therefore, the excess contribution of ₹10,000 [i.e., ₹1,50,000 – ₹1,40,000] is disallowed u/s 36(1)(iva).	10,000		
	(ix) Provision for gratuity [Provision of ₹ 5 lakhs for gratuity based on the actuarial valuation is not allowed as deduction as per section 40A(7). However, actual gratuity of ₹ 1,20,000 paid is allowable as deduction. Hence, the difference has to be added back to income (₹ 5,00,000 – ₹ 1,20,000)]	3,80,000		
	(x) Employers' contribution to EPF [As per section 43B, employers' contribution to EPF is allowable as deduction since the same has been deposited on or before the 'due date' of filing of return u/s 139(1). Since the same has been debited to profit and loss account, no further adjustment is necessary]	-		
	(xi) Advertisement expenses paid to sister [As per section 40A(2) any payment made to relative shall be disallowed to the extent unreasonable]	8,000		
	(xii) Stock Adjustment Overvaluation of opening stock [₹ 55,00,000 x 10/110] Undervaluation of closing stock [₹ 54,00,000 x 10/90]	11,00,000		
	(xiii) Payment to Mr. Raj, an employee, on his retirement [Section 40A(3) provides for disallowance@100% of the expenditure incurred exceeding ₹ 10,000 otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed. However, no disallowance u/s 40A(3) is to be made as the amount paid to Mr. Raj is on his retirement since such sum payable does not exceed ₹ 50,000. This exception is provided in Rule 6DD]	Nil		
	(xiv) Contribution to National Laboratory [As per section 35(2AA) donation to National Laboratory eligible for 100% deduction but when assessee opted section 115BAC then this deduction not	2,50,000		

	Particulars	Amount (₹)		
	allowed]			
	(xv) Voluntary Retirement Scheme expenditure [Only 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to statement of profit and loss, 4/5th has to be added back [₹ 5,00,000 x 4/5]	4,00,000		
	(xvi) Salary paid to employees through bearer cheques [Salary paid through bearer cheques (9 employees x ₹ 15,000 x 10 months) will attract disallowance u/s 40A(3) and hence, the same has to be added back]	13,50,000		
	(xvii) Payment made to Mr. Kuku [Disallowance u/s 43B(h) would be attracted for A.Y.2025-26, since the amount was not paid to small enterprise within time limit of section 15 of MSMED Act, 2006] [As per section 15 of MSMED Act, 2006 Where any person purchases goods/services, from a micro/small enterprise, the payment shall be made before the date agreed upon between him and supplier in writing. In no case the period agreed upon between the supplier and the buyer in writing shall more than 45 days. If, however, there is no such agreement, the payment shall be made within 15 days of acceptance or deemed acceptance of goods/services. Since payment made after 15 days so amount disallowed in PY 24-25]	5,00,000	71,82,000	
			1,43,82,000	
	Add: Amount taxable but not credited to statement of profit and loss			
	Expenditure pertaining to previous financial year		35,000	
	[Cash payment in excess of ₹10,000 made in the current year in respect of expenditure allowed on mercantile basis in the previous year, would be deemed as income in the current year as per section 40A(3A).]			
	Employees' contribution to EPF [Since employees' contribution to EPF has not been deposited on or before the due date under the PF Act, the same has to be added for computing business income]		2,00,000	
	Sale of Scientific Research Asset [Sale proceeds of asset acquired for conducting scientific research taxable as business income u/s 41(3) in the year of sale to the extent of lower of ₹ 6,00,000 (being the deduction allowed u/s 35) and ₹ 8,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 8,00,000 + ₹ 6,00,000) over the capital expenditure incurred of ₹ 6,00,000]		6,00,000	

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Particulars		Amount (₹)		
			1,52,17,000	
	Less: Items credited to statement of profit and loss, but not includible in business income/ permissible expenditure and allowances			
(i)	Unrealised rent [Unrealised rent in respect of commercial property is taxable under the head "Income for house property". Since the said rent has been credited to the statement of profit and loss, the same has to be deducted while computing business income]	3,80,000		
(ii)	Dividend received from foreign company [Dividend received from foreign company is taxable under the head "Income from other sources". Since the said dividend has been credited to the statement of profit and loss, the same has to be deducted while computing business income]	1,60,000		
(iii)	Interest from bank fixed deposit [Interest on fixed deposit is taxable under "Income from Other Sources". Since the said interest has been credited to the statement of profit and loss, the same has to be deducted while computing business income]	1,35,000		
(iv)	Audit fees of P.Y. 2023-24 [30% of ₹75,000, being the audit fees disallowed in the P.Y. for non-remittance of TDS on or before due date of filing for P.Y. 2023-24 would be allowed in the year of payment of TDS i.e., P.Y. 2024-25]	22,500		
(v)	Bad debt recovered [Since the deduction of bad debt allowed u/s 36 was ₹ 10 lakhs out of the total debt of ₹ 20 lakhs; and the amount recovered in respect of such debt is only ₹ 7 lakhs which is not more than the amount of ₹ 10 lakhs not written off, no amount is chargeable to tax as business income. Since the amount of ₹ 7 lakhs recovered has been credited to the statement of profit and loss, it has to be reduced while computing business income.	7,00,000		
(vi)	Bad debts [The assessee had written off ₹ 10 lakh earlier, and out of the balance ₹ 10 lakhs, only ₹ 7 lakhs could be collected towards final settlement. Therefore, the balance ₹ 3 lakhs will be allowable as deduction, provided it is written off in the books of account]	3,00,000		
(vii)	Cessation of a trading liability [Remission or cessation of a trading liability, allowed as deduction in an earlier previous year, would be deemed as income in the year of remission or cessation, as per section 41(1)(a). Since the amount of ₹5 lakhs has already been credited to statement of profit and loss, no further adjustment is required]	-		
			16,97,500	

	Particulars	Amount (₹)		
			1,35,19,500	
	Less: Depreciation u/s 32 as per Income tax Rules	28,00,000		
	Depreciation on Generator Normal Depreciation [₹ 20,35,000 x 15%] Additional Depreciation [Not allowed in default tax regime] [As per explanation to section 43(1), any amount paid in single day to single person more than ₹ 10,000 otherwise by account payee cheque or DD or ECS then it should not be part of actual cost, so advance paid to supplier and transportation charges not part of actual cost. As per explanation 10 of sec 43(1), Govt. grant related to acquisition of asset shall be reduced while calculation actual cost] Imp. BB's Note – limit of cash payment ₹ 35,000 to transporter is only for the purpose of revenue expenses u/s 40A(3) and not for capital expenditure.	3,05,250 -	31,05,250	
	Profits and gains from business or profession			1,04,14,250
III	Capital Gain Sale of asset acquired for conducting scientific research Full Value of Consideration Less: cost of acquisition Short Term Capital Gain	8,00,000 <u>6,00,000</u>		2,00,000
IV	Income from Other Sources			
	Dividend from foreign company		1,60,000	
	[No deduction is allowable in respect of expenditure incurred on earning dividends except Interest]			
	Deemed dividend u/s 2(22)(e) [Loan of ₹ 5 lakhs by Manu Textiles Pvt. Ltd., a company in which the public are not substantially interested, to assessee, who is holding 16% i.e., 10% or more of the voting power of the company would be deemed to be dividend to the extent of ₹ 2 lakhs being the accumulated profits]		2,00,000	
	Interest from banks on fixed deposits (Gross) [Interest on banks on fixed deposits is taxable as "Income from other sources"] [₹1,35,000 x 100/90]		1,50,000	5,10,000
	Gross Total Income			1,13,90,250
	Less: Deduction under Chapter VI-A			
	Deduction u/s 80JJAA [See working note below the question] [It is allowed even assessee follow default tax regime u/s 115BAC]			14,49,000
	Total income			99,41,250

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	Particulars	Amount (₹)		
	Computation of Tax Liability			
	Upto ₹ 3,00,000			
	₹ 3,00,001 - ₹ 7,00,000 @5%	20,000		
	₹ 7,00,001 - ₹ 10,00,000 @10%	30,000		
	₹ 10,00,001 - ₹ 12,00,000 @ 15%	30,000		
	₹ 12,00,001 - ₹ 15,00,000 @ 20%	60,000		
	₹ 15,00,001 - ₹ 99,41,250 @ 30%	25,32,375	26,72,375	
	Add: Surcharge @10%		2,67,238	
			29,39,613	
	Add: Health & Education cess @ 4%		1,17,585	
	Net Tax liability		30,57,198	
	Net Tax liability (rounded off)		30,57,200	

Working Note - Computation of deduction u/s 80JJAA

No of eligible additional employees [56 (-) 14 = 42]	33
[14 employees who joined on 1.7.2024 do not qualify as “additional employees” since their monthly emoluments exceed ₹ 25,000. However, 3 employees who joined on 1.11.2024 qualify as additional employees, since they have been employed for more than 150 days during the P.Y.2024-25.]	
Additional employee cost means the total emoluments paid or payable to additional employees employed during the P.Y.2024-25. However, the additional employee cost in respect of 9 employees who joined on 1.6.2024, whose salary is paid by bearer cheques would be Nil.	
Additional employee cost	₹ 48,30,000
[₹ 15,000 x 30 employees (39 - 9) x 10 months] + [₹ 22,000 x 3 employees x 5 months] = ₹ 45,00,000 + ₹ 3,30,000	
Eligible deduction = 30% of ₹ 48,30,000	₹ 14,49,000

Computation of Total Income & Tax liability Mr. BB for the A.Y. 2025-26 as per Normal Provisions

	Particulars	Amount (₹)
	Total Income as per 115BAC	99,41,250
Less:	Donation to National Laboratory	2,50,000
	Additional Depreciation on Generator	4,07,000
	[₹ 20,35,000 x 20%]	
Less:	Deduction u/s 80GGC	3,00,000
	[Contribution to pollical party is allowable as deduction, since payment is made otherwise than by cash] Expenditure incurred on advertisement in brochure published by political party not treated as contribution to such political party]	
	Total Income as per Normal Provision	89,84,250
	Computation of Tax Liability	
	Upto ₹ 2,50,000	-
	₹ 2,50,001 - ₹ 5,00,000 @5%	12,500

	Particulars	Amount (₹)
	₹ 5,00,001 - ₹ 10,00,000 @20%	1,00,000
	₹ 10,00,001 - ₹ 89,84,250 @ 30%	23,95,275
		25,07,775
	Add: Surcharge @10%	2,50,778
		27,58,553
	Add: Health & Education Cess	1,10,342
	Net Tax Liability	28,68,895
	Net Tax liability (rounded off)	28,68,900

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

Question 2

[Topics Covered: Total Income Indirect Method]

Ms. Purvi, aged 55 years, is a Chartered Accountant in practice. She maintains her accounts on cash basis. Her Income and Expenditure account for the year ended March 31, 2025 reads as follows:

Expenditure	(₹)	Income	(₹)	(₹)
Salary to staff	15,50,000	Fees earned:		
Stipend to articled	1,37,000	Audit	27,88,000	
Assistants		Taxation services	15,40,300	
Incentive to articled	13,000	Consultancy	12,70,000	55,98,300
Assistants		Dividend on shares of X Ltd., an Indian company (Gross)		10,524
Office rent	12,24,000	Income from UTI (Gross)		7,600
Printing and stationery	12,22,000	Honorarium received from various institutions for valuation of answer papers		15,800
Meeting, seminar and conference	31,600	Rent received from residential flat let out		85,600
Purchase of car (for official use)	80,000			
Repair, maintenance and petrol of car	4,000			
Travelling expenses	5,25,000			
Municipal tax paid in respect of house property	3,000			
Net Profit	9,28,224			
	57,17,824			57,17,824

Other Information:

- (i) Allowable rate of depreciation on motor car is 15%.
- (ii) Value of benefits received from clients during the course of profession is ₹ 10,500.
- (iii) Incentives to articled assistants represent amount paid to two articled assistants for passing CA Intermediate Examination at first attempt.
- (iv) Repairs and maintenance of car include ₹ 2,000 for the period from 1-10-2024 to 30-09-2025.
- (v) Salary includes ₹ 30,000 to a computer specialist in cash for assisting Ms. Purvi in one professional assignment.
- (vi) The travelling expenses include expenditure incurred on foreign tour of ₹ 32,000 which was within the RBI norms.
- (vii) Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to ₹ 5,000 and ₹ 10,000, respectively, paid in cash.
- (viii) She invested an amount of ₹ 10,000 in National Saving Certificate.
- (ix) She has paid ₹ 70,000 towards advance tax during the P.Y. 2024-25.

Compute the total income and tax payable by Ms. Purvi for the A.Y. 2025-26 in a most beneficial manner.

Answer

Computation of total income and tax payable by Ms. Purvi for the A.Y. 2025-26 under default tax regime u/s 115BAC

Particulars	₹	₹
Income from house property (See Working Note 1)		57,820
Profit and gains of business or profession (See Working Note 2)		9,20,200
Income from other sources (See Working Note 3)		33,924
Gross Total Income		10,11,944
Less: Deductions under Chapter VI-A [not allowable under default tax regime]		-
Total Income		10,11,944
Total Income (rounded off)		10,11,940
Tax on total income		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 7,00,000 @5%	20,000	
₹ 7,00,001 - ₹ 10,00,000 @10%	30,000	
₹ 10,00,001 - ₹ 10,11,940 @ 15%	1,791	51,791
Add: Health and Education cess @ 4%		2,072
Total tax liability		53,863
Less: Advance tax paid		70,000
Less: Tax deducted at source on dividend income from an Indian company u/s 194	1,052	
Tax deducted at source on income from UTI u/s 194K	760	1,812
Tax Payable/(Refundable)		(17,949)
Tax Payable/(Refundable) (rounded off)		(17,950)

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

Particulars	₹	₹
Gross Total Income [Income under the “Income from house property” “Profits and gains from business or profession” and “Income from other sources” would remain the same even if Ms. Purvi opts out of the default tax regime u/s 115BAC]		10,11,944
Less: Deductions under Chapter VI-A (See Working Note 4)		10,000
Total Income		10,01,944
Total Income (rounded off)		10,01,940
Tax on total income		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	
₹ 5,00,000 - ₹ 10,00,000 @20%	1,00,000	
₹ 10,00,000 – ₹ 10,01,940 @ 30%	582	
Add: Health and Education cess @ 4%		1,13,082
Total tax liability		4,523
Less: Advance tax paid		
Less: TDS u/s 194 on dividend	1,052	1,17,605
TDS u/s 194K on income from UTI	760	70,000
Tax Payable		1,812
Tax Payable (rounded off)		45,793
		45,790

Since there is tax refundable under default tax regime u/s 115BAC and tax payable under the regular provisions of the Income-tax Act, 1961, it would be beneficial for Ms. Purvi to pay tax under default tax regime u/s 115BAC.

Working Notes:

(1) Income from House Property

Particulars	₹	₹
Gross Annual Value u/s 23(1)	85,600	
Less: Municipal taxes paid	3,000	
Net Annual Value (NAV)	82,600	
Less: Deduction u/s 24@30% of NAV	24,780	57,820

Note - Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent.

(2) Income under the head “Profits & Gains of Business or Profession”

Particulars	₹	₹
Net profit as per Income and Expenditure account		9,28,224
Add: Expenses debited but not allowable		
(i) Salary paid to computer specialist in cash disallowed u/s 40A(3), since such cash payment exceeds ₹ 10,000	30,000	

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Particulars	₹	₹
(ii) Amount paid for purchase of car is not allowable u/s 37(1) since it is a capital expenditure	80,000	
(ii) Municipal taxes paid in respect of residential flat let out	3,000	1,13,000
		10,41,224
Add: Value of benefit received from clients during the course of profession [taxable as business income u/s 28(iv)]		10,500
		10,51,724
Less: Income credited but not taxable under this head:		
(i) Dividend on shares of X Ltd., an Indian company (taxable under the head "Income from other sources")	10,524	
(ii) Income from UTI (taxable under the head "Income from other sources")	7,600	
(iii) Honorarium for valuation of answer papers	15,800	
(iv) Rent received from letting out of residential flat	85,600	1,19,524
		9,32,200
Less: Depreciation on motor car @15% (See Note (i) below)		12,000
		9,20,200

Notes:

- It has been assumed that the motor car was put to use for more than 180 days during the previous year and hence, full depreciation @ 15% has been provided for u/s 32(1)(ii).
Note: Alternatively, the question can be solved by assuming that motor car has been put to use for less than 180 days and accordingly, only 50% of depreciation would be allowable as per the second proviso below section 32(1)(ii).
- Incentive to articled assistants for passing CA Intermediate examination in their first attempt is deductible u/s 37(1).
- Repairs and maintenance paid in advance for the period 1.4.2025 to 30.9.2025 i.e. for 6 months amounting to ₹ 1,000 is allowable since Ms. Purvi is following the cash system of accounting.
- ₹ 32,000 expended on foreign tour is allowable as deduction assuming that it was incurred in connection with her professional work. Since it has already been debited to income and expenditure account, no further adjustment is required.

(3) Income from other sources

Particulars	₹
Dividend on shares of X Ltd., an Indian company (taxable in the hands of shareholders)	10,524
Income from UTI (taxable in the hands of unit holders)	7,600
Honorarium for valuation of answer papers	15,800
	33,924

(4) Deduction under Chapter VI-A :

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

Notes:

- (i) Premium paid to insure the health of brother is not eligible for deduction u/s 80D, even though he is a dependent, since brother is not included in the definition of “family” u/s 80D.
- (ii) Premium paid to insure the health of major son is not eligible for deduction, even though he is a dependent, since payment is made in cash.

Question 3

[Topics Covered : Total Income Direct Method]

Mr. Rajiv, aged 50 years, a resident individual and practicing Chartered Accountant, furnishes you the receipts and payments account for the financial year 2024-25.

Receipts and Payments Account

Receipts	₹	Payments	₹
Opening balance (1.4.2024) Cash on hand and at Bank	12,000	Staff salary, bonus and stipend to articled clerks	21,50,000
Fee from professional services (Gross)	59,38,000	Other administrative expenses	11,48,000
Rent	50,000	Office rent	30,000
Motor car loan from Canara Bank (@ 9% p.a.)	2,50,000	Housing loan repaid to SBI (includes interest of ₹ 88,000)	1,88,000
		Life insurance premium (10% of sum assured)	24,000
		Motor car (acquired in Jan. 2025 by A/c payee cheque)	4,25,000
		Medical insurance premium (for self and wife)(paid by A/c Payee cheque)	18,000
		Books bought on 1.07.2024 (annual publications by A/c payee cheque)	20,000
		Computer acquired on 1.11.2024 by A/c payee cheque (for professional use)	30,000
		Domestic drawings	2,72,000
		Public provident fund subscription	20,000
		Motor car maintenance	10,000
		Closing balance (31.3.2025) Cash on hand and at Bank	19,15,000
	62,50,000		62,50,000

Following further information is given to you:

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

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housing loan was taken.

- (2) Motor car was put to use both for official and personal purpose. One-fifth of the motor car use is for personal purpose. No car loan interest was paid during the year.
- (3) The written down value of assets as on 1-4-2024 are given below:

Furniture & Fittings	₹ 60,000
Plant & Machinery (Air-conditioners, Photocopiers, etc.)	₹ 80,000
Computers	₹ 50,000

Note: Mr. Rajiv follows regularly the cash system of accounting.

Compute the total income of Mr. Rajiv for the assessment year 2025-26, assuming that he has shifted out of the default tax regime u/s 115BAC.

Answer

Computation of total income of Mr. Rajiv for the assessment year 2025-26

Particulars	₹	₹	₹
Income from house property			
Self-occupied			
Annual value	Nil		
Less: Deduction u/s 24(b) Interest on housing loan			
50% of ₹ 88,000 = 44,000 but limited to	30,000		
Loss from self occupied property		(30,000)	
Let out property			
Annual value (Rent receivable has been taken as the annual value in the absence of other information)	60,000		
Less: Deductions u/s 24			
30% of Net Annual Value	18,000		
Interest on housing loan (50% of ₹ 88,000)	44,000		
	62,000	(2,000)	
Loss from house property			(32,000)
Profits and gains of business or Profession			
Fees from professional services		59,38,000	
Less: Expenses allowable as deduction Staff salary, bonus and stipend	21,50,000		
Other administrative expenses	11,48,000		
Office rent	30,000		
Motor car maintenance (10,000 x 4/5)	8,000		
Car loan interest – not allowable (since the same has not been paid and the assessee follows cash system of accounting)	Nil	33,36,000	
		26,02,000	
Motor car Depreciation ₹ 4,25,000 x 7.5% x 4/5	25,500		
Books being annual publications@40%	8,000		
Furniture and fittings@10% of ₹ 60,000	6,000		
Plant and machinery@15% of ₹ 80,000	12,000		
Computer@40% of ₹ 50,000	20,000		
Computer (New) ₹ 30,000 @ 40% x 50%	6,000	77,500	25,24,500
Gross Total income			24,92,500
Less: Deductions under Chapter VI-A			
Deduction u/s 80C			
Housing loan principal repayment	1,00,000		

Particulars	₹	₹	₹
PPF subscription	20,000		
Life insurance premium	24,000		
Total amount of ₹ 1,44,000 is allowed as deduction since it is within the limit of ₹ 1,50,000		1,44,000	
Deduction u/s 80D			
Medical insurance premium paid ₹ 18,000		18,000	1,62,000
Total income			23,30,500

Question 4

[Topic Covered: PGBP Presumptive]

Mr. Naveen, aged 40 years, is engaged in the manufacturing business. He follows mercantile system of accounting. The details pertaining to his business for the year ending on 31.3.2025 is as under –

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

An analysis of profit and loss for the year ended on 31.3.2025 revealed the following information

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

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

- Is Mr. Naveen eligible to declare income on presumptive basis under the provisions of the Income-tax Act, 1961 for A.Y. 2025-26?
 - No, since turnover of Mr. Naveen exceeds the threshold limit of ₹ 2 crores.
 - Yes, since aggregate cash receipts during the year do not exceed 5% of total amount received.
 - Yes, since amount received in cash during the year do not exceed 5% of turnover.
 - No, as cash payments during the year exceed 5% of aggregate payments.
- What would be your answer to MCQ 1, assuming for the purpose of answering this MCQ and MCQ 3 that Mr. Naveen has additionally received ₹ 10 lakhs by way of crossed cheque [out of turnover] during the P.Y. 2024-25?
 - No, since turnover of Mr. Naveen exceeds the threshold limit of ₹ 2 crore.
 - No, since the aggregate cash receipts during the year exceed 5% of turnover.
 - No, as cash payments during the year exceed 5% of aggregate payments.
 - No, due to both (a) and (b)
- Is Mr. Naveen required to get his books of account audited during the P.Y. 2024-25?
 - No, since turnover of Mr. Naveen does not exceed the threshold limit of ₹ 10 crores.

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- (b) Yes, since amount received in cash during the year exceeds 5% of turnover.
 (c) Yes, since cash payments during the year exceed 5% of aggregate payments.
 (d) No, since the amount received in cash during the year does not exceed 5% of total amount received.
4. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Naveen as per books of account?
 (a) ₹ 10,50,000
 (b) ₹ 16,11,000
 (c) ₹ 16,81,000
 (d) ₹ 16,60,000
5. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Naveen if he does not want to get his books of account audited?
 (a) ₹ 17,40,000
 (b) ₹ 16,96,000
 (c) ₹ 22,40,000
 (d) ₹ 16,80,000

Answer

1.	(c)	2.	(d)	3.	(c)	4.	(b)	5.	(a)
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Question 5**[Topic Covered: Total Income & Tax Liability]**

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

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

Mr. Rajesh has set up a unit in SEZ in May, 2017. The total turnover, export turnover and net profit for the year ended 31.3.2025 were ₹ 120 lakhs, ₹ 45 lakhs and ₹ 7.5 lakhs respectively. Out of the export turnover of ₹ 45 lakhs, only ₹ 40 lakhs has been received in convertible foreign exchange by 30.9.2025.

During the P.Y. 2024-25, Mr. Rajesh has commenced a business of warehousing facility for storage of edible oil. The net profit of this business as per profit & loss account is ₹ 7,50,000. The following items are debited to Profit & Loss Account:

- (i) Personal drawings ₹ 70,000
- (ii) Advance income-tax paid ₹ 1,00,000
- (iii) Purchase of warehouse building of ₹ 10 lakhs on 10.6.2024 for the purpose of storage of edible oil.

The following items are credited to Profit & Loss account:

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

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

Compute the total income and tax payable by Mr. Rajesh for the A.Y. 2025-26 under default tax regime and normal provisions of the Act.

Answer

Computation of total income of Mr. Rajesh for the A.Y. 2025-26 under default tax regime u/s 115BAC

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

Computation of tax payable under default tax regime for A.Y. 2025-26

	₹	₹
Tax on total income of ₹ 29,86,500		
On first ₹ 3,00,000	Nil	

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₹ 3,00,001 – ₹ 7,00,000 [<i>@5% of ₹ 4 lakhs</i>]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [<i>@10% of ₹ 3 lakhs</i>]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [<i>@15% of ₹ 2 lakhs</i>]	30,000	
₹ 12,00,001 – ₹ 15,00,000 [<i>@20% of ₹ 3 lakhs</i>]	60,000	
₹ 15,00,001 - ₹ 29,86,500 [<i>@30% of ₹ 14,86,500</i>]	<u>4,45,950</u>	
		5,85,950
Add: Health and Education cess <i>@4%</i>		<u>23,438</u>
		6,09,388
Less: Advance income-tax paid		<u>1,00,000</u>
Tax payable		<u>5,09,388</u>
Tax Payable (Rounded off)		5,09,788

Computation of total income of Mr. Rajesh for the A.Y. 2025-26 under normal provisions of the Act

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

Computation of tax payable by Mr. Rajesh for A.Y. 2025-26 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 28,01,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [<i>@5% of ₹ 2.50 lakhs</i>]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [<i>@20% of ₹ 5 lakhs</i>]	1,00,000	
₹ 10,00,001 - ₹ 28,01,500 [<i>@30% of ₹ 18,01,500</i>]	<u>5,40,450</u>	6,52,950
Add: Health and education cess <i>@4%</i>		<u>26,118</u>
Total tax liability		6,79,068
Less: Advance income-tax paid		<u>1,00,000</u>
Tax payable		<u>5,79,068</u>
Tax payable (rounded off)		<u>5,79,070</u>

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

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

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

Question 6

[Topic Covered: Total Income]

Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2025:

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.
- (ii) As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2020-21. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before 30.9.2025. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2024-25. Out of 20 employees, 12 were employed on 1st May 2024 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st September 2024 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.
- (vi) He also sold his vacant land on 01.07.2024 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.
The cost of inflation index for the financial year 2024-25 and 2001-02 are 363 and 100, respectively.
- (vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute total income and tax liability of Mr. Sunil for the Assessment Year 2025-26, in the manner so that he can make maximum tax savings.

Answer

Computation of total income of Mr. Sunil for A.Y. 2025-26 under default tax regime u/s 115BAC

	Particulars	₹	₹	₹
I	Income from house property Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,95,000	
	Less: Municipal taxes paid by him in the P.Y. 2024-25 pertaining to let out portion [₹ 25,000/2]		<u>12,500</u>	
	Net Annual Value (NAV)		2,82,500	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,82,500	84,750		
	(b) Interest on housing loan [₹ 1,50,000/2]	<u>75,000</u>	<u>1,59,750</u>	
			1,22,750	
	Self-occupied portion [Ground Floor]			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]		<u>Nil</u>	
	Less: Interest on housing loan [Not allowable u/s 115BAC]		Nil	1,22,750
II	Income from house property			
	Profits and gains of business or profession			
	Income from SEZ unit			40,00,000
III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed actual consideration by more than 10%]		15,00,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 363/100]		<u>14,52,000</u>	48,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
IV	Income from Other Sources			

	Particulars	₹	₹	₹
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		<u>40,000</u>	<u>70,000</u>
	Gross Total Income			42,40,750
	Less: Deduction under Chapter VI-A			
	Deduction u/s 80JJAA			7,12,800
	30% of the employee cost of the new employees employed during the P.Y. 2024-25 for 240 days or more during the P.Y. 2024-25 allowable as deduction [30% of ₹ 23,76,000 (12 x 18,000 x 11)]			
	As per section 115BAC, no deduction u/s 10AA or under Chapter VI-A is allowable except u/s 80JJAA			
	Total Income			35,27,950

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

Particulars	₹	₹
Tax on total income of ₹ 35,27,950		
Tax on LTCG of ₹ 48,000@20%		9,600
Tax on remaining total income of ₹ 34,79,950		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001 – ₹ 12,00,000 [@15% of ₹ 2 lakhs]	30,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 34,79,950 [@30% of ₹ 19,79,950]	<u>5,93,985</u>	<u>7,33,985</u>
		7,43,585
Add: Health and education cess@4%		<u>29,743</u>
Total tax liability		<u>7,73,328</u>
Tax liability (rounded off)		7,73,330

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

Computation of total income of Mr. Sunil for A.Y. 2025-26 under normal provisions of the Act

Particulars	₹	₹
Gross Total Income as per default tax regime u/s 115BAC		42,40,750
Less: Interest on borrowing in respect of self- occupied house property [₹ 1,50,000/2]		<u>75,000</u>
Gross Total Income as per section 115BAC		41,65,750
Less: Deduction u/s 10AA		12,00,000
[Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2024-25 being the 5th year of operations]		

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Particulars	₹	₹
[Profits of the SEZ x Export Turnover received in convertible foreign exchange/Total Turnover] x 100% [₹ 40 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%] Less: Deduction under Chapter VI-A Deduction u/s 80C Repayment of principal amount of housing loan	80,000	
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Sunil Deduction u/s 80JJAA [As computed above] Deduction u/s 80TTA Interest on savings bank account, restricted to ₹ 10,000	<u>40,000</u>	1,20,000 7,12,800 10,000
Total Income as per regular provisions of the Act		21,22,950

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

Particulars	₹	₹
Tax on total income of ₹ 21,22,950 Tax on LTCG of ₹ 48,000@20%		9,600
Tax on remaining total income of ₹ 20,74,950 Upto ₹ 2,50,000 ₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakhs] ₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5 lakhs] ₹ 10,00,001 – ₹ 20,74,950[@30% of ₹ 10,74,950]	Nil 12,500 1,00,000 <u>3,22,485</u>	 4,34,985 4,44,585
<i>Add: Health and education cess@4%</i> Total tax liability Tax liability (rounded off)		<u>17,783</u> <u>4,62,368</u> 4,62,370

Computation of adjusted total income and AMT of Mr. Sunil for A.Y. 2025-26

Particulars	₹
Computation of adjusted total income Total income as per the normal provisions of the Act Add: Deduction u/s 10AA Deduction u/s 80JJAA Adjusted Total Income Alternative Minimum Tax@18.5% <i>Add: Health and education cess@4%</i> AMT liability AMT liability (rounded off)	 21,22,950 12,00,000 <u>7,12,800</u> 40,35,750 7,46,614 <u>29,865</u> <u>7,76,478</u> 7,76,480

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 7,76,480.

Since, tax liability as per section 115BAC is lower than the tax liability of as per AMT, it is beneficial for Mr. Sunil to exercise the option of the default tax regime u/s 115BAC.

Question 7**[Topics Covered: Residential Status]**

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2024 and came to India for the first time on 16.03.2024. She left for USA on 19.9.2024. She returned to India again on 27.03.2025. While in India, she had purchased a show room in Mumbai on 30.04.2024, which was leased out to a company on a rent of ₹ 25,000 p.m. from 1.05.2024. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹ 97,500 upto 31.03.2025. She had received the following cash gifts from her relatives and friends during 1.4.2024 to 31.3.2025:

- From parents of husband ₹ 51,000
- From married sister of husband ₹ 11,000
- From two very close friends of her husband (₹ 1,51,000 and ₹ 21,000) ₹ 1,72,000

- (a) Determine her residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the Assessment Year 2025-26 if she opts out of the default tax regime u/s 115BAC.
- (b) Would her residential status undergo any change, assuming that she is a person of Indian origin and her total income from Indian sources is ₹18,00,000 and she is not liable to tax in USA?

Answer

- I. U/s 6(1), an individual is said to be resident in India in any previous year, if he/she satisfies any one of the following conditions:
- (i) He/she has been in India during the previous year for a total period of 182 days or more, or
 - (ii) He/she has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he/she is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Miss Charlie, an American National, for A.Y.2025-26 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2025-26 i.e., P.Y.2024-25 and in the preceding four assessment years.

Her stay in India during the previous year 2024-25 and in the preceding four years are as under:

P.Y. 2024-25

01.04.2024 to 19.09.2024	- 172 days
27.03.2025 to 31.03.2025	- <u>5 days</u>
Total	<u>177 days</u>

Four preceding previous years

P.Y. 2023-24 [1.4.2023 to 31.3.2024] -	16 days
P.Y.2022-23 [1.4.2022 to 31.3.2023]	- Nil
P.Y.2021-22 [1.4.2021 to 31.3.2022]	- Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	- <u>Nil</u>
Total	<u>16 days</u>

The total stay of the assessee during the previous year in India was less than 182 days and during the four years

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preceding this year was for 16 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2025-26.

Computation of total income of Miss Charlie for the A.Y. 2025-26

Particulars	₹	₹
Income from house property		
Show room located in Mumbai remained on rent from 01.05.2024 to 31.03.2025 @ ₹ 25,000/- p.m.	2,75,000	
Gross Annual Value [₹ 25,000 x 11] (See Note 1 below)		
Less: Municipal taxes	Nil	
Net Annual Value (NAV)	2,75,000	
Less: Deduction u/s 24		
30% of NAV	82,500	
Interest on loan	97,500	1,80,000
		95,000
Income from other sources		
Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x), if the aggregate value of such gifts exceeds ₹ 50,000.		
- ₹50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of 'relative' and gifts from a relative are not chargeable to tax.	Nil	
- ₹11,000 received from married sister of husband is exempt, since sister-in-law falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil	
- Gift received from two friends of husband ₹ 1,51,000 and ₹ 21,000 aggregating to ₹ 1,72,000 is taxable u/s 56(2)(x) since the aggregate of ₹ 1,72,000 exceeds ₹ 50,000. (See Note 2 below)	1,72,000	1,72,000
Total income		2,67,000

Computation of tax liability by Miss Charlie for the A.Y. 2025-26

Particulars	₹
Tax on total income of ₹ 2,67,000	850
Add: Health and Education cess@4%	34
Total tax liability	884
Total tax liability (rounded off)	880

Notes:

- Actual rent received has been taken as the gross annual value in the absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.
- If the aggregate value of taxable gifts received from non-relatives exceed ₹ 50,000 during the year, the entire amount received (i.e. the aggregate value of taxable gifts received) is taxable. Therefore, the entire amount of ₹ 1,72,000 is taxable u/s 56(2)(x).
- Since Miss Charlie is a non-resident for the A.Y. 2025-26, rebate u/s 87A would not be available to her, even though her total income does not exceed ₹ 5 lacs.
- The tax liability of Miss Charlie would be the same even if she opts to pay tax as per section 115BAC, since she would be eligible for deduction u/s 24(b), for interest on housing loan in respect of let out property under regular provisions as well as u/s 115BAC of the Income-tax Act, 1961.

II. Residential status of Miss Charlie in case she is a person of Indian origin and her total income from Indian sources exceeds ₹ 18,00,000

If she is a person of Indian origin and her total income from Indian sources exceeds ₹ 15,00,000 (₹ 18,00,000, in her case), the condition of stay in India for a period exceeding 120 days during the previous year and 365 days during the four immediately preceding previous years would be applicable for being treated as a resident. Since her stay in India exceeds 120 days in the P.Y.2024-25 but the period of her stay in India during the four immediately preceding previous years is less than 365 days (only 16 days), her residential status as per section 6(1) would continue to be same i.e., non-resident in India.

Further, since she is not a citizen of India, the provisions of section 6(1A) deeming an individual to be a citizen of India would not get attracted in her case, even though she is a person of Indian origin and her total income from Indian sources exceeds ₹ 15,00,000 and she is not liable to pay tax in USA.

Therefore, her residential status would be non-resident in India for the previous year 2024-25.

Question 8

[Topic Covered: Residential Status]

Ms. Rita, an Indian citizen and an MBA from Howard University, was employed in AFL LLP of Country A since June, 2017. She came to India on 15.11.2024 and joined as CEO of Autofit Ltd. Ms. Rita was in India before she left for overseas education in May, 2013 and was subsequently employed outside India and never visited India thereafter. There is no income-tax in Country A. She has earned interest income of ₹ 2,40,000 (net) in Country A and salary income from AFL LLP of ₹ 15 lakhs up to the date of her return to India in the financial year 2024-25.

Salary income (computed) of Ms. Rita from Autofit Ltd. up to 31.03.2025 is ₹ 13,50,000 and she earned dividend of ₹ 3,00,000 from shares of an Indian company.

What would be the residential status of Ms. Rita and her total income for the A.Y. 2025-26?

Answer

Determination of residential status of Ms. Rita for the A.Y. 2025 -26

As per section 6(1), in order to be a resident of India in the P.Y.2024 -25, Ms. Rita should satisfy either of the following two conditions -

- (1) Her stay in India should be for a period of 182 days or more in the P.Y.2024-25; or
- (2) Her stay in India should be for a period of 60 days or more in the P.Y.2024-25 and for a period of 365 days or more in the four immediately preceding previous years.

Ms. Rita's stay in India in the P.Y.2024-25 is 137 days (i.e., 16 days + 31 days + 31 days + 28 days + 31 days). She left India in May, 2013 and never visited India thereafter. Her stay in India in the four immediately preceding previous years would be Nil.

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

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

Ms. Rita's total income, other than income from foreign sources, would be ₹ 16,50,000 for A.Y.2025-26 as shown below –

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

Since Ms. Rita is a citizen of India who is not liable to pay income-tax in Country A and her total income, other than income from foreign sources, exceed ₹ 15 lakhs, she would be deemed resident in India u/s 6(1A) for A.Y.2025-26. A deemed resident is, by default, a resident but not ordinarily resident.

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

Ms. Rita's total income for A.Y. 2025-26

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

Question 9

[Topic Covered: Salary HRA & RFA]

Mr. Kashyap, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent-free accommodation which is owned by the company. The HRA amount payable was ₹ 8,000 per month. The rent for the hired accommodation was ₹ 6,500 per month at New Delhi. Advice Mr. Kashyap whether it would be beneficial for him to avail HRA or Rent-Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Kashyap has opted option to shift out of the default tax regime u/s 115BAC.

Answer

Computation of tax liability of Kashyap under both the options

Particulars	Option I – HRA (₹)	Option II – RFA (₹)
Basic Salary (₹ 40,000 x 12 Months)	4,80,000	4,80,000
Perquisite value of rent-free accommodation (10% of ₹ 4,80,000)	N.A.	48,000
House rent Allowance (₹ 8,000 x 12 Months) ₹ 96,000		
Less: Exempt u/s 10(13A) – least of the following -		
- 50% of Basic Salary ₹ 2,40,000		
- Actual HRA received ₹ 96,000		
- Rent paid less 10% of salary ₹30,000 ₹ 30,000	66,000	
Gross Salary	5,46,000	5,28,000
Less: Standard deduction u/s 16(ia)	50,000	50,000
Net Salary	4,96,000	4,78,000
Less: Deduction under Chapter VI-A	-	-
Total Income	4,96,000	4,78,000
Tax on total income	12,300	11,400

Particulars	Option I – HRA (₹)	Option II – RFA(₹)
Less: Rebate u/s 87A - Lower of ₹ 12,500 or income-tax of ₹ 12,300 & 11,900, since total income does not exceed ₹ 5,00,000	12,300	11,400
	Nil	Nil

Cash Flow Statement

Particulars	Option I – HRA	Option II – RFA
Inflow: Salary	5,76,000	4,80,000
Less: Outflow: Rent paid	(78,000)	-
Tax on total income	Nil	Nil
Net Inflow	4,98,000	4,80,000

Since the net cash inflow under Option I (HRA) is higher than in Option II (RFA), it is beneficial for Mr. Kashyap to avail Option I, i.e., House Rent Allowance

Question 10

[Topic Covered: Salary]

Mr. Samaksh is a Marketing Manager in Smile Ltd. From the following information, you are required to compute his income chargeable under the head salary for assessment year 2025-26. Assume he has shifted out of default taxation regime u/s 115BAC

- (i) Basic salary is ₹ 70,000 per month.
- (ii) Dearness allowance @ 40% of basic salary
- (iii) He is provided health insurance scheme approved by IRDA for which ₹ 20,000 incurred by Smile Ltd.
- (iv) Received ₹ 10,000 as gift voucher on the occasion of his marriage anniversary from Smile Ltd.
- (v) Smile Ltd. allotted 800 sweat equity shares in August 2024. The shares were allotted at ₹ 450 per share and the fair market value on the date of exercising the option by Mr. Samaksh was ₹ 700 per share.
- (vi) He was provided with furniture during September 2020. The furniture is used at his residence for personal purpose. The actual cost of the furniture was ₹ 1,10,000. On 31st March, 2025, the company offered the furniture to him at free of cost. No amount was recovered from him towards the furniture till date.
- (vii) Received ₹ 10,000 towards entertainment allowance.
- (viii) Housing Loan@ 4.5% p.a. provided by Smile Ltd., amount outstanding as on 01.04.2024 is ₹ 15 Lakhs. ₹ 50,000 is paid by Mr. Samaksh every quarter towards principal starting from June 2023. The lending rate of SBI for similar loan as on 01.04.2024 was 8%.
- (ix) Facility of laptop costing ₹ 50,000

Answer

Computation of income under the head “Salaries” of Mr. Samaksh for the A.Y.2025-26

Particulars	₹	₹
Basic Salary [₹70,000 x 12 months]		8,40,000
Dearness allowance [40% of ₹8,40,000]		3,36,000

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Particulars	₹	₹
Entertainment allowance		10,000
Interest on housing loan given at concessional rate, would be perquisite, since the amount of loan exceeds ₹ 20,000, For computation, the lending rate of SBI on 1.4.2024 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%) [See Working Note]		49,291
Health insurance premium paid by the employer [tax free perquisite]		Nil
Gift voucher on the occasion of his marriage anniversary [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household exceeding ₹ 5,000 in aggregate during the previous year is fully taxable] (See note below)		10,000
Allotment of sweat equity shares		
Fair market value of 800 sweat equity shares @ ₹ 700 each	5,60,000	
Less: Amount recovered @ ₹ 450 each	3,60,000	2,00,000
Use of furniture by employee		
10% p.a. of the actual cost of ₹ 1,10,000		11,000
Use of Laptop		
Facility of use of laptop is not a taxable perquisite		Nil
Transfer of asset to employee		
Value of furniture transferred to Mr. Samaksh	1,10,000	
Less: Normal wear and tear @10% for each completed year of usage on SLM basis [1,10,000 x 10% x 4 years (from September 2020 to September 2024)]	44,000	66,000
Gross Salary		15,22,291
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000
Net Salary		14,72,291

Working Note:

Computation of perquisite value of loan given at concessional rate

For computation, the lending rate of SBI on 1.4.2024 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%)

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3.5% for the month (₹)
April, 2024	15,00,000	4,375
May, 2024	15,00,000	4,375
June, 2024	14,50,000	4,229
July, 2024	14,50,000	4,229
August, 2024	14,50,000	4,229
September, 2024	14,00,000	4,083
October, 2024	14,00,000	4,083

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November, 2024	14,00,000	4,083
December, 2024	13,50,000	3,937.50
January, 2025	13,50,000	3,937.50
February, 2025	13,50,000	3,937.50
March, 2025	13,00,000	3,792
Total value of this perquisite		49,290.50

Note: An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable. In such a case, the value of perquisite would be ₹ 5,000 and gross salary and net salary would be ₹ 15,17,291 and ₹ 14,67,291, respectively.

Question 11

[Topic Covered: House Property]

Mr. Naveen and Mr. Vikas constructed their houses on a piece of land purchased by them at Delhi. The built-up area of each house was 1,800 sq. ft. ground floor and an equal area in the first floor. Naveen started construction on 1-04-2022 and completed on 1-04-2024. Vikas started the construction on 1-04-2022 and completed the construction on 30-09-2024. Naveen occupied the entire house on 01-04-2024. Vikas occupied the ground floor on 01-10-2024 and let out the first floor for a rent of ₹20,000 per month. However, the tenant vacated the house on 31-12-2024 and Vikas occupied the entire house during the period 01-01-2025 to 31-03-2025.

Following are the other information

- (i) Fair rental value of each unit - ₹ 1,00,000 per annum (ground floor /first floor)
- (ii) Municipal value of each unit (ground floor / first floor) - ₹ 72,000 per annum
- (iii) Municipal taxes paid by
 - Naveen – ₹ 8,000
 - Vikas – ₹ 8,000
- (iv) Repair and maintenance charges paid by
 - Naveen – ₹ 28,000
 - Vikas – ₹ 30,000

Naveen has availed a housing loan of ₹ 15 lakhs @ 12% p.a. on 01-04-2022. Vikas has availed a housing loan of ₹ 10 lakhs @ 10% p.a. on 01-07-2022. No repayment was made by either of them till 31-03-2025. Compute income from house property for Naveen and Vikas for the previous year 2024-25 if both exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Answer

Computation of income from house property of Mr. Naveen for A.Y. 2025-26

Particulars	₹	₹
Annual value is nil (since house is self occupied)		Nil
Less: Deduction u/s 24(b)		
Interest paid on borrowed capital ₹15,00,000 @ 12%	1,80,000	
Pre-construction interest ₹3,60,000/5	72,000	
	2,52,000	
As per second proviso to section 24(b), interest deduction restricted to		2,00,000
Loss under the head “Income from house property” of Mr. Naveen		(2,00,000)

Computation of income from house property of Mr. Vikas for A.Y. 2025-26

Particulars	Ground floor Self occupied)	First floor
Gross annual value (See Note below)	Nil	60,000
Less: Municipal taxes (for first floor)		4,000
Net annual value(A)	Nil	56,000
Less: Deduction u/s 24		
(a) 30% of net annual value		16,800
(b) interest on borrowed capital		
Current year interest		
₹10,00,000 x 10% = ₹1,00,000	50,000	50,000
Pre-construction interest		
₹10,00,000 x 10% x 21/12 = ₹1,75,000		
₹1,75,000 allowed in 5 equal installments		
₹1,75,000/5 = ₹35,000 per annum	17,500	17,500
Total deduction u/s 24	67,500	84,300
Income from house property (A)-(B)	(67,500)	(28,300)
Loss under the head “Income from house property” of Mr. Vikas (both ground floor and first floor)	(95,800)	

Note: Computation of Gross Annual Value (GAV) of first floor of Vikas’s house

If a single unit of property (in this case the first floor of Vikas’s house) is let out for some months and self-occupied for the other months, then the Expected Rent of the property shall be taken into account for determining the annual value. The Expected Rent shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

The Expected Rent is the higher of fair rent and municipal value. This should be considered for 6 months since the construction of property was completed only on 30.9.2024.

Expected rent = ₹50,000 being higher of -

Fair rent = $1,00,000 \times 6 / 12 = ₹50,000$ Municipal value = $72,000 \times 6 / 12 = ₹36,000$

Actual rent = ₹60,000 (₹20,000 p.m. for 3 months from October to December, 2024)

Gross Annual Value = ₹60,000 (being higher of Expected Rent of ₹50,000 and actual rent of ₹60,000).

Question 12

[Topic Covered: House Property]

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 2016-2017. The property consists of eight identical units and is situated at Cochin.

During the financial year 2024-25, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of ₹ 12,000 per month per unit. The municipal value of the house

property is ₹ 9,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

	₹
(i) Repairs	40,000
(ii) Insurance premium (paid)	15,000
(iii) Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year.

Arun could not occupy his unit for six months as he was transferred to Chennai. He does not own any other house.

The other income of Mr. Arun and Mr. Bimal are ₹ 2,90,000 and ₹ 1,80,000, respectively, for the financial year 2024-25.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the A.Y. 2025-26 if they pay tax under the default tax regime u/s 115BAC.

Also, show the computation of income under this head, if they both exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Answer

(i) If Arun and Bimal pay tax under the default tax regime u/s 115BAC Computation of total income for the A.Y. 2025-26

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

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

Particulars	₹	₹
Let-out portion (75%)		
Gross Annual Value		
(a) Municipal value (75% of ₹ 9 lakh)	6,75,000	
(b) Actual rent [(₹ 12000 x 6 x 12) – (₹ 12,000 x 1 x 4)]	8,16,000	
= ₹ 8,64,000 - ₹ 48,000		
- whichever is higher		8,16,000
Less: Municipal taxes 75% of ₹ 1,80,000 (20% of ₹ 9 lakh)		1,35,000
Net Annual Value (NAV)		6,81,000

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Less: Deduction u/s 24		
(a) 30% of NAV	2,04,300	
(b) Interest on loan taken for the house [75% of ₹ 3 lakh]	2,25,000	4,29,300
Income from let-out portion of house property		2,51,700
Share of each co-owner (50%)		1,25,850

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

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

Particulars	Arun (₹)	Bimal(₹)
Income from house property		
I. Self-occupied portion (25%)		
Annual value	Nil	Nil
Less: Deduction u/s 24(b)		
Interest on loan taken for construction ₹ 37,500 (being 25% of ₹ 1.5 lakh) [Allowable since they have exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A)]	37,500	37,500
Loss from self occupied property	(37,500)	(37,500)
II. Let-out portion (75%) – See Working Note above		
Income from house property	1,25,850	1,25,850
Other Income	88,350	88,350
	2,90,000	1,80,000
Total Income	3,78,350	2,68,350

Question 13**[Topics Covered : Capital Gain Slump Sale]**

Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2024, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of ₹ 18 lakhs. The professional fees & brokerage paid for this transfer are ₹ 78,000. His Balance Sheet as on 31-03-2024 is as under:

Liabilities	₹	Assets	Unit 1 ₹	Unit 2 ₹	Total
Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	40,00,000		16,75,000	23,25,000	40,00,000

Other Information:

- Land of Unit 2 was purchased at ₹ 5,00,000 in the year 2004 and revalued at ₹ 7,50,000 as on 31.3.2024.
- No individual value of any asset is considered in the transfer deed.
- Patents were acquired on 01-12-2022 on which no depreciation has been provided.
- Furniture of Unit 2 of ₹ 5,00,000 were purchased on 01-12-2023 on which no depreciation has been

provided.

5. Fair market value of capital asset transferred by way of slump sale of Unit 2 is ₹ 18,10,000.

Compute the capital gain for A.Y. 2025-26.

Answer

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

Computation of capital gain on slump sale of Unit 2

Particulars	₹
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., ₹ 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., ₹ 18,00,000) whichever is higher]	18,10,000
Less: Expenses on sale [professional fees & brokerage]	<u>78,000</u>
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 (Note 1)	<u>13,35,781</u>
Long term capital gains arising on slump sale	<u>3,96,219</u>
(The capital gains is long-term as the Unit 2 is held for more than 36 months)	

Notes

1. Computation of net worth of Unit 2

Particulars	₹
(1) Book value of non-depreciable assets	
(i) Land (Revaluation not to be considered)	5,00,000
(ii) Debtors	3,50,000
(2) Written down value of depreciable assets u/s 43(6)	
(i) Furniture (See Note 2)	4,75,000
(ii) Patents (See Note 3)	<u>4,75,781</u>
Aggregate value of total assets	18,00,781
Less: Current liabilities of Unit 2	
Bank Loan [₹ 8,50,000 x 30%]	2,55,000
Trade Creditors [₹ 4,50,000 x 20%]	90,000
Unsecured Loan [₹ 4,00,000 x 30%]	<u>1,20,000</u>
Net worth of unit 2	<u>13,35,781</u>

2. Written down value of furniture as on 1.4.2024

Value of patents	₹
Cost as on 1.12.2023	5,00,000
Less: Depreciation @ 10% x 50% for Financial Year 2023-24	<u>25,000</u>
WDV as on 1.4.2024	<u>4,75,000</u>

3. Written down value of patents as on 1.4.2024

Value of patents	₹
Cost as on 1.12.2022	7,25,000
Less: Depreciation @ 25% x 50% for Financial Year 2022-23	<u>90,625</u>
WDV as on 1.4.2023	6,34,375
Less: Depreciation@25% for Financial Year 2023-24	<u>1,58,594</u>
WDV as on 1.4.2024	4,75,781

Question 14**[Topic Covered: Capital Gain]**

Mr. Rajkumar bought a residential house for ₹ 5 crores in March 2016. He entered into an agreement for sale of the said residential house with Ms. Nikita (not a relative) in September 2024 for ₹ 17 crores. The sale proceeds were to be paid in the following manner:

- (i) 10% through account payee bank draft on the date of agreement.
- (ii) 80% on the date of the possession of the property.
- (iii) Balance after the completion of the registration of the title of the property.

Ms. Nikita was handed over the possession of the property on 10.11.2024 and the registration process was completed on 05.02.2025. She paid the sale proceeds as per the sale agreement. Value of property for stamp duty in September 2024 was ₹ 19 crores. Subsequently, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 20 crores on 05.02.2025. Mr. Rajkumar paid 1% as brokerage on sale consideration received.

Subsequent to sale, he purchased another residential house for ₹ 13 crores in Mumbai in March 2025.

You are required to compute the capital gains chargeable to tax in the hands of Mr. Rajkumar for A.Y. 2025-26. What would be the capital gain, if any, in A.Y. 2026-27 if Mr. Rajkumar transfers the new residential house in December 2025 for ₹ 15 crores?

CII: 2015-16: 254; 2024-25: 363

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

Particulars	₹ (in crores)
Actual sale consideration ₹ 17 crores	19
Value adopted by Stamp Valuation Authority ₹ 19 crores	
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.	
However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through prescribed electronic modes on or before the date of agreement.	
In this case, since advance of ₹ 1.7 crores is received by account payee bank draft, stamp duty value on the date of agreement can be adopted as the full value of consideration.	
Gross Sale consideration (Stamp duty value on the date of agreement, since it exceeds 110% of the actual consideration)	

Particulars	₹ (in crores)
Less: Brokerage @1% of sale consideration (1% of ₹ 17 crores)	0.17
Net Sale consideration	18.83
Less: Cost of acquisition	5.00
Long term capital gains	13.83
[Since the residential house property was held by Mr. Rajkumar for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]	
Less: Exemption u/s 54	10
Where long-term capital gains exceed ₹ 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. However, if the cost of new residential house exceeds ₹ 10 crores, the amount exceeding ₹ 10 crore would not be taken into account for exemption.	
Therefore, in the present case, the exemption would be available in respect of the residential house acquired in Mumbai and to the extent of ₹ 10 crores only.	
Long term capital gains chargeable to tax	3.83
As per proviso to section 112, this case while calculating tax liability, assessee is required to pay tax at 12.5% without indexation or 20% with indexation, whichever is lower.	

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

Particulars	₹ (in crores)
Sale consideration	15
Less: Cost of acquisition (-) capital gains exempt in A.Y. 2025-26 (₹ 13 – ₹ 10)	3
Short term capital gains chargeable to tax	12
Since the residential house property was held by Mr. Rajkumar for not more than 24 months immediately preceding the date of its transfer]	

Question 15

[Topic Covered: Capital Gain]

Mr. Gopal resident Individual acquired a house property for ₹ 7,00,000 during PY 1982-83 & paid stamp duty ₹ 1,50,000 at the time of registration of property. He incurred following expenses for improvement of property,

PY 96-97 - ₹ 3,50,000

PY 12-13 - ₹ 4,00,000

PY 23-24 - ₹ 3,50,000

FMV as on 01/04/2001 of such property is ₹ 18,20,000 & Stamp Duty Value on same date is ₹16,00,000.

Mr. Gopal sold this property as on 10/12/2024 for ₹ 1,25,00,000.

Mr. Gopal's income from other sources is ₹ 10,00,000. Compute Total Income and Tax liability. Assume he opted out from section 115BAC.

Cost Inflation Index for F.Y. 2001-02: 100; F.Y. 2012-13: 200, F.Y. 2023-24: 348, F.Y. 2024-25: 363

Answer

Computation of taxable capital gains for the A.Y.2025-26

Particulars	₹	₹
Sale consideration		1,25,00,000
Less: Expenses incurred for transfer		-
		1,25,00,000
Less: (i) Cost of acquisition		
(a) Cost 8,50,000		
(b) - FMV on 1/4/01 18.2 lakhs		
- SDV on 1/4/01 16.0 lakhs 16,00,000	16,00,000	
(ii) Cost of improvement (12-13)	4,00,000	
(iii) Cost of improvement (23-24)	3,50,000	23,50,000
Long term capital gains		1,01,50,000

Computation of Total Income & Tax Liability for the A.Y.2025-26

Particulars	₹	₹
LTCG u/s 112		1,01,50,000
Income from other sources		10,00,000
Net Taxable Income		1,11,50,000
Computation of Tax Liability		
1. Tax on LTCG u/s 112 [Note-2]		
(a) Tax @ 12.5% without Index [1,01,50,000 x 12.5%]	12,68,750	
(b) Tax @ 20% with Index (note -1) [56,00,914 x 20%]	11,20,183	11,20,183
Whichever is lower		
2. Tax on Balance Income		
Upto 2,50,000 -		
> 2,50,000 upto 5,00,000 5% 12,500		
> 5,00,000 upto 10,00,000 20% 1,00,000		1,12,500
Add: Surcharge @15% since Total Income more than 1 crore		12,32,683
		1,84,902
Add: Health & Education cess @4%		14,17,585
		56,703
Net Tax Liability		14,74,289
	i.e.	14,74,290

Note: 1

Particulars		Amount ₹
Full Value of Consideration		1,25,00,000
Less: Transfer Expenses	—	NIL
Net Consideration		1,25,00,000
Less: Indexed Cost of Acquisition	—	(58,08,0000)

Particulars	Amount ₹
16,00,000 × $\frac{363}{100}$ [F.Y. 2024-25]	
Less: Indexed Cost of Improvement	
4,00,000 × $\frac{363}{200}$ [F.Y. 2012-13]	(7,26,000)
3,50,000 × $\frac{363}{348}$ [F.Y. 2023-24]	(3,65,086)
Long Term Capital Loss	56,00,914

Note: 2

If a Resident Individual or HUF transfers any immovable property acquired before 23rd July, 2024, and the tax calculated on LTCG at the new rate (12.5% without indexation) is higher than the tax calculated at the old rate (20% with indexation), then the excess tax is ignored. In other words, the assessee is required to pay tax at 12.5% without indexation or 20% with indexation, whichever is lower.

Question 16

[Topic Covered: IFOS & Capital Gain]

Mr. A, a dealer in shares, received the following without consideration during the P.Y. 2024-25 from his friend Mr. B, -

- (1) Cash gift of ₹ 75,000 on his anniversary, 15th April, 2024.
- (2) Bullion, the fair market value of which was ₹ 60,000, on his birthday, 19th June, 2024.
- (3) A plot of land at Faridabad on 1st July, 2024, the stamp value of which is ₹ 5 lakh on that date. Mr. B had purchased the land in April, 2009.

Mr. A purchased from his friend Mr. C, who is also a dealer in shares, 1000 shares of X Ltd. @ ₹ 400 each on 19th June, 2024, the fair market value of which was ₹ 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2024.

Further, on 1st November, 2024, Mr. A took possession of property (office building) booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2024 was ₹ 32 lakh and on the date of booking was ₹ 23 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.

On 1st March, 2025, he sold the plot of land at Faridabad for ₹ 7 lakh.

Compute the income of Mr. A chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2025-26.

Answer

Computation of "Income from other sources" of Mr. A for the A.Y. 2025-26

	Particulars	₹
(1)	Cash gift is taxable u/s 56(2)(x), since it exceeds ₹ 50,000	75,000
(2)	Since bullion is included in the definition of property, therefore, when bullion is received without consideration, the same is taxable, since the aggregate fair market value exceeds ₹ 50,000	60,000
(3)	Stamp value of plot of land at Faridabad, received without consideration, is taxable u/s 56(2)(x)	5,00,000
(4)	Difference of ₹ 2 lakh in the value of shares of X Ltd. purchased from Mr. C, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. A. Since Mr. A is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. A.	-

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(5)	Difference between the stamp duty value of ₹ 23 lakh on the date of booking and the actual consideration of ₹ 20 lakh paid is taxable u/s 56(2)(x) since the difference exceeds ₹ 2,00,000, being the higher of ₹ 50,000 and 10% of consideration	3,00,000
Income from Other Sources		9,35,000

Computation of “Capital Gains” of Mr. A for the A.Y.2025-26

Particulars	₹
Sale Consideration	7,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax u/s 56(2)(x) as per section 49(4)]	5,00,000
Short-term capital gains	2,00,000

Note – The resultant capital gains will be short-term capital gains since for calculating the period of holding, the period of holding of previous owner is not to be considered.

Question 17**[Topic Covered: IFOS LIP & Mix]**

Mr. Akash (aged 47 years) is a CEO of BAC Enterprises (P) Ltd. During the P.Y.2024-25, he has earned the following income -

- Salary of ₹ 45 lakhs
- Long-term capital gain on sale of listed equity shares on 10th June 2024 (STT paid) amounting to ₹ 6,54,000
- Dividend of ₹ 12,00,000 from shares of Indian companies
- Interest on saving bank account with SBI of ₹ 16,000
- Interest on fixed deposits with BOB of ₹ 45,000

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

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

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

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

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

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

- Which are the life insurance policies in respect of which Mr. Akash would be eligible for exemption u/s 10(10D) in respect of maturity proceeds? Choose the option most beneficial to Mr. Akash.
 - X, Y and Z
 - X and Y
 - X, Z and A
 - Y and Z
- What would be your answer to MCQ 1, if Mr. Akash surrendered LIC A in A.Y. 2026-27 and claimed exemption u/s 10(10D) in respect of such LIC? This information is only for the purpose of this MCQ.
 - X, Y and Z
 - X and Y
 - X, Z and A
 - Y and Z
- What would be the amount of deduction available to Mr. Akash under Chapter VI-A for the A.Y. 2025-26 if he has exercised the option to shift out of the default tax regime?
 - ₹ 82,170
 - ₹ 78,500
 - ₹ 2,28,500
 - ₹ 2,32,170
- What is Mr. Akash's tax liability for A.Y.2025-26 under the default tax regime u/s 115BAC?
 - ₹ 16,97,350
 - ₹ 16,57,310
 - ₹ 18,41,270
 - ₹ 18,84,170
- What is Mr. Akash's tax liability for A.Y.2025-26 if he has exercised the option to shift out of the default tax regime?
 - ₹ 17,27,610
 - ₹ 18,93,720
 - ₹ 17,29,210
 - ₹ 17,27,500

Answer

1.	(a)	2.	(c)	3.	(c)	4.	(b)	5.	(a)
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Question 18

[Topic Covered: Clubbing "Cross Gift"]

Mr. Karan gifted a sum of ₹ 9 lakhs to his brother's minor son on 1-5-2024. On the same date, his brother gifted debentures worth ₹ 10 lakhs to Mrs. Karan. Son of Mr. Karan's brother invested the amount in fixed deposit with Canara Bank @ 9% p.a. interest and Mrs. Karan received interest of ₹ 81,000 on these debentures during the previous year 2024-25. Discuss the tax implications under the provisions of the Income- tax Act, 1961.

Answer

In the given case, Mr. Karan gifted a sum of ₹ 9 lakhs to his brother's minor son on 1.5.2024 and simultaneously, his brother gifted debentures worth ₹ 10 lakhs to Mr. Karan's wife on the same date. Mr. Karan's brother's minor son invested the gifted amount of ₹ 9 lakhs in fixed deposit with Canara Bank.

These transfers are in the nature of cross transfers. Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfers are so intimately connected to form part

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of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted.

As per section 64(1A), all income of a minor child is includible in the hands of the parent, whose total income, before including minor's income is higher. Accordingly, the interest income arising to Mr. Karan's brother's son from fixed deposits would be included in the total income of Mr. Karan's brother, assuming that Mr. Karan's brother's total income is higher than his wife's total income, before including minor's income. Mr. Karan's brother can claim exemption of ₹ 1,500 u/s 10(32).

Interest on debentures arising in the hands of Mrs. Karan would be taxable in the hands of Mr. Karan as per section 64(1)(iv).

This is because both Mr. Karan and his brother are the indirect transferors of the income to their spouse and minor son, respectively, with an intention to reduce their burden of taxation.

In the hands of Mr. Karan, interest received by his spouse on debentures of ₹ 9 lakhs alone would be included and not the entire interest income on the debentures of ₹10 lakhs, since the cross transfer is only to the extent of ₹ 9 lakhs.

Hence, only proportional interest (i.e., 9/10th of interest on debentures received) ₹ 72,900 would be includible in the hands of Mr. Karan.

The provisions of section 56(2)(x) are not attracted in respect of sum of money transferred or value of debentures transferred, since in both the cases, the transfer is from a relative.

Question 19

[Topics Covered : Clubbing of Income]

Details of Income of Mr. R and his wife Mrs. R for the previous year 2024-25 are as under:

- (i) Mr. R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2024-25 the HUF earned an income of ₹ 50,000 from such property.
- (ii) Mr. R transferred ₹ 4,00,000 to his wife Mrs. R on 01.04.2009 without any consideration which was given as a loan by her to Mr. Girish. She earned ₹ 3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2024-25, she earned interest @ 11% per annum.
- (iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in such Company. During the financial year 2024-25 they have withdrawn a salary of ₹ 3,20,000 and 2,70,000 respectively.
- (iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2016 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2019. On 04.03.2025, Mr. R sold entire share holdings and earned ₹ 5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission ₹ 4,00,000 and Mrs. R has interest income of ₹ 3,30,000.

Compute Gross Total income of Mr. R and Mrs. R for the assessment year 2025-26. Assume they have opted out from default taxation regime u/s 115BAC.

Answer

Computation of Gross Total Income of Mr. R and Mrs. R for A.Y. 2025-26

	Particulars	Mr. R	Mrs. R
		Amount (₹)	
I.	Income from house property Income from property transferred to HUF without consideration		

	Particulars	Mr. R	Mrs. R
		Amount (₹)	
II.	Since Mr. R has transferred his property to his HUF without consideration, income of ₹ 50,000 ¹ from such property would be included in the total income of Mr. R as per section 64(2).	50,000	
	Capital Gains Income from equity shares transferred by Mrs. R to Mr. R without consideration Capital gains arising to Mr. R from transfer of equity shares of RSB Ltd. gifted to him by Mrs. R would be included in the hands of Mrs. R [₹ 5,20,000 x 5,000/8,000]		3,25,000
	Capital gains arising to Mr. R from transfer of bonus shares issued by RSB Ltd. on the basis of holding of the said equity shares would be included in the income of Mr. R and not Mrs. R, since income derived from accretion of the transferred asset cannot be clubbed with the income of transferor of the original asset i.e., Mrs. R [₹ 5,20,000 x 3,000/8,000] ³	1,95,000	
III	Income from Other Sources Income from commission Interest income Interest income on ₹ 4 lakh transferred by Mr. R to Mrs. R without consideration Income of ₹ 44,000, i.e., 11% of ₹4,00,000, being the amount transferred by Mr. R to Mrs. R without any consideration and loaned by her to Mr. Girish, would be included in the income of Mr. R Income of ₹ 38,500 i.e., 11% of ₹ 3,50,000, being the interest earned by Mrs. R out of amount gifted by Mr. R and thereafter, given by her as loan to Mr. Girish, would be included in the income of Mrs. R, as income derived by Mrs. R from accretion of the amount gifted by Mr. R (i.e., interest income) cannot be included in the income of Mr. R.	4,00,000 44,000	3,30,000 38,500
IV.	Total income [before considering adjustment on account of item (iii) i.e., salary income from a company in which both Mr. R and Mrs. R have substantial interest]	6,89,000	6,93,500
	Salary income from a company in which both Mr. R and Mrs. R have substantial interest Since both Mr. R and Mrs. R have substantial interest in AMG Ltd. (on account of holding equity shares carrying 20% or more of voting power) and both are in receipt of income by way of salary from AMG Ltd., such salary income would be includible in the hands of that spouse, whose total income, before including such salary income, is higher. Accordingly, the salary income of both Mr. R and Mrs. R would be included in the hands of Mrs. R in this case, since her total income, before including such income, is higher than that of Mr. R. Salary income of Mr. R = ₹ 3,20,000 – ₹ 50,000 (standard deduction)		2,70,000

1 Assumed as computed figure.

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	Particulars	Mr. R	Mrs. R
		Amount (₹)	
	Salary income of Mrs. R = ₹ 2,70,000 – ₹ 50,000 (standard deduction)		2,20,000
	Gross Total Income	6,89,000	11,83,500

Question 20

[Topics Covered : Clubbing of Income]

Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2024-25, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2025-26 as per default taxation regime of section 115BAC.

- Dividend of ₹ 22,500 and ₹ 45,000 is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.
- Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is ₹ 8,75,000 and ₹ 5,75,000, respectively.
- Business income earned by Mr. Samrat from his sole proprietary business is ₹ 15,60,000
- Interest on fixed deposit earned by Mrs. Komal of ₹ 9,00,000.
- Their son, Akash, aged 10 years having PAN, received interest of ₹ 54,000 from bank on a fixed deposit created by his grandfather in his name.

Answer

Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2025-26

Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
Salary of Samrat	8,75,000			-
Less: Standard deduction u/s 16(ia)				-
Salary of Komal	<u>75,000</u>	8,00,000		
Less: Standard deduction u/s 16(ia)	<u>5,75,000</u>			-
[Salary earned by Mrs. Komal has to be included in the total income of Mr. Samrat, since he has substantial interest in the concern (i.e., having 24% voting power in ABC (P) Ltd., along with his wife) and Mrs. Komal does not have any professional qualification for the job.]	<u>75,000</u>	5,00,000		-
Business Income				
Dividend income from ABC (P) Ltd. [Taxable in the hands of Mr. Samrat as per section 60, since he transferred the income i.e., dividend without transferring the asset i.e., shares]		15,60,000		-
Interest on Fixed Deposit earned by Mrs. Komal		50,000		50,000
Total Income (before including minor's income)	[22,500/90 x 100 x 2]		[45,000/90 x 100]	
Income of minor child to be included in Mr. Samrat's income, since his total income before				

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Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
including minor's income is higher than that of Mrs. Komal. [₹ 54,000/90 x 100]				
[Exemption of ₹ 1,500 u/s 10(32) in respect of the income of each child so included not available under 115BAC]	60,000	<u>29,10,000</u> 60,000		<u>9,00,000</u> 9,50,000
Gross Total Income		29,70,000		9,50,000

Question 21

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

Mr. Mayank, a resident individual, furnished the following information in respect of income earned and losses incurred by him for the F.Y. 2024-25

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

The other details of losses and unabsorbed depreciation pertaining to A.Y. 2024-25 are as follows:

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

Mr. Mayank filed his return of income for A.Y. 2024-25 on 28.7.2024 and opted for section 115BAC. Compute the Gross total income of Mr. Mayank for the A.Y. 2025-26 and the amount of loss, if any, that can be carried forward if he wants to continue with the provisions u/s 115BAC.

Answer

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

Particulars	Amount (₹)	Amount (₹)
Income from Salary (Computed)		27,40,000
Income from house property		
Income from let out property in Kanpur	5,50,000	
Less: Set off of loss from let out property in Delhi	(3,75,000)	

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Particulars	Amount (₹)	Amount (₹)
Less: Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Mayank is paying tax u/s 115BAC]	-	
Less: Loss from let out property in Delhi of A.Y. 2024-25 cannot be set off against income from house property of A.Y. 2025-26 since Mr. Mayank has paid tax u/s 115BAC during the A.Y. 2024-25 and no deduction in respect of loss of house property of that year will be allowed in any subsequent year.	-	1,75,000
Profits and gains from business or profession		
Profits from manufacturing business	36,86,000	
Add: Additional depreciation not allowable in case of section 115BAC	50,000	
	37,36,000	
Less: Brought forward business loss of A.Y. 2024-25	(5,35,000)	
Less: Unabsorbed normal depreciation	(2,10,000)	
Capital Gains		29,91,000
Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid can be set off only against long term capital gains.	(1,25,000)	
Hence, it has to be carried forward		-
Income from Other Sources		
Net winnings from online games [₹ 35,000/70%]		50,000
Gross Total Income		59,56,000

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

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

Question 22

[Topic Covered: TDS & TCS]

Kishore & Sons is a dealer of coal. Its turnover for the F.Y. 2023-24 was ₹ 12 crores. The State Government of Hyderabad granted a lease of coal mine to Kishore & Sons on 1.5.2024 and charged ₹ 11 crores for the lease. Kishore & Sons sold coal of ₹ 95 lakhs to M/s BAC Co. during the P.Y. 2024-25. M/s XYZ Ltd. purchased coal of ₹ 55 lakhs from Kishore & Sons for trading purpose in July 2024. Turnover of M/s XYZ Ltd. during the P.Y. 2023-24 was ₹ 12 crores. PAN is duly furnished by the buyer and seller to each other. Details of sale to and payments from M/s BAC Co. by Kishore & Sons are as follows:

S. No.	Date of sale	Date of receipt/ Payment	Amount (₹)
1	29.05.2024	10.05.2024	35,00,000
2	30.06.2024	10.07.2024	25,00,000

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3	25.11.2024	25.10.2024	8,00,000
4	20.01.2025	22.01.2025	15,00,000
5	01.03.2025	15.02.2025	12,00,000

Turnover of M/s BAC Co. during the P.Y. 2023-24 was ₹ 11 crores. The above amounts were credited to Kishore & Sons account in the books of M/s BAC Co. on the date of sale. M/s BAC Co. furnishes a declaration to Kishore & Sons that coal is to be utilised for generation of power.

Based on the above facts, choose the **most appropriate answer** to Q. No. 1 to 5 –

- Who is required to deduct/collect tax at source in respect of lease of coal mine by the State Government of Hyderabad to Kishore & Sons and at what rate?
 - State Government of Hyderabad is liable to collect tax at source @ 2% on ₹ 11 crores
 - State Government of Hyderabad is liable to collect tax at source @0.1% on ₹ 10.50 crores, being the amount exceeding ₹ 50 lakhs
 - Kishore & Sons is liable to deduct tax at source @0.1% on ₹ 10.50 crores, being the amount exceeding ₹ 50 lakhs
 - Neither State Government of Hyderabad is liable to collect tax at source nor Kishore & Sons is liable to deduct tax at source
- Is Kishore & Sons required to collect tax at source in respect of the sale transactions with M/s BAC Co. If yes, when and what is the amount of tax to be collected?
 - Yes; ₹ 1,000 on 30.6.2024, ₹ 800 on 25.10.2024, ₹ 1,500 on 20.1.2025 and ₹ 1,200 on 15.2.2025
 - Yes; ₹ 35,000 on 10.5.2024, ₹ 25,000 on 30.6.2024, ₹ 8,000 on 25.10.2024, ₹ 15,000 on 20.1.2025 and ₹ 12,000 on 15.2.2025
 - Yes; ₹ 1,000 on 10.7.2024, ₹ 800 on 25.10.2024, ₹ 1,500 on 22.1.2025 and ₹ 1,200 on 15.2.2025
 - No, Kishore & Sons is not liable to collect tax at source
- Is Kishore & Sons required to collect tax at source in respect of the sale transaction with M/s XYZ Ltd. If yes, what is the amount of tax to be collected?
 - Yes; ₹ 55,000
 - Yes; ₹ 5,500
 - Yes; ₹ 500
 - No, Kishore & Sons is not liable to collect tax at source
- Is M/s BAC Co. required to deduct tax at source in respect of the purchase transactions with Kishore & Sons. If yes, when and what is the amount of tax to be deducted?
 - Yes; ₹ 1,000 on 30.6.2024, ₹ 800 on 25.10.2024, ₹ 1,500 on 20.1.2025 and ₹ 1,200 on 15.2.2025
 - Yes; ₹ 3,500 on 10.5.2024, ₹ 2,500 on 30.6.2024, ₹ 800 on 25.10.2024, ₹ 1,500 on 20.1.2025 and ₹ 1,200 on 15.2.2025
 - Yes; ₹ 1,000 on 10.7.2024, ₹ 800 on 25.10.2024, ₹ 1,500 on 22.1.2025 and ₹ 1,200 on 15.2.2025
 - No, M/s BAC Co. is not liable to deduct tax at source
- Assume for the purpose of this MCQ, M/s BAC Co.'s turnover for the F.Y. 2023-24 was ₹ 9 crore, who will be required to deduct/ collect tax at source in respect of transactions between Kishore & Sons and M/s BAC Co. and at what rate?
 - Kishore & Sons is liable to collect tax at source @1% of ₹ 95 lakhs
 - Kishore & Sons is liable to collect tax at source @0.1% of ₹ 45 lakhs, being the sum exceeding ₹ 50 lakhs
 - M/s BAC Co. is liable to deduct tax at source @0.1% of ₹ 45 lakhs, being the sum exceeding ₹ 50 lakhs
 - Neither Kishore & Sons is liable to collect tax at source nor M/s BAC Co. is liable to deduct tax at source

Answer

1.	(a)	2.	(d)	3.	(a)	4.	(a)	5.	(d)
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Question 23**[Topic Covered: TDS & TCS]**

Examine the TDS/TCS implications in the cases mentioned hereunder—

- (i) On 1.6.2024, Mr. Ganesh made three nine months fixed deposits of ₹ 3 lakh each, carrying interest@9% p.a. with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2025.
- (ii) On 1.10.2024, Mr. Rajesh started a six months recurring deposit of ₹ 2,00,000 per month@8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2025
- (iii) Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2025, towards maturity proceeds of LIC policy taken on 1.4.2022, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000.
- (iv) Mr. Y, a resident, is due to receive ₹ 3.95 lakhs on 31.3.2025 on LIC policy taken on 31.3.2012, for which the sum assured is ₹ 3.50 lakhs and the annual premium is ₹ 30,100.
- (v) Mr. Z, a resident, is due to receive ₹ 95,000 on 1.8.2024 towards maturity proceeds of LIC policy taken on 1.8.2018 for which the sum assured is ₹ 90,000 and the annual premium was ₹ 10,000.
- (vi) Mr. X, a salaried individual, pays rent of ₹ 55,000 per month to Mr. Y from June, 2024 for immovable property. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.
Would your answer change if Mr. X vacated the premises on 31st December, 2024? Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?
- (vii) XYZ Ltd. makes a payment of ₹ 28,000 to Mr. Ganesh on 2.8.2024 towards fees for professional services and another payment of ₹ 25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions u/s 194J are attracted.
- (viii) Payment of ₹ 2,00,000 to Mr. R by S Ltd., a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect alongwith his PAN.
- (ix) ABC and Co. Ltd. paid ₹ 19,000 to one of its directors as sitting fees on 01-01-2025.
- (x) Fee paid on 1.12.2024 to Dr. Srivatsan by Sundar (HUF) ₹ 35,000 for surgery performed on a member of the family.
- (xi) ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2025 by the State of Uttar Pradesh on compulsory acquisition of his urban land.
- (xii) Mr. Rohit transferred a residential house property to Mr. Arun for ₹ 45 lacs. The stamp duty value of such property is ₹ 55 lacs.
- (xiii) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call centre. On 18-03-2025, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28-03-2025 by Jigar Limited.
- (xiv) Ms. Mohit won a lucky draw prize of ₹ 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.

Answer

- (i) XYZ Bank has to deduct tax at source@10% u/s 194A, since the aggregate interest on fixed deposit with the three branches of the bank is ₹ 60,750 [$3,00,000 \times 3 \times 9\% \times 9/12$], which exceeds the threshold limit of ₹ 40,000. Since XYZ Bank has adopted CBS, the aggregate interest credited/paid by all branches has to be considered. Since the aggregate interest of ₹ 60,750 exceeds the threshold limit of ₹ 40,000, tax has to be deducted@10% u/s 194A.
- (ii) No tax has to be deducted u/s 194A by PQR Bank on the interest of ₹ 28,000 falling due on recurring deposit on 31.3.2025 to Mr. Rajesh, since such interest does not exceed the threshold limit of ₹ 40,000.

- (iii) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 4.50 lakhs due on 31.3.2025 are not exempt u/s 10(10D) in the hands of Mr. X. Therefore, tax is required to be deducted @2% u/s 194DA on the amount of income comprised therein i.e., on ₹ 75,000 (₹ 4,50,000, being maturity proceeds - ₹ 3,75,000, being the aggregate amount of insurance premium paid).
- (iv) Since the annual premium is less than 20% of sum assured in respect of a policy taken before 1.4.2012, the sum of ₹ 3.95 lakhs due to Mr. Y would be exempt u/s 10(10D) in his hands. Hence, no tax is required to be deducted at source u/s 194DA on such sum payable to Mr. Y.
- (v) Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 95,000 due on 1.8.2024 would not be exempt u/s 10(10D) in the hands of Mr. Z, the tax deduction provisions u/s 194DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.
- (vi) Since Mr. X pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source @2% of such rent for F.Y. 2024-25 u/s 194-IB. Thus, ₹ 11,000 [₹ 55,000 x 2% x 10] has to be deducted from rent payable for March, 2025.
- If Mr. X vacated the premises in December, 2024, then tax of ₹ 7,700 [₹ 55,000 x 2% x 7] has to be deducted from rent payable for December, 2024.
- In case Mr. Y does not provide his PAN to Mr. X, tax would be deductible @20%, instead of 2%.
- In case 1 above, this would amount to ₹ 1,10,000 [₹ 55,000 x 20% x 10], but the same has to be restricted to ₹ 55,000, being rent for March, 2025.
- In case 2 above, this would amount to ₹ 77,000 [₹ 55,000 x 20% x 7], but the same has to be restricted to ₹ 55,000, being rent for December, 2024.
- (vii) TDS provisions u/s 194J would not get attracted, since the limit of ₹ 30,000 is applicable for fees for professional services and fees for technical services, separately. It is assumed that there is no other payment to Mr. Ganesh towards fees for professional services and fees for technical services during the P.Y.2024-25
- (viii) No tax is required to be deducted at source u/s 194C by M/s S Ltd. on payment to transporter Mr. R, since he satisfies the following conditions:
- He owns ten or less goods carriages at any time during the previous year.
 - He is engaged in the business of plying, hiring or leasing goods carriages;
 - He has furnished a declaration to this effect along with his PAN.
- (ix) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible u/s 192. The threshold limit of ₹ 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered u/s 194J is, however, not applicable in respect of sum paid to a director.
- Therefore, tax @10% has to be deducted at source u/s 194J in respect of the sum of ₹ 19,000 paid by ABC Ltd. to its director.
- Therefore, the amount of tax to be deducted at source: = ₹ 19,000 x 10% = ₹ 1,900
- (x) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.
- Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source u/s 194J) in respect of fees for professional service if such sum or aggregate of such sum exceeds ₹ 50 lakhs during the financial year.
- In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2024 for a personal purpose, therefore, section 194J is not attracted. Section 194M would have been attracted, if the payment

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or aggregate of payments exceeded ₹ 50 lakhs in the P.Y.2024-25. However, since the payment does not exceed ₹ 50 lakh in this case, there is no liability to deduct tax at source u/s 194M also.

- (xi) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 2,50,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 2,50,000.

- (xii) On payment of sale consideration for purchase of residential house property – As per section 194-IA if consideration or SDV is 50 lakhs or more then TDS @1% applicable on consideration or SDV whichever is higher. Mr. Arun is required to deduct tax at source u/s 194-IA on 55 lakhs i.e., 55,000.
- (xiii) On payment of call centre service charges - Since Rashi Limited is engaged only in the business of operation of call centre, Jigar Limited is required deduct tax at source@2% on the amount of ₹ 70,000 u/s 194J on 18.3.2025 i.e., at the time of credit of call centre service charges to the account of Rashi Limited, since the said date is earlier than the payment date i.e., 28.3.2025.
- (xiv) On payment of prize winnings of ₹ 21,000 -Tax is deductible @ 30% u/s 194B by M/s. Maximus Retail Ltd., from the prize money of ₹ 21,000 payable to the customer, since the winnings exceed ₹ 10,000.

Question 24

[Topic Covered: Return Filing]

Examine whether the following persons are required to file return of income for A.Y.2025-26, giving brief reasons for your answer –

(i)	Mr. Albert, aged 31 years, whose turnover from business is ₹ 70 lakhs for the P.Y.2024-25 and whose total income computed as per books of account is ₹ 2 lakhs. This is the first year of his business. He has no other income. He is not claiming any deduction under Chapter VI-A or section 10AA.
(ii)	Mr. Ashish, aged 42 years, has gross receipts of ₹ 5 lakhs from profession and profits and gains of ₹ 2.50 lakhs (computed) from profession for the P.Y. 2024-25. In addition, he has interest of ₹ 4 lakhs on fixed deposits and ₹ 50,000 from savings bank account.
(iii)	M/s. ABC & Co., a law firm, whose gross receipts from profession for the P.Y.2024-25 is ₹ 9 lakhs.
(iv)	XYZ (P) Ltd. which has incurred expenditure of an amount of ₹ 95,000 towards consumption of electricity in the F.Y.2024-25.
(v)	Mr. Vallish, aged 58 years, who has deposited ₹ 50 lakhs in his savings bank account with SBI on 28th March, 2025. The said sum was received as a gift from his son, Mr. Rishi, aged 30 years, who is employed in a company. Mr. Vallish used the said sum to purchase a flat for ₹ 30 lakhs on 25th April, 2025 for self-residence. The balance money was transferred to a 1-year fixed deposit on 28th April, 2025. Mr. Vallish does not maintain any other bank account. He is not in receipt of any other source of income other than interest on this fixed deposit.
(vi)	Mr. Ravi Prakash, a resident Indian aged 52 years, gifted a sum of ₹ 30 lakhs to his wife Mrs. Sudha on the occasion of her 50th birthday. Out of the said sum, Mrs. Sudha purchased a car for ₹ 29,52,000 inclusive of RTO charges of ₹ 2,15,000, insurance of ₹ 51,575, extended warranty of ₹ 25,255 and accessories charges of ₹ 35,460 during the P.Y. 2024-25. These charges were shown separately in the invoice. Mrs. Sudha's furnished her Aadhaar No. to the dealer. She is a housewife and does not have any income except rental income of ₹ 25,000 p.m. in respect of a house property gifted to her by her father. Mr. Ravi Prakash is of the opinion that his wife is not required to furnish return of income, since her total income does not exceed the basic exemption limit. Examine.

Answer

Requirement of filing return of income

(i)	Yes, Mr. Albert is required to file his return of income for A.Y.2025-26. As per section 139(1)(b), an individual is required to file his return if his total income, without giving effect to deductions under, <i>inter alia</i>, Chapter VI-A and section 10AA, exceeds the basic exemption limit. In this case, Mr. Albert's total income of ₹ 2,00,000 is lower than the basic exemption limit of ₹ 2,50,000 or ₹ 3,00,000. However, such person referred to in section 139(1)(b) who is not required to file his return on account of his total income being lower than the basic exemption limit would be required to file return of income if, <i>inter alia</i>, his turnover in business exceeds ₹ 60 lakhs. In this case, since Mr. Albert's turnover from business for the P.Y.2024-25 is ₹ 70 lakhs, he has to file return of his income for A.Y.2025-26.
(ii)	Yes, Mr. Ashish is required to file his return of income for A.Y.2025-26. Mr. Ashish's total income for A.Y.2025-26 without giving effect to Chapter VI-A deductions is ₹ 7 lakhs [₹ 2.50 lakhs from profession + ₹ 4 lakhs interest on fixed deposits + ₹ 0.50 lakhs interest on savings bank account], which exceeds the basic exemption limit of ₹ 2,50,000. Hence, he is required to file his return of income for A.Y.2025-26 as per section 139(1)(b). Note - The threshold limit of ₹ 10 lakhs for gross receipts in profession has to be looked into only in a case where an individual referred to in section 139(1)(b) is not required to file his return of income thereunder i.e., only if Ashish's total income without giving effect to Chapter VI-A deductions is lower than the basic exemption limit.
(iii)	Yes, M/s. ABC & Co. is required to file its return of income for A.Y.2025-26. As per section 139(1)(a), a firm is compulsorily required to file its return of income. The threshold limit of ₹ 10 lakhs for gross receipts in profession is relevant only for a person other than a company or a firm.
(iv)	Yes, XYZ (P) Ltd. is required to file its return of income for A.Y.2025-26. As per section 139(1)(a), a company has to mandatorily file its return of income. The condition of filing of return of income where expenditure towards consumption of electricity exceeds ₹ 1 lakh applies to a person other than a company or a firm.
(v)	Yes, Mr. Vallish is required to file his return of income for A.Y.2025-26. Gift of ₹ 50 lakhs received from son is not taxable u/s 56(2)(x) in the hands of Mr. Vallish, since his son is his relative, and gifts from a relative are excluded from the applicability of section 56(2)(x). The only income of Mr. Vallish for the P.Y.2024-25 would be interest on savings account for a period of 4 days from 28th March, 2025 to 31st March, 2025 on ₹ 50 lakhs, which would be lower than the basic exemption limit. As per section 139(1)(b), an individual is required to file his return if his total income exceeds the basic exemption limit. In this case, Mr. Vallish's total income is lower than the basic exemption limit of ₹ 2,50,000 or ₹ 3,00,000. However, such person referred to in section 139(1)(b) who is not required to file his return on account of his total income being lower than the basic exemption limit would be required to file return of income if, <i>inter alia</i>, the deposit in his savings account is ₹ 50 lakhs or more during the previous year. Since a deposit of ₹ 50 lakhs has been made in the savings account of Mr. Vallish in the P.Y.2024-25, he is required to file his return of income for A.Y.2025-26.
(vi)	Mrs. Sudha's income from house property would be ₹ 2,10,000 (₹ 3,00,000 less 30% of net annual value). Since this is her only source of income, her gross total income/total income for A.Y.2025-26 would be ₹ 2,10,000, which is lower than the basic exemption limit. Hence, she is not required file her return of income for A.Y.2025-26 as per section 139(1)(b), since her gross total income/total income does not exceed the basic exemption limit of ₹ 2,50,000. However, proviso of section 139(1) provides that a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if he/she fulfills such other conditions as may be prescribed under Rule 12AB.

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Rule 12AB, *inter alia*, prescribes that any person other than a company or a firm, who is not required to furnish a return u/s 139(1), has to file income-tax return in the prescribed form and manner on or before the due date if, the aggregate of tax deducted at source and tax collected at source during the previous year, in case of such person, is ₹ 25,000 or more.

Accordingly, it has to be examined whether, in Mrs. Sudha's case, the requirement to file return for A.Y.2025-26 arises due to TDS/TCS, in her case, exceeding ₹ 25,000 in the P.Y.2025-26.

As per section 206C(1F), every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, has to collect tax from the buyer @1% of the sale consideration.

Accordingly, dealer of the car is required to collect tax at source of ₹ 26,247 @1% on ex-showroom price i.e., ₹ 26,24,710 (₹ 29,52,000 – ₹ 2,15,000 – ₹ 51,575 – ₹ 25,255 – ₹ 35,460) from Mrs. Sudha, being the buyer of the car.

Hence, as per the seventh proviso to section 139(1) read with Rule 12AB, Mrs. Sudha is required to mandatorily file her return of income for A.Y.2025-26, even though her gross total income/total income does not exceed the basic exemption limit, since tax collected at source during the P.Y. 2024 25, in her case is ₹ 26,247 which exceeds the threshold of ₹ 25,000.

Question 25

[Topic Covered: Return Filing]

- (i) Mr. Sudarshan, due to inadvertent reasons, failed to file his Income-tax return for the assessment year 2025-26 on or before the due date of filing such return of income.
- (a) Can he file the above return after due date of filing return of income? If yes, which is the last date for filing the above return?
- (b) What are the consequences of non-filing the return within the due date u/s 139(1)?
- (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply?
- (iii) Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books of account for the financial year ended on 31st March, 2025 audited u/s 44AB. Her total income for the assessment year 2025-26 is ₹ 6,35,000. She wants to furnish her return of income for assessment year 2025-26 through a tax return preparer. Can she do so?

Answer

- (i) If any person fails to furnish a return within the time allowed to him u/s 139(1), he may furnish the belated return for any previous year at any time -
- (a) 3 months prior to the end of the relevant assessment year; or
- (b) before the completion of the assessment, whichever is earlier.

The last date for filing return of income for A.Y.2025-26, therefore, is 31st December 2025. Thereafter, Mr. Sudarshan cannot furnish a belated return after this date.

Consequences for non-filing return of Income within the due date u/s 139(1)

Carry forward and set-off of certain losses: Business loss, speculation business loss, loss from specified business u/s 35AD, loss under the head "Capital Gains"; and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward for set-off against income of subsequent years, where a return of income is not furnished within the time allowed u/s 139(1).

Interest u/s 234A: Interest u/s 234A@1% per month or part of the month for the period commencing from the date immediately following the due date u/s 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

Fee u/s 234F: Fee of ₹ 5,000 would be payable u/s 234F, if the return of income is not filed on or before the due date specified in section 139(1). However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

- (ii) **Persons to whom provisions of section 139AA relating to quoting of Aadhar Number does not apply**

The provisions of section 139AA relating to quoting of Aadhar Number would not apply to an individual who does not possess the Aadhar number and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
 - (ii) a non-resident as per Income-tax Act, 1961;
 - (iii) of the age of 80 years or more at any time during the previous year;
 - (iv) not a citizen of India
- (iii) Section 139B provides a scheme for submission of return of income for any assessment year through a Tax Return Preparer. However, it is not applicable to persons whose books of account are required to be audited u/s 44AB. Therefore, Mrs. Hetal cannot furnish her return of income for A.Y.2024-25 through a Tax Return Preparer.

Question 26

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

- (a) Mr. Thomas, a citizen of Japan, comes to India for the first time during the P.Y. 2020-21. During the financial years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25, he was in India for 50 days, 65 days, 95 days, 150 days and 75 days, respectively. Determine his residential status for the A.Y. 2025-26. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2025-26 of the following transactions entered by him.
- (1) Interest received from Mr. Michel, a non-resident outside India (The borrowed fund is used by Mr. Michel for investing in Indian company's debt fund for earning interest).
 - (2) He is also engaged in the business of running news agency and earned income of ₹ 5 lakhs from collection of news and views in India for transmission outside India.
 - (3) He entered into an agreement with ABC & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Steel manufacturing plant, in India. He charged ₹ 15 lakhs for these services from ABC & Co.
- (b) Mr. Naksh has undertaken certain transactions during the F.Y.2024-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –

S. No.	Transaction
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2024-25 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds
3.	Applied for issue of credit card to SBI
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

- (c) Ms. Soha (aged 35 years), a resident individual, is a dealer of scooters. During the previous year 2024-25, total turnover of her business was ₹ 110 lakhs (out of which ₹ 25 lakhs was received by way of account payee cheques and balance in cash). Ms. Soha does not opt to pay tax as per the provisions of section 115BAC.

What would be your advice to Ms. Soha relating to the provisions of advance tax with its due date along with the amount payable, assuming that she wishes to make maximum tax savings.

Answer

- (a) U/s 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:
- (i) He has been in India during the previous year for a total period of 182 days or more, or
 - (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

Super 30 Questions for CA Inter MAY 25 Exams

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

During the previous year 2024-25, Mr. Thomas was in India for 75 days and during the 4 years preceding the previous year 2024-25, he was in India for 360 days (i.e. 50+ 65+ 95+ 150 days).

The total stay of the Mr. Thomas during the previous year in India was less than 182 days and during the four years preceding this year was for 360 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, he would be treated as non-resident for the Assessment Year 2025-26.

- (1) Not taxable, since interest payable by a non-resident to another non-resident would be deemed to accrue or arise in India only if the borrowed fund is used for the purposes of business or profession carried on by him in India. In this case, it is used for investing in Indian company's debt fund for earning interest and not for the purposes of business or profession. Hence, it is not taxable in India.
- (2) No income shall be deemed to accrue or arise to Mr. Thomas through or from activities which are confined to the collection of news and views in India for transmission outside India. Hence, ₹ 10 lakhs is not taxable in India in the hands of Mr. Thomas.
- (3) ₹ 10 lakhs is deemed to accrue or arise in India to Mr. Thomas, a non-resident, since it represents royalty/fees for technical services paid for services utilized in India, in this case, for setting up a Steel manufacturing plant in India. Hence, the same would be taxable in India in the hands of Mr. Thomas.

(b)

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2024-25 by account payee cheque to LIC for insuring life of self and spouse	No, since the amount paid does not exceed ₹ 50,000 in the F.Y.2024-25.
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds	Yes, since the amount paid exceeds ₹ 50,000
3.	Applied to SBI for issue of credit card.	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Dubai for 3 days to visit	No, since the amount was paid by account payee cheque, quoting of PAN is not mandatory even though the payment exceeds ₹ 50,000

(c) Computation of advance tax of Ms. Soha under Presumptive Income scheme as per section 44AD

The total turnover of Ms. Soha, a dealer of scooter, is ₹ 110 lakhs. Since her total turnover from such business is less than ₹ 200 lakhs and she does not wish to get his books of account audited, she can opt for presumptive tax scheme u/s 44AD.

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

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

An eligible assessee opting for computation of profits and gains of business on presumptive basis u/s 44AD in respect of eligible business is required to pay advance tax of the whole amount on or before 15th March of the financial year.

Computation of tax liability of Ms. Soha as per normal provisions of Income-tax Act, 1961

Particulars	Amount in ₹
-------------	-------------

Total Income	8,30,000	
Tax on 8,30,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000@5%	12,500	
₹ 5,00,001 – ₹ 8,30,000@20%	66,000	78,500
Add: Health and Education cess@4%		3,140
Tax liability		81,640

Accordingly, she is required to pay advance tax of ₹ 81,640 on or before 15th March of the financial year. However, any amount by way of advance tax on or before 31st March of the financial year shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of the Act.

Question 27

[Topic Covered: Total Income & Tax Liabilities]

Compute total income and tax liability thereon of Mr. Raghav for the A.Y. 2025-26 from the following details as per default tax regime and normal provision of Income Tax.

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2024-25 are:

(i) Basic Salary	1,70,000 p.m.
(ii) Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
(iii) Commission	32,000 p.m.
(iv) Transport Allowance	5,000 p.m.
(v) Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2024 after completing 10 years and 5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972.

He started business of hiring of goods vehicle, purchased 4 small goods vehicle on 10th December, 2024 and 4 heavy vehicles having gross weight of 20 MTs each on 1st January, 2025. He did not maintain books of accounts for the business of hiring of goods vehicle. Mr. Shivpal, his very close friend gifted him ₹ 2 lakhs to purchase the vehicles.

He was holding 30% equity shares in TSP (P) Ltd., an Indian company. The paid up share capital of company as on 31st March, 2024 was ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each. Company allotted shares to shareholders on 1st October, 2013.

He sold all these shares on 30th November, 2024 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Raghav has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.

On 12.2.2025, interest of fixed deposits of ₹ 90,000 credited to his SBI Bank. On 30.4.2024, ₹ 5,500 and on 30.12.2024, ₹ 8,500 credited to interest on saving bank A/c with SBI Bank.

He deposited ₹ 1,10,000 in PPF A/c. He paid insurance premium of ₹ 20,000 on his life policy during the financial year 2024-25. The policy was taken in April 2011 and sum assured was ₹ 3,00,000. He also made payment of ₹ 25,000 towards L.I.C. pension fund and premium of ₹ 40,000 towards mediclaim policy for self and ₹ 20,000 for his wife. All the payment he made by A/c payee cheque.

There was no change in salary of Mr. Raghav from last two years.

Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2024-25	363

Answer: ₹

MR Raghav

14/25/2025

Computation of Total Income as per default tax Regime U/S 115BAC

	₹	₹
<u>Income from Salary</u>		
Basic Salary (170000pm x 8 months)	1360000	
DA (Interim) (80000 x 8 months)	640000	
Commission (32000 x 8m)	256000	
Transport Allowance (5000 x 8m)	40000	
Medical Reimbursement	10000	
Gratuity Recd. 2500000		
<u>Less: Exempt U/S 10(10)</u>		
(i) $\frac{1}{2} \times \text{Avg Salary pm} \times \text{No of years of service}$ $\frac{1}{2} \times 250000 \times 10 \text{ years} = 1250000$		
(ii) Actual Amt Recd = 250000		
(iii) max: 2000000 : 2000000 (1250000)	1250000	
Gross Salary	3586000	
<u>Less: Standard Dedn U/S 16(ia)</u> (75000)		
Net Salary		35,11,000
<u>Profit & Gain from Business or Profession</u>		
<u>Income from Hiring Vehicles</u>		
Heavy Vehicles: 4 x 20000 x 3m =	240000	
Other Vehicles: 4 x 7500 x 4m =	120000	
<u>PGBP</u>		360000
<u>Capital Gain on Sale of 60000 Shares</u>		
FVOC (60000 x 60)	3600000	

Lev: CoA

Step 1 : Cost (60K x 40)	2400000	
Step 2 : a) Inv on 31/1/18 30L		
b) fuel 36L 3000000	(30.00.000)	
LTCG VIC 112A		600000
<u>Income from other sources</u>		
Gift from friend	200000	
Interest on Bank FD	100000	
($\frac{90000}{9\%} \times 10\%$)		
Interest on SB Ac	14000	
		314000
Gross Total Income		47,85,000
<u>Lev:</u> <u>Debn VIC 112A</u>		N/A
Total Income / Net taxable Income		47,85,000

Calc of Tax liability

① LTCG VIC 112A @ 12.5% in excess of 125000 $(475000 \times 12.5\%) : 59375$
 $(600000 - 125000)$

② Tax on Balance Income 41,85,000

upto 300000	—	—
> 300000 upto 700000	5%	20000
> 700000 upto 1000000	10%	30000
> 1000000 upto 1200000	15%	30000
> 1200000 upto 1500000	20%	60000

7500000 upto 4135000 30% 805500

945500
1004875

ADD: HEC @ 4%

40195

Net tax liability

1045070

Part B: Computation of Total Income as per Normal prov. of Income Tax (opt out from 115BAC)

GTI as per sec 115BAC

4785000

ADD: Dedn U/s 16 [As under Normal prov. dedn Allowed is only 50000]

25000

4810000

Less: Dedn U/s VI-A

DOC: (i) PPF 110000
(ii) Life Insurance Policy Premium 20000

130000

DOCCC: LIC Pension Scheme

25000

155000

As per sec 80CCF: DOC + DOCCC + DOCCDCU
Restricted to 150000

150000

(150000)

DOC: Medical Ins. Premium 60000

In case of Senior Citizen max Allowed ₹ 50000

(50000)

DOTTB: Interest on Deposited

(50000)

Total Income

4560000

Calc of Tax liability

① (TCG vis 112A @ 12.5% in excess of 125000 $(475000 \times 12.5\%) : 59375$
 $(600000 - 125000)$

② Tax on Balance Income

upto 300000	—	—	
* 300000 upto 500000	5%	10000	
* 500000 upto 1000000	20%	100000	
* 1000000 upto 3960000	30%	<u>888000</u>	998000
			<u>1057375</u>
		Add: HEC @ 4%	42295
		<u>Net tax liab.</u>	<u>1099670</u>

Question 28

From the following information provided by Mr. Suresh, aged 43 years and a wholesale dealer, for the A.Y. 2025-26, you are required to compute the tax payable by him assume he opted out from section 115BAC.

Trading and Profit and Loss Account of Mr. Suresh

Particulars	Amount in ₹	Particulars	Amount in ₹
To Opening Stock	24,21,000	By Sales	2,62,50,100
To Purchases	2,06,00,500	By Closing stock	52,00,100
To Direct expenses	4,12,040		
To Freight inward	2,65,000		
To Gross Profit c/d	77,51,660		
	3,14,50,200		3,14,50,200
To Salaries and wages	17,15,000	By Gross Profit b/d	77,51,660
To General expenses	3,65,000	By dividend from Indian companies (gross)	17,20,000
To Rates and taxes	2,40,000	By Interest received on FDs (Net of tax) [FD made on 1.8.2024]	1,08,000
To Interest paid on late filing of GST	3,845	By Rent received	7,20,000
To Income-tax paid for FY 2022-23	3,45,000	By Income-tax Refund	19,000
To Interest paid to NBFC	1,15,000		
To Depreciation	1,82,000		
To Net Profit	73,52,815		
	1,03,18,660		1,03,18,660

The following additional information is provided by him:

- Closing stock of previous year 2024-25 was undervalued by ₹ 55,000.
- Rates and taxes include ₹ 1,000 paid towards late filing of his Income-tax return for Assessment Year 2024-25 u/s 234F of Income-tax Act.
- Salaries include ₹ 30,000 paid on single day by way of cash to his accountant.
- Interest paid on loan of ₹ 10,00,000 taken from a Non-Banking Finance company. Out of the loan, amount of ₹ 2 lakhs was used for personal purpose and the balance was used for business purpose. No TDS was deducted while paying the interest on loan.
- An amount of ₹ 35,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- General expenses include Advertisement expense of ₹ 25,000 paid by cheque towards an advertisement in a souvenir published by local political party.
- Income-tax refund includes ₹ 2,500 towards interest.
- Depreciation charged is as per Income-tax Rules is ₹ 2,20,000
- Advance Tax paid during the year is ₹ 9 lakhs.
- TDS has been deducted on interest received on FD.
- Turnover for the year ending 31.03.2024 was ₹ 2.58 crores.

Computation of Total Income as per Normal prov. of I.T.

Particulars	₹	₹
<u>Income from House Property</u>		
Rent Recd / Gross Annual Value / <u>Net Annual Value</u>	₹ 20,000	
<u>Less: Std dedn 30% of NAV</u>	<u>21,600</u>	<u>504,000</u>
<u>Profit from Business or Profession (PGBP)</u>		
Net Profit as per P&L A/c		73,52,815
<u>Add: Disallowed / Items Consider Separately</u>		
(i) Dep. as per Book of A/c's	18,200	
(ii) Income tax paid for FY 22-23	34,500	
(iii) Income tax fee u/s 234F Not Allowed	1,000	
(iv) Cash Salary Paid in single day to single person Not Allowed due to sec 40AC(3)	30,000	
(v) Interest on loan taken from NBFC → Personal Purpose $(115,000 \times \frac{2\% \text{ loan}}{10\% \text{ loan}})$ → Business Purpose [30% disallowed as per Not Deducted <u>see 40(a)(ia)</u>] $(92,000 \times 30\%)$	23,000 27,600	
(vi) Advtg. in the Souvenir of Political Party Not Allowed	25,000	633,600
		<u>79,86,415</u>
<u>Less: Allowed / Items Consider Separately</u>		
(i) Dividend from Indian Companies	17,20,000	
(ii) Interest on F.D.	10,800	
(iii) Rent Recd.	7,20,000	
(iv) Income tax Regard.	19,000	

(V) Dep. as per Income-tax Rules	220000	(2787000)
		5199415
<u>Add: Stock Adjustment (Closing stock undervalued)</u>		55000
	<u>PGBP</u>	52,54,415
<u>Income from other sources</u>		
Dividend from Indian Companies	1720000	
Interest on FD $\left(\frac{108000}{9\%} \times 100\right)$	120000	
Interest on Income tax Refund	2500	1842500
Gross Total Income (GTI)		76,00,915
<u>Less: Deduction UIC VI-A</u>		
80D: Health Insurance premium : [max Allowed is 25000]	35000	(25000)
80GGC: [Advtg in the souvenir of Political party is not treated as Donation to political party)	—	
NET Total Income		<u>75,75,915</u>

Computation of Tax Payable

Upto 250000	—	—	
> 250000 upto 500000	5%	12500	
> 500000 upto 1000000	20%	100000	
> 1000000 upto 7575915	30%	<u>1972775</u>	2085276
<u>Add: Surcharge @ 10%</u>			<u>208528</u>
			22,93,804
<u>Add: HEC @ 4%</u>			<u>91752</u>

	Net tax liability	23,85,556
Less:	TDS	(12000)
	<u>Advance</u>	<u>(900000)</u>
	Net tax Payable	14,73,556
		<u>ie 14,73,560</u>

Question 29

You are required to compute the total income and tax liability of Mr. Alok, aged 58 years, a resident individual. Mr. Alok is an advocate and furnishes you the receipts and payments account for the financial year 2024-25.

Receipts and Payments Account

Receipts	₹	Payments	₹
Opening Balance (01-04-2024)		Staff salary and bonus to clerks	17,50,000
Cash & Bank	80,000	Other general and administrative expenses	22,00,000
Fee from legal services	49,60,000	Office rent	1,48,000
Motor car loan from SBI @12% p.a. interest	5,00,000	Life Insurance Premium (Sum Assured ₹ 5,00,000]	49,000
Sale receipts of 5,800 listed equity shares (sold on 31st March 2025)	5,95,000	Motor car (Acquired in January 2025 by way of NEFT)	9,50,000
		Books bought by way of A/c payee cheque in the month of May, June and September 2024 (annual publications)	80,000
		Computer acquired on 1-11-2024 for professional use (payment made by A/c payee cheque)	52,000
		Domestic drawings	6,23,000
		Motor car maintenance	72,000
		Public Provident Fund subscription	1,50,000
		Closing balances (31-03-2025)	61,000
		Cash & Bank	
	61,35,000		61,35,000

Other information:

- (i) Listed equity shares on which STT was paid were acquired in August 2016 for ₹ 1,21,800. The fair market value of such shares as on 31st January 2018 and on 1st April 2018 was ₹ 75 per share and ₹ 85 per share, respectively.
- (ii) Motor car was put to use for both official and personal purposes. 1/ 3rd of the motor car is for personal purpose. No interest on car loan was paid during the previous year 2024-25.
- (iii) Mr. Alok purchased a flat in Kanpur for ₹ 35,00,000 in July 2013 cost of which was partly financed by a loan from Punjab National Housing Finance Limited of ₹ 25,00,000, his own- savings ₹ 1,00,000 and a deposit from Repco Bank for ₹ 9,00,000. The flat was given to Repco Bank on lease for 10 years @ ₹ 35,000 per month. The following particulars are relevant:
 - (a) Municipal taxes paid by Mr. Alok ₹ 8,200 per annum
 - (b) House insurance ₹ 11,000As per interest certificate issued by Punjab National Housing Finance Limited for the financial year 2024-25, he paid ₹ 1,80,000 towards principal and ₹ 2,01,500 as interest.
- (iv) He earned ₹ 1,20,000 in share speculation business and lost ₹ 1,80,000 in commodity speculation business.
- (v) Mr. Alok received a gift of ₹ 21,000 each from four of his family friends.
- (vi) He contributed ₹ 1,21,000 to PM Cares Fund by way of bank draft.
- (vii) He donated to a registered political party ₹ 3,50,000 by way of cheque.
- (viii) He follows cash system of accounting.
- (ix) Cost Inflation Index : F.Y. 2016-17 – 264; F.Y. 2018-19 – 280; F.Y. 2024-25 – 363

You are requested to compute his total income and tax liability of Mr. Alok for the Assessment Year 2025-26, in the manner so that he can make maximum tax savings.

Q.1A: Computation of Total Income & Tax liability as per Default tax Regime U/S 115BAC

	₹	₹
<u>Income from House Property</u>		
Gross Annual Value / Actual Rent (35000 x 12m)	420000	
<u>Less</u> : Municipal taxes paid	8200	
Net Annual Value	411800	
<u>Less</u> : Deduction U/S 24		
a) Std. dedn 30% of NAV	(123540)	
b) Interest on loan	(201500)	86760
<u>Profit & Gain from Business or Profession</u>		
Fees from legal service		4960000
<u>Less</u> : Exps Allowed U/S 30 to 37		
Staff salary & Bonus	1750000	
Other General & Admin exps	2200000	
Office Rent	148000	
Motor CAR maint. (72000 x 2/3)	48000	
<u>Dep. on Assets</u>		
Motor CAR (950000 x 15% x 50% x 2/3)	47500	
<u>Books</u> (80000 x 40%)	32000	
Computer (52000 x 40% x 50%)	10400	(4235900)
	<u>PGBP</u>	724100
<u>Income from Speculative Business</u>	120000	
<u>Less</u> : loss from speculative Business	(120000)	
[Speculative Business loss can be set off only against Speculative Business Income, so remaining loss of		

£ 60000 shall be CIF for Next 4 AYs]

Computation of Capital Gain

LTCC on sale of listed share vis 112A

Price

595000

- COA

(1) Cost (5000 x 75) 121800
 (11) a) From 31/1/18 : 435000
 b) Price : 595000 435000

(435000)

160000

* Income from other sources *

Cash Gift from friends (20000 x 4)

80000

[Since gift in money more than 50000
So it is fully taxable]

Gross Total Income

1054860

Less: Deduction VI-A

Net Available

Total Income

1054860

Computation of Tax liability

(1) Tax on LTCC vis 112A [12.5% in excess of £ 125000]
[160000 - 125000] (35000 x 12.5%)

4375

(11) Tax on Balance Income (1054860 - 160000) : 894860

upto 300000 —

> 300000 upto 700000 5% 20000

> 700000 upto 894860 10% 19486

39486

43861

Add: HEC @ 4%
 Net tax liability

1754

45,615

ie 45620

Part B: Computation of Total Income & Tax liability if Assessee opt out from Sec 115BAC

₹

Grat Total Income as Computed Above:

1054860

Less: Deduction U/C VI-A

80C (i) Life Insurance Premium 49000

(ii) Repayment of Housing loan 180000

(iii) PPF 150000

379000

max Allowed is

150000

(150000)

80G Donation to Pm Care Fund

(12000)

80GGE Donation to Religious party

(350000)

Total Income

433860

Tax Com

(i) ITC U/C 112A (12.5% in excess of ₹ 125000)

(350000 × 12.5%)

4375

(ii) Tax on Bal. Income (433860 - 160000) 273860

upto 250000 — —

7 250000 upto 273860 5%

1193

5568

Less: Rebate U/C 87A

↓ (i) Tax Amt

1193

↓ (ii) 12500

12500

1193

4375

Add: HEC @ 4%

175

Net tax liability

4550

Question : 30

Mr. Daksh acquire house property on 10 July 1996 for ₹ 25 Lakhs. FMV of property as on 1 April 2001 is ₹ 50 Lakhs . He sold the house property for ₹1 crore. He also sold some listed shares of reliance industries Limited on 10 October 2024 and LTCG is ₹ 98 Lakhs. His income from House property is ₹ 15 lakhs.

Calculate total income and tax liability of Mr Daksh as per default tax regime if he transfer house property:-

(A) 15th June 2024

(B) 14th Feb 2025.

A) If HP Transfer on 15/6/2024

Computation of Total Income

	₹	₹
Income from House Property		15,00,000
<u>Income from Capital gain</u>		
(i) LTCG on sale of listed shares of RIL		98,00,000
(ii) <u>LTCG on sale of HP on 15/6/2024</u>		
FVOC	1,00,00,000	
- IGA		
↑ (i) Cost	25,00,000	
↑ (ii) FMV 1/4/01	50,00,000	
	$\times \frac{363(24.25)}{100(20.02)}$	
	(1,81,50,000)	
	(81,50,000)	(81,50,000)
[LTCG of sale of HP of ₹ 81,50,000 can be set off against LTCG on sale of shares]		
(LTCG on sale of listed shares)		16,50,000

Gross Total Income /
Total Income

3150000

Calc of Tax liability

(i) LTCG on sale of shares vis 112A [12.5% increase of 125000]
[1650000 - 125000]

$$1525000 \times 12.5\% = 190625$$

(ii) Bal NTL Tax

upto 300000

> 300000 upto 700000 5% 20000

> 700000 upto 1000000 10% 30000

> 1000000 upto 1200000 15% 30000

> 1200000 upto 1500000 20% 60000

140000

330625

Add: HECE 4%

13225

Net tax liability

343850

B) 22 HP transfer on 14/2/25

Computation of Total Income

Income from HP

1500000

Capital Gain

LTCG on sale of shares

930000

LTCG on HP of HP

free

1000000

- CoA

(500000)

LTCG

500000

500000

Total Income

16300000

Comp of Tax liability

$$(i) \text{ Tax on TCG vis 12A from shares } (9800000 - 125000) = 1209375 \\ (9675000 \times 12.5\%)$$

(ii) Tax on TCG of HP

↓ a) 12.5% without index	$(5000000 \times 12.5\%)$	625000	
↓ b) 20% with index	$(-3150000 \times 20\%)$	<u>Nil</u>	Nil

(iii) Tax on Bal. Income

$$(1500000 \rightarrow \text{Tax @ 10\% rate})$$

	<u>140000</u>
	1349375
<u>Add: SC @ 15%</u>	<u>202406</u>
	1551781
<u>Add: HE @ 4%</u>	<u>62071</u>
<u>Net tax liability</u>	<u>1613852</u>