

3.3

CHAPTER

PROFIT AND GAINS OF BUSINESS OR PROFESSION

1. Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

M/s XY & Co., a partnership firm, is engaged in the business of operating goods vehicles and computes its income on presumptive basis under Section 44AE. Since the income is computed under Section 44AE, no further deduction of any kind is allowable from the income so computed.

(RTP Nov., 2023)

Answer:

The statement is incorrect.

If the income is computed under presumptive taxation under Section 44AE, deduction allowable under Section 30 to 38 shall be deemed to have been given full effect to and no further deduction shall be allowed. However, in case of firm, salary and interest paid to partners is deductible subject to the conditions and limits prescribed in Section 40(b).

2. Mr. Abhimanyu is engaged in the business of generation and distribution of electric power. He opts to claim depreciation on written down value for income-tax purposes. From the following details, compute the depreciation allowable as per the provisions of the Income-tax Act, 1961 for the A.Y. 2025-26, assuming he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(IA):

	Particulars	(₹ in lacs)
(i)	WDV of block as on 31.03.2024 (15% rate)	50.00
(ii)	Depreciation for P.Y. 2023-24	7.50
(iii)	New machinery purchased on 12-10-2024	10.00
(iv)	Machinery imported from Colombo on 12-04-2024. This machine had been used only in Colombo earlier and the assessee is the first user in India.	9.00
(v)	New computer installed in generation wing unit on 15-07-2024	2.00

All assets were purchased by A/c payee cheque. (SM)

Answer:

Computation of depreciation under Section 32 for A.Y.2025-26

Particulars	(₹)	(₹)
Normal Depreciation		

Depreciation@15% on ₹ 51,50,000, being machinery put to use for more than 180 days [WDV as on 31.03.2024 of ₹ 50,00,000 - Depreciation for P.Y. 2023-24 of ₹ 7,50,000 + Purchase cost of imported machinery of ₹ 9,00,000]	7,72,500	
Depreciation @7.5% on ₹ 10,00,000, being new machinery put to use for less than 180 days	75,000	
	8,47,500	
Depreciation @40% on computers purchased ₹ 2,00,000	80,000	9,27,500
Additional Depreciation (Refer Note below)	1,00,000	
Additional Depreciation @10% of ₹ 10,00,000 [being actual cost of new machinery purchased on 12-10-2024]		
Additional Depreciation @20% on new computer installed in generation wing of the unit [20% of ₹ 2,00,000]	40,000	1,40,000
Depreciation on Plant and Machinery		10,67,500

Note:

Mr. Abhimanyu is eligible for additional depreciation since he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A). The benefit of additional depreciation is available to new plant and machinery acquired and installed in power sector undertakings. Accordingly, additional depreciation is allowable in the case of any new machinery or plant acquired and installed by an assessee engaged, inter alia, in the business of generation, transmission or distribution of power, at the rate of 20% of the actual cost of such machinery or plant.

Therefore, new computer installed in generation wing units eligible for additional depreciation@20%.

Since the new machinery was purchased only on 12-10-2024, it was put to use for less than 180 days during the previous year, and hence, only 10% (i.e., 50% of 20%) is allowable as additional depreciation in the A.Y.2025-26. The balance additional depreciation would be allowed in the next year.

However, additional depreciation shall not be allowed in respect of, inter alia, any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person. Therefore, additional depreciation is not allowable in respect of imported machinery, since it was used in Colombo, before its installation by the assessee.

3. Mr. Wiwzu, a retail trader of Cochin gives the following Trading and Profit and Loss Account for the year ended 31st March, 2025:

Trading and Profit and Loss Account for the year ended 31.03.2025

Particulars	(₹)	Particulars	(₹)
To Opening stock	90,000	By Sales	1,12,11,500

To Purchases	1,10,04,000	By Closing stock	1,86,100
To Gross Profit	3,03,600		---
	1,13,97,600		1,13,97,600
To Salary	60,000	By Gross profit b/d	3,03,600
To Rent and Rates	36,000	By Income from UTI	2,400
To Interest on Loan	15,000		
To Depreciation	1,05,000		
To Printing & Stationary	23,200		
To Postage & Telegram	1,640		
To Loss on sale of shares (Short-term)	8,100		
To Other general	7,060		
Expenses:			
To Net Profit	50,000		
	3,06,000		3,06,000

Additional Information:

- (i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:

Opening stock	₹ 9,000
Closing stock	₹ 18,000

- (ii) Salary includes ₹ 10,000 paid to his brother, which is unreasonable to the extent of ₹ 2,000.
- (iii) The whole amount of printing and stationery was paid in cash by way of one-time payment to Mr. Ramesh.
- (iv) The depreciation provided in the Profit and Loss Account ₹ 1,05,000 was based on the following Information:
The opening balance of plant and machinery (i.e., the written down value as on 31-03-2024 minus depreciation for P.Y. 2023-24) is ₹ 4,20,000. A new plant falling under the same block of depreciation was bought on 01-07-2024 for ₹ 70,000. Two old plants were sold on 01-10-2024 for ₹ 50,000.
- (v) Rent and rates includes GST Liability of ₹ 3,400 paid on 07-04-2025.
- (vi) Other general expenses include ₹ 2,000 paid as donation to a Public Charitable Trust.

You are required to compute the profits and gains of Mr. Wiwzu under presumptive taxation u/s 44AD and profits and gains as per the regular provisions of the Act assuming he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A). Assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

(SM)

Answer:**Computation of business income of Mr. Wiwzu for the A.Y. 2025. 26**

Particulars	(₹)	(₹)
Net Profit as per profit and loss account		50,000
Add Inadmissible Expenses/ Losses:		
Under valuation of closing stock	18,000	

Salary paid to brother - unreasonable [Section 40A(2)]	2,000	
Printing and Stationery - whole amount of printing & stationery paid in cash would be disallowed, since such amount exceeds ₹ 10,000 [Section 40A(3)]	23,200	
Depreciation (considered separately)	1,05,000	
Short term capital loss on shares	8,100	
Donation to public charitable trust	<u>2,000</u>	<u>1,58,300</u>
		<u>2,08,300</u>
Less: Items to be deducted:		
Under valuation of opening stock	9,000	
Income from UTI [Chargeable under the head "Income from Other Sources"]	<u>2,400</u>	<u>11,400</u>
Business income before depreciation		<u>1,96,900</u>
Less: Depreciation (See Note 1)		<u>66,000</u>
		1,30,900

Computation of business income as per Section 44AD:

As per Section 44AD, where the amount of turnover is received, Inter alia, by way of account payee cheque or use of electronic clearing system through bank account or through such other prescribed electronic modes, the presumptive business income would be 6% of turnover, i.e., ₹ 1,12,11,500 × 6/100 = ₹ 6,72,690

Notes:

1. Calculation of depreciation

Particulars	(₹)
Opening balance of plant & machinery as on 01-04-2023 (i.e. WDV as on 31-03-2024)	4,20,000
(-) depreciation for P.Y. 2023-24	
Add: Cost of new plant & machinery	70,000
	4,90,000
Less: Sale proceeds of assets sold	50,000
WDV of the block of plant & machinery as on 31-03-2025	4,40,000
Depreciation @ 5%	66,000
No additional depreciation is allowable as the assessee is not engaged in manufacture or production of any article.	

- Since GST liability has been paid before the due date of filing return of income under Section 139(1), the same is deductible.

4. Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2024, he owns 10 trucks (out of which 6 are heavy goods vehicles, the gross vehicle weight of such goods vehicle is 15,000 kg. each). On 2nd May, 2024, he, sold one of the heavy goods vehicles and purchased a light goods vehicle on 6th May, 2024.

This new vehicle could, however, be put to use only on 15th June, 2024.

Compute the total income of Mr. Sukhvinder for the A.Y. 2025-26, taking note of the following data:

Particulars	(₹)	(₹)
Freight charges collected		12,70,000
Less: Operational expenses	6,25,000	
Depreciation as per Section 32	1,85,000	
Other office expenses	15,000	8,25,000
Net Profit		4,45,000
Other business and non-business income		70,000

(SM)

Answer:

Section 44AE would apply in the case of Mr. Sukhvinder since he is engaged in the business of plying goods carriages and owns not more than ten goods carriages at any time during the previous year.

Section 44AE provides for computation of business income of such assesses on a presumptive basis. The Income shall be deemed to be ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and ₹ 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by the assessee in the previous year or such higher sum as declared by the assessee in his return of income.

Mr. Sukhvinder's business income calculated applying the provisions of Section 44AE is ₹ 13,72,500 (See Notes 1 & 2 below) and his total income would be ₹ 14,42,500. However, as per Section 44AE(7), Mr. Sukhvinder may claim lower profits and gains if he keeps and maintains proper books of account as per Section 44AA and gets the same audited and furnishes a report of such audit as required under Section 44AB. If he does so, then his income for tax purposes from goods carriages would be ₹ 4,45,000 instead of ₹ 13,72,500 and his total income would be ₹ 5,15,000.

Notes:

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

Particulars	Presumptive Income (₹)	Where books are maintained (₹)
Income from business of plying goods carriages (See Note 2 Below)	13,72,500	4,45,000
Other business and non-business income	70,000	70,000
Total Income	14,42,500	5,15,000

2. Calculation of presumptive, income as per Section 44AE

Type of carriage	No. of Months	Rate per ton/per month	Ton	Amount (₹)
(1)	(2)		(3)	(4)
Heavy goods vehicle				
1 goods carriage up-to 1 st May	2	1,000	15 (15,000/1,000)	30,000
5 goods carriage held throughout the year	12	1,000	15 (15,000/1,000)	9,00,000
Goods vehicle other than heavy goods vehicle				
1 goods carriage from 6 th May	11	7,500	---	82,500
4 goods carriage held throughout the year	12	7,500	---	3,60,000
Total				13,72,500

5. Mr. Raju, a manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31-03-2025:

Manufacturing, Trading and Profit & Loss Account for the year ended 31-03-2025

Particulars	(₹)	Particulars	(₹)
To Opening Stock	71,000	By Sales	2,32,00,000
To Purchase of Raw Materials	2,16,99,000	By Closing stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000	By Dividend from domestic companies	15,000
To Gross Profit	10,60,000		
	2,34,00,000		2,34,00,000
To Administrative charges	3,26,000	By Gross Profit	10,60,000
To SGST penalty	5,000	By Income from agriculture (net)	1,80,000
To GST paid	1,10,000		
To General Expenses	54,000		
To Interest to Bank (On machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	12,55,000		12,55,000

Following are the further information relating to the financial year 2024-25:

- (i) Administrative charges include ₹ 46,000 paid as commission to brother of the assessee. The commission amount at the market rate is ₹ 36,000.

- (ii) The assessee paid ₹ 33,000 in cash to a transport carrier on 29-12-2024. This amount is included in manufacturing expenses. (Assume that the provisions relating to TDS are not applicable to this payment)
- (iii) A sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in the books of account.
- (iv) Bank term loan interest actually paid up to 31-03-2025 was ₹ 20,000 and the balance was paid in November, 2025.
- (v) Housing loan principal repaid during the year was ₹ 50,000 and it relates to residential property acquired by him in P.Y. 2023-24 for self-occupation. Interest on housing loan was ₹ 23,000. Housing loan was taken from Canara Bank. These amounts were not dealt with in the profit and loss account given above.
- (vi) Depreciation allowable under the Act is to be computed on the basis of following information:

Plant & Machinery (Depreciation rate@15%)	(₹)
WDV as on 31-03-2024 minus Depreciation for P.Y. 2023-24	11,90,000
Additions during the year (used for more than 180 days)	2,00,000
Total additions during the year	4,00,000

Compute the total income of Mr. Raju for the A.Y. 2025-26 assuming he pays tax under default tax regime.

Note: Ignore application of Section 14A for disallowance of expenditures in respect of any exempt income. (SM)

Answer:

Compute of Total Income of Mr. Raju for the A.Y.2025-26

Particulars	(₹)	(₹)
Profits and gains of business or profession		
Net profit as per profit and loss account		5,00,000
Add: Excess commission paid to brother disallowed under Section 40A(2)	10,000	
Disallowance under Section 40A (3) is not attracted since the limit for one-time cash payment is ₹ 35,000 in respect of payment to transport operators. Therefore, amount of ₹ 33,000 paid in cash to a transport carrier is allowable as deduction.	Nil	
Salary paid to staff not recorded in the books {Assuming that the expenditure is in the nature of unexplained expenditure and hence, is deemed to be Income as per Section 69C and would be taxable @ 60% under Section 115BBE - no deduction allowable in respect of such expenditure} (See Note 1 below)	48,000	
Bank term loan interest paid after the due date of filing of return under Section 139(1) - disallowed as per Section 438	40,000	
State GST penalty paid disallowed [See Note 2 below]	5,000	

	Depreciation debited to profit and loss account	2,00,000	3,03,000
Less:	Dividend from domestic companies [Chargeable to tax under the head "Income from Other Sources"]	15,000	8,03,000
	Income from agriculture [Exempt under Section 10(1)]	1,80,000	
	Depreciation under the Income-tax Act, 1961 (As per working note)	2,23,500	4,18,500
			3,84,500
	Income from house property		
	Annual value of self-occupied property	Nil	
Less:	Deduction u/s 24(b) - interest on housing loan [Not allowable, since Mr. Raju is paying tax as per default tax regime]	Nil	Nil
	Income from Other Sources		
	Dividend from domestic companies		15,000
	Gross Total Income		3,99,500
Less:	Deduction u/s 80C [Not allowable, since Mr. Raju is paying tax as per default tax regime]		Nil
	Total Income		3,99,500

Working Note:

Computation of depreciation under the Income-tax Act 1961

Particulars	(₹)
Depreciation @15% on ₹ 13.90 Lakhs (WDV as on 31-03-2024 less depreciation for P.Y. 2023-24 i.e., ₹ 11.90 Lakhs plus assets purchased during the year and used for more than 180 days ₹ 2 Lakhs)	2,08,500
Depreciation @7.5% on ₹ 2 Lakhs {Assets used for < 180 days}	15,000
	2,23,500

Since Mr. Raju is paying tax as per default tax regime, additional depreciation u/s 32(1)(iia) would not be available to him.

Notes {Alternate views}:

- 1) It is also possible to take a view that the salary not recorded in the books of account was an erroneous omission and that the assessee has offered satisfactory explanation for the same. In such a case, the same should not be added back as unexplained expenditure, but would be allowable as deduction while computing profits and gains of business and profession.
- 2) Where the imposition of penalty is not for delay in payment of sales tax or VAT or GST but for contravention of provisions of the Sales Tax Act or VAT Act or GST Law, the levy is not compensatory and therefore, not deductible. However, if the levy is compensatory in nature, it would be fully

allowable. Where it is a composite levy, the portion which is compensatory is allowable and that portion which is penal is to be disallowed.

Since the question only mentions "GST penalty paid" and the reason for levy of penalty is not given, it has been assumed that the levy is not compensatory and therefore, not deductible. It is, however, possible to assume that such levy is compensatory in nature and hence, allowable as deduction. In such a case, the total income would be ₹ 3,94,500.

6. Mr. Tenzing is engaged in composite business of growing and curing (further processing) coffee in Coorg, Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31-03-2025 are given below:

Particulars	(₹)
Opening balance of car (only asset in the block) as on 01-04-2024 (i.e. WDV as on 31-03-2024 (-) depreciation for P.Y. 2023-24)	3,00,000
Opening balance of machinery as on 01-04-2024 (i.e., WDV as on 31-03-2024 (-) depreciation for P.Y. 2023-24)	15,00,000
Expenses incurred for growing coffee	3,10,000
Expenditure for curing coffee	3,00,000
Sale value of cured coffee	22,00,000

Besides being used for agricultural operations, the car is also used for personal use; disallowance for personal use may be taken at 20%. The expenses incurred for car running and maintenance are ₹ 50,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the A. Y. 2025-26. (SM)

Answer:

Where an assessee is engaged in the composite business of growing and curing of coffee, the income will be segregated between agricultural income and business income, as per Rule 7B of the Income-tax Rules, 1962.

As per the above Rule, income derived from sale of coffee grown and cured by the seller in India shall be computed as if it were income derived from business, and 25% of such income shall be deemed to be income liable to tax. The balance 75% will be treated as agricultural income.

Particulars		(₹)	(₹)
Sale value of cured coffee			22,00,000
Less: Expenses for growing coffee		3,10,000	
Car expenses (80% of ₹ 50,000)		40,000	
Depreciation on car (80% of 15% of ₹ 3,00,000) (See Computation below)		36,000	
Total cost of agricultural operations		3,86,000	
Expenditure on coffee curing operations	3,00,000		

	Add: Depreciation on machinery (15% of ₹ 15,00,000) (See Computation below]	2,25,000		
	Total cost of the curing operations		5,25,000	
	Total cost of composite operations			9,11,000
	Total profits from composite activities			12,89,000
	Business Income (25% of above)			3,22,250
	Agricultural Income (75% of above)			9,66,750

Computation of depreciation for P.Y. 2024-25

Particulars	(₹)
Car	
Opening balance as on 01-04-2024 (i.e., WDV as on 31-03-2023 (-) depreciation for P.Y.2023-24)	3,00,000
Depreciation thereon at 15%	45,000
Less: Disallowance @20% for personal use	9,000
Depreciation actually allowed	36,000
Machinery:	
Opening balance as on 01-04-2024 (i.e., WDV as on 31-03-2024 (-) depreciation for P.Y.2023-24)	15,00,000
Depreciation @ 15% for P.Y. 2024-25	2,25,000

Explanation 7 to Section 43(6) provides that in cases of 'composite income', for the purpose of computing written down value of assets acquired before the previous year, the total amount of depreciation shall be computed as if the entire composite income of the assessee (and not just 25%) is chargeable under the head "Profits and gains of business or profession". The depreciation so computed shall be deemed to have been "actually allowed" to the assessee.

7. AB Light LLP consists of 2 working partners, Mr. Anand and Mr. Bheem with 60% and 40% share, respectively. As per the partnership deed, they are eligible for interest on capital @15% p.a. on their capital contribution of ₹ 15 lakhs each and remuneration of ₹ 50,000 p.m. to Anand and ₹ 40,000 p.m. to Bheem.

The firm is engaged in manufacturing business. During the year ended 31-03-2025, the net profit as per profit and loss account was ₹ 25,86,000 before considering interest on capital and remuneration to partners as well as the following items:

	(₹)
(i) Current year revenue expenditure on scientific research	2,40,000
(ii) Unabsorbed capital expenditure on scientific research relating to P.Y. 2021-22	85,000

(iii)	Brought forward business loss of A.Y. 2016-17	40,000
(iv)	Unabsorbed depreciation of A.Y. 2013-14	52,000
(v)	Current year depreciation under Section 32	4,70,000
(vi)	Brought forward business loss of A.Y. 2020-21	49,000
(vii)	Current year capital expenditure on scientific research	3,45,000

You are required to compute the total income of AB Light LLP for A.Y. 2025-26 after considering the above items. Also, determine the amount of remuneration taxable in the hands of Mr. Anand and Mr. Bheem.
(RTP Nov., 2023)

Answer:

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

Particulars	(₹)	(₹)
Net profit as per profit and loss account before interest on capital and remuneration to partners and other items		25,86,000
Less: Expenditure allowable from business income		
- Interest @ 12% p.a. [being the maximum allowable as per Section 40(b)] (₹ 15,00,000 × 12% × 2)	3,60,000	
- Current year revenue expenditure on scientific research under Section 35(1)(i)	2,40,000	6,00,000
-		19,86,000
- Current year depreciation under Section 32(1)	4,70,000	
- Current year capital expenditure on scientific research under Section 35(1)(iv)	3,45,000	
- Unabsorbed depreciation of A.Y. 2013-14 under Section 32(2)	52,000	
- Unabsorbed capital expenditure on scientific research relating to P.Y. 2021-22 under Section 35(4)	85,000	9,52,000
Book Profit		10,34,000
Less: Partners' remuneration allowable under Section 40(b)		
(i) As per limit prescribed in Section 40(b)		
On first ₹ 6,00,000 90%	5,40,000	
On the balance ₹ 4,34,000 60%	2,60,400	
	8,00,400	
(ii) Remuneration actually paid or payable [₹ 50,000 × 12 + ₹ 40,000 × 12]	10,80,000	
(i) or (ii) whichever is less, is deductible		8,00,400
Profit from manufacturing business		2,33,600

Less: Brought forward business loss of A.Y. 2016-17 (Not allowed to set off since - 8 years have been already expired]	---	
Less: Brought forward business loss of A.Y. 2020-21	49,000	49,000
Profits and gains of business or profession		1,84,600

Remuneration taxable in the hands of Mr. Anand as business income = ₹ 8,00,400 × 6,00,000/10,80,000
= ₹ 4,44,667

Remuneration taxable in the hands of Mr. Bheem as business income = ₹ 8,00,400 × 4,80,000/10,80,000
= ₹ 3,55,733

8. Mr. Aman has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31-03-2025:

S. No.	Particulars	(₹ in Lakhs)
(i)	Payment made to AB University, an approved University	15
(ii)	Payment made to Siya College	17
(iii)	Payment made to IIT, Bangalore {under an approved programme for scientific research)	12
(iv)	Machinery purchased for in-house scientific research	25

Compute the deduction available under Section 35 of the Income-tax Act, 1961 for A.Y. 2025-26, while computing his income under the head "Profits and gains of business or profession" under default tax regime under Section 115BAC. (MTP 4 Marks July, 2024)

Answer:

Computation of deduction allowable under Section 35

Particulars	Amount (₹ in Lakhs)	Section	% of deduction	Amount deduction (₹ in Lakhs)
Payment for scientific research				
AB University, an approved University	15	35(1)(ii)	Nil	Nil
Siya College	17	---	Nil	Nil
IIT Bangalore (under an approved programme for scientific research)	12	35(2AA)	Nil	Nil
In-house research			100%	25
Capital expenditure - Purchase of Machinery	25	35(1)(iv) r.w. 35(2)		
Deduct ion allowable under section 35				25

Deduction under Section 35(1)(ii) and 35(2AA) is not allowable under default tax regime under Section 115BAC.

9. Mr. Rao finished the following information regarding the payments made towards Scientific Research during the financial year 2024-25:

- (i) Revenue expenditure on Scientific Research incurred during the year ₹ 1,00,000.
- (ii) Capital Expenditure for Scientific Research ₹ 3,00,000,
- (iii) Contribution to Notified approved research association ₹ 1,50,000.
- (iv) Amount paid to H Limited an Indian company which has as its main object scientific research and approved by the prescribed authority ₹ 2,50,000.
- (v) Expenditure of ₹ 2,50,000 towards purchase of Land for scientific research.
- (vi) He also incurred revenue expenditure of ₹ 2,00,000 towards salary of research staff in the F.Y. 2023-24 (before commencement of business) and certified by the prescribed authority.

Compute the deduction allowable u/s 35 for the assessment year 2025-26, assuming that he has not opted for default tax regime u/s 115BAC. (PYP 4 Marks, May, 2024)

Answer:

Computation of deduction allowable u/s 35 for the A.Y. 2025 -26

S. No.	Particulars	(₹ in Lakhs)
(i)	Revenue expenditure on scientific research allowable as deduction u/s 35(1)(i), assuming such expenditure is related to his business.	1,00,000
(ii)	Capital expenditure allowable as deduction u/s 35(1)(iv), assuming such expenditure is incurred for his business.	3,00,000
(iii)	Contribution to notified approved research association for scientific research - 100% of the amount paid is allowed as deduction u/s 35(1)(ii).	1,50,000
(iv)	Amount paid to H Ltd., an Indian company approved by the prescribed authority - 100% of the amount paid is allowed as deduction u/s 35(1)(iia)	2,50,000
(v)	Expenditure towards purchase of land - not allowed as deduction	Nil
(vi)	Revenue expenditure towards salary of research staff incurred in the F.Y. 2023-24 (before commencement of business) - allowed as deduction u/s 35(1)(i) in the P.Y. 2024-25 as it was expended within the 3 years immediately preceding the commencement of business (assuming business is commenced during the P.Y. 2024-25). Note: Since the date of commencement of business is not given, an alternative view is possible that the business is commenced during the F.Y. 2023-24 itself. In that case, deduction for revenue expenditure incurred towards salary of research staff in F.Y. 2023-24 before commencement of business would have been allowed in the F.Y. 2023-24 and accordingly, no deduction would be available in F.Y. 2024-25.	2,00,000
Total deduction allowable		10,00,000

10. Mr. Yogesh is in the business of operating goods vehicles. As on 1st April, 2024 he had the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Put to use during F.Y. 2024-25?
A	9,000	02-06-2023	Yes
B	15,000	15-05-2023	Yes
C	12,000	04-08-2023	No (as under repairs)

During P.Y. 2024-25, he purchased the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11,500	20-04-2024	10-05-2024
E	14,000	15-05-2024	18-05-2024

Compute his income under Section 44AE of the Income-tax Act, 1961 for A.Y. 2025-26.

(MTP 3 Marks, April, 2021, PYP 4 Marks, Nov., 2019)

Answer:

Since Mr. Yogesh does not own more than 10 vehicles at any time during the previous year 2024 -25, he is eligible to opt for presumptive taxation scheme under Section 44AE. As per Section 44AE, ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and ₹ 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by him would be deemed as his profits and gains from such goods carriage.

Heavy goods vehicle means any goods carriage, the gross vehicle weight of which exceeds 12,000 kg.

Calculation of presumptive income as per Section 44AE

Type of carriage	No. of months the vehicle is owned by Mr. Prakash	Rate per ton per month	Ton	Amount (₹)
(1)	(2)	(3)	(4)	(5)
				{(2) × (3) × (4)}
Heavy goods vehicle Vehicle B (15,000 kgs.) held throughout the year	12	₹ 1,000	15 (15,000/1,000)	1,80,000
Vehicle E (14,000 kgs.) purchased on 15.05.2023	11	₹ 1,000	14 (14,000/1,000)	1,54,000

Goods vehicles other than heavy goods vehicle		Rate per month		
Vehicle A held throughout the year	12	7,500	---	90,000
Vehicle D purchased on 20-04-2024	12	7,500	---	90,000
			Total	6,04,000

The "put to use" date of the vehicle is not relevant for the purpose of computation of presumptive income under Section 44AE, since the presumptive income has to be calculated per month or part of the month for which the vehicle is owned by Mr. Yogesh.

EXAM INSIGHTS: Most of the examinees were not aware that for computing presumptive Income under Section 44AE the "date of owning" the vehicle is relevant and not the date of "put to use". Hence, their computation of presumptive income was wrong.

11. (Includes concepts of Advance Tax)

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 were 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.

(MTP 3 Marks, Nov., 2021) (Same concept different figures RTP Nov., 2021)

Answer:

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 under Section 44AD.

Profits and gains from business computed under Section 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 under Section 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

<i>Particulars</i>	<i>Amount in ₹</i>	
Total Income	8,30,000	
Tax on 8,30,000		
Up to ₹ 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.

12. M/s. Ravi & Sons, a partnership firm consisting of two partners, reports a net profit of ₹ 7,50,000 before deduction of the following items:

- Salary of ₹ 25,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership)
- Depreciation on plant and machinery under Section 32 is ₹ 2,50,000
- Interest on capital 15% per annum (as per the deed of partnership).
The amount of capital eligible for interest is ₹ 6,00,000 for both partners
- Carry forward loss of P.Y. 2023-24 – ₹ 50,000

Compute for A.Y. 2025-26:

- (i) Book-profit of the firm under Section 40(b) of the Income-tax Act, 1961.
- (ii) Amount of salary that can be paid to working partners as per Section 40(b).

(MTP 4 Marks, April, 2024) (MTP 5 Marks, March, 2018, Old & New SM)

Answer:

(i) *Computation of book profit of the firm under Section 40(b)*

<i>Particulars</i>	<i>Amount (₹)</i>	<i>Amount (₹)</i>
Net Profit (before deduction of depreciation, salary and interest)		7,50,000
Less: Depreciation under Section 32	2,50,000	
Interest @ 12% p.a. [being the maximum allowable as per Section 40(b)] (₹ 6,00,000 × 12%)	72,000	3,22,000
Book Profit		4,28,000

"Book Profit" means the net profit as per the profit and loss account for the relevant previous year computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the

remuneration paid or payable to the partners of the firm if the same has been already deducted while computing the net profit.

Hence, brought forward loss of ₹ 50,000 of P.Y.2023-24 is not allowed to be set off for computation of "book Profit".

(ii) **Salary actually paid to working partners** = ₹ 25,000 × 2 × 12 = ₹ 6,00,000

As per the provisions of Section 40(b)(v), the maximum allowable working partners' salary for the A.Y. 2025- 26 in this case would be:

Particulars	Amount (₹)
On the first ₹ 6,00,000 of book profit [(₹ 3,00,000 or 90% of ₹ 4,28,000) whichever is more]	4,48,200
Maximum allowable working partners' salary	4,48,200

13. Mr. Venus., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai, for the year ending 31-03-2025:

Particulars	(₹ in Lakhs)
WDV of Plant and Machinery on 31-03-2024	30.00
Depreciation including additional depreciation for P. Y. 2023-24	4.75
New machinery purchased on 01-09-2024	10.00
New machinery purchased on 01-12-2024	8.00
Computer purchased on 03-01-2025	4.00

Additional Information:

- All assets were purchased by A/c payee cheque.
 - All assets were put to use immediately.
 - New machinery purchased on 01-12-2024 and computer have been installed in the office.
 - During the year ended 31-03-2024, a new machinery had been purchased on 31-10-2023, for ₹ 10 Lakhs. Additional depreciation, besides normal depreciation, had been claimed thereon.
 - Depreciation rate for machinery may be taken as 15%.
 - The assessee has no brought forward business loss or unabsorbed depreciation as on 01-04-2024.
- Compute the depreciation available to the assessee as per the provisions of the Income-tax Act, 1961 and the WDV of different blocks of assets as on 31-03-2025 if -
- (i) He exercises the option of shifting out of the default tax regime provided under Section 115BAC(1A)
 - (ii) He pays tax under the default tax regime under Section 115BAC. (SM)

Answer:

Computation of written down value of block of assets of Venus Ltd. as on 31-03-2025

Particulars	Plant & Machinery (₹ in Lakhs)	Computer (₹ in Lakhs)
Written down value (as on 31-03-2024)	30.00	Nil

Less:	Depreciation including additional depreciation for P.Y. 2023-24	4.75	---
	Opening balance as on 01-04-2024	25.25	
Add:	Actual cost of new assets acquired during the year		
	New machinery purchased on 01-09-2024	10.00	---
	New machinery purchased on 01-12-2024	8.00	---
	Computer purchased on 03-01-2025	---	4.00
		43.25	4.00
Less:	Assets sold/discarded/destroyed during the year		
	Written Down Value (as on 31-03-2025)	Nil	Nil
		43.25	4.00

- i. If Mr. Venus exercises the option of shifting out of the default tax regime provided under Section 115BAC(1A)

In this case, since his income would be computed under the optional tax regime as per the normal provisions of the Act, he would be entitled for normal depreciation and additional depreciation, subject to fulfilment of conditions.

Computation of depreciation for A.Y. 2025-26

Particulars		Plant & Machinery (₹ in Lakhs)	Computer (₹ in Lakhs)
i.	Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation		
	Normal Depreciation		
	- WDV of plant and machinery (₹ 25.25 Lakhs × 15%)	3.79	---
	New Machinery purchased on 01-09-2024 (₹ 10 Lakhs × 15%)	1.50	
	(A)	5.29	---
	Additional Depreciation		
	New Machinery purchased on 01-09-2024 (₹ 10 lakhs × 20%)	2.00	
	Balance additional depreciation in respect of new machinery purchased on 31-10-2023 and put to use for less than 180 days in the P.Y. 2023-24 (₹ 10 Lakhs × 20% × 50%)	1.00	
	(B)	3.00	

ii.	Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation, if any		
	Normal Depreciation		
	New machinery purchased on 01-12-2024 [₹ 8 Lakhs × 7.5% (i.e., 50% of 15%)]	0.60	---
	Computer purchased on 03-01-2024 [₹ 4 Lakhs × 20% (50% of 40%)]	---	0.80
	(C)	0.60	0.80
	Total Depreciation (A + B + C)	8.89	0.80

Notes:

(1) As per Section 32(1)(ia), additional depreciation is allowable in the case of any new machinery or plant acquired and installed after 31-03-2005, by an assessee engaged, inter alia, in the business of manufacture or production of any article or thing, at the rate of 20% of the actual cost of such machinery or plant.

However, additional depreciation shall not be allowed in respect of, inter alia,-

- i) Any office appliances or road transport vehicles;
- ii) Any machinery or plant installed in, inter alia, office premises.

In view of the above provisions, additional depreciation cannot be claimed in respect of -

- (i) Machinery purchased on 01-12-2024, installed in office and
- (ii) Computer purchased on 03-01-2025, Installed in office.

(2) Balance additional depreciation @10% on new plant or machinery acquired and put to use for less than 180 days in the year of acquisition which has not been allowed in that year, shall be allowed in the immediately succeeding previous year.

Hence, in this case, the balance additional depreciation @10% (i.e., ₹ 1 Lakh, being 10% of ₹ 10 Lakhs) in respect of new machinery which had been purchased during the previous year 2022-23 and put to use for less than 180 days in that year can be claimed in P.Y. 2023-24 being immediately succeeding previous year.

(i) If Mr. Venus pays tax under default tax regime under Section 115BAC

In this case, under the default tax regime as per Section 115BAC, he would be entitled only for normal depreciation but not additional depreciation.

Computation of depreciation for A.Y. 2025-26

Particulars	Plant & Machinery	Computer
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		(₹ in Lakhs)	(₹ in Lakhs)
i.	Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation		
	Normal Depreciation		
	- WDV of plant and machinery (₹ 25.25 Lakhs × 15%)	3.79	---
	New Machinery purchased on 01-09-2023 (₹ 10 Lakhs × 15%)	1.50	---
	(A)	5.29	---
ii.	Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation		
	Normal Depreciation		
	New machinery purchased on 01-12-2024 [₹ 8 Lakhs × 7.5% (i.e., 50% of 15%)]	0.60	---
	Computer purchased on 03-01-2023 [₹ 4 Lakhs × 20% (50% of 40%)]	---	0.80
	(C)	0.60	0.80
	Total Depreciation (A + B + C)	5.89	0.80

14. Mr. Viwit Su (aged 67 years), a manufacturer, reported a profit of ₹ 3,95,11,290 for the previous year 2024-25 after debiting/crediting the following items:

Debits:

- ₹ 15,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.
- ₹ 35,500 contributed to an university approved and notified u/s 35(1)(ii) to be used for scientific research.
- Interest paid ₹ 1,75,000 on loan taken for purchase of E-vehicle on 15-07-2024 from a bank. The E-vehicle was purchased for the personal use of his wife.
- He has purchased timber under a forest lease of ₹ 25,00,000 for the purpose of business.

Credits:

- Income of ₹ 3,50,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2020-21. Amount due from the debtor (which was written off as bad) was ₹ 4,00,000, out of which tax officer had only allowed ₹ 2,50,000 as deduction in computing the, total income for assessment year 2021-22.
- He sold some goods to his brother for ₹ 6,00,000. The fair market value of such goods was ₹ 9,00,000.

Other Information:

- 1) Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
 - 2) Mr. Viwit Su purchased a new car of ₹ 14,00,000 on 1st August, 2024 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
 - 3) Mr. Viwit Su had sold a house on 25th March, 2024 and deposited the long-term capital gains of ₹ 20,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 11th March, 2025, he sold another house property in which he resided for ₹ 1 crore. He earned a long-term capital gain of ₹ 55,00,000 on sale of this property. On 25th March, 2025, he withdrew money out of his capital gain account and invested ₹ 1 crore on construction of one house.
 - 4) Mr. Viwit Su also made the following payments during the previous year 2024-25
 - Lump-sum premium of ₹ 1,20,000 paid on 30th March, 2025 for the medical policy taken for self and spouse.
 - The policy shall be effective for five years i.e. from 30th March, 2025 to 29th March, 2030.
 - ₹ 8,000 paid in cash for preventive health check-up of self and spouse.
- Compute the total income and tax payable by Mr. Viwit Su for the assessment year 2025-26 assuming he does not opt for Section 115BAC.

(MTP 14 Marks, Oct., 2022) (Same concept different figures PYP 14 Marks Jan., 2021)

Answer:**Computation of total income of Mr. Viwit Su for A. Y. 2025-26**

Particulars			(₹)	(₹)	(₹)
I.		Income from business or profession			
		Net profit as per profit and loss account	3,95,11,290		
	Add:	Items of expenditure debited but not allowable while computing business income			
	(a)	Donation to Gurudwara in cash [not allowable as deduction since it is not incurred wholly and exclusively for business purpose. Since the amount is already debited, the same has to be added back while computing business income]	15,000		
	(b)	Contribution to an university approved and notified u/s 35(1)(ii) for scientific research [Eligible for deduction @100%. Since, 100% of the expenditure is already debited to profit and loss account, no adjustment is required]	---		
	(c)	Interest on loan taken for purchase of e-vehicle [Interest on loan for purchase of e-vehicle for	1,75,000		

		personal purpose is not allowed as deduction from business income since the same is not incurred wholly and exclusively for business purpose. Since it is already debited, the same has to be added back while computing business income)			
	(iii)	Sale of goods to brother at less than FMV [The provisions of Section 40A(2) are not applicable in case of sale transaction, even if the same is to a related party. Therefore, no adjustment is necessary in respect of difference of ₹ 3 lakhs]	----	1,90,000	
				3,97,01,290	
	Less:	Items of income credited but not taxable or taxable under any other head of income			
	(i)	Royalty on patent [Not taxable as business income since Mr. Viwit Su is engaged in manufacturing business. Since the amount is already credited to profit and loss account, the same has to be reduced while computing business income]	3,50,000		
	(ii)	Bad debt recovered [Actual bad debt is ₹ 1 lakh i.e., ₹ 4 lakhs less ₹ 3 lakhs, being the amount of bad debt recovered. Bad debt written off is ₹ 2.50 lakhs. Bad debt recovered to the extent of ₹ 1.50 lakhs, being excess of bad debt recovered over actual bad debt would be deemed to be business income. Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 1.50 lakhs has to be reduced]	1,50,000	5,00,000	
				3,92,01,290	
	Less:	Allowable expenditure			
	7.	Depreciation on car [₹ 14 lakh × 15%, since car is put to use for more than 180 days in the P.Y.2024-25]		2,10,000	3,89,91,290
	II.	Capital gains			
		Long-term capital gain on sale of house property		55,00,000	

	Less:	Exemption under Section 54 [Since whole amount of long-term capital gain is invested in construction of house within the stipulated time limit]. [Capital gain of ₹ 20 lakhs in capital gain account scheme is not taxable in P.Y. 2024-25, since the same is withdrawn and Invested In construction of house within the stipulated time limit. The remaining amount of ₹ 80 lakhs invested in construction of house is eligible for exemption u/s 54, subject to a maximum of ₹ 55 lakhs being long-term capital gain on sale of house property during the P.Y.2024-25]		55,00,000	
III		Income from Other Sources			
		Royalty on patent [Taxable as "income from other sources", since he is engaged in business of manufacturing]			3,50,000
		Gross Total Income			3,93,41,290
	Less:	Deduction under Chapter VI-A			
		Deduction under section 80D	20,000		
		Mediclaim premium for self and spouse (in case of lump-sum premium for medical policy, deduction is allowed for equally for each relevant previous years. [₹ 1,20,000/6 years, being relevant previous years in which the insurance is in force])			
		Preventive health check-up of self and spouse [Preventive health checkup paid in cash allowed to the extent of ₹ 5,000]	5,000	25,000	
		Deduction under section 50G [Donation of ₹ 15,000 to Gurudwara not allowable as deduction since amount exceeding ₹ 2,000 paid in cash]		---	

	Deduction under section 80RRB [Deduction in respect of royalty on patent registered under the Patent Act subject to a maximum of ₹ 3 lakhs]		3,00,000	3,25,000
	Total income			3,90,16,290

Computation of tax payable by Mr. Viwit Su for A.Y.2025-26

Particulars	Amount in ₹	
Tax on total Income of ₹ 3,90,16,290		
Up to ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [5% of ₹ 2 Lakhs]	10,000	
₹ 5,00,001 – ₹ 10,00,000 [20% of ₹ 5,00,000]	10,000	
₹ 10,00,001 – ₹ 3,90,16,290 [30% of ₹ 3,80,16,290]	1,14,04,887	1,15,14,887
Add: Surcharge @ 25%, since total income exceeds ₹ 2,00,00,000 but does not exceed ₹ 5,00,00,000		28,78,722
		1,43,93,609
Add: Health and education cess@4%		5,75,744
Total Tax Liability		1,49,69,353
Less: TCS u/s 206C(1)@ 2.5% on ₹ 25 lakh i.e., timber	62,500	
TCS u/s 206C(1F)@1% of ₹ 14 lakh i.e., sale of motor car where consideration exceeds ₹ 10 lakhs	14,000	
TDS u/s 194-1A@1% of ₹ 1 crore i.e., sale of immovable property where consideration is ₹ 50 lakhs or more	1,00,000	1,76,500
Tax payable		1,47,92,853
Tax payable (rounded off)		1,47,92,850

15. Mr. Amit, having business of manufacturing of furniture, gives the following Trading and Profit & Loss Account for the year ended 31-03-2025:

Trading and Profit & loss Account

Particulars	(₹)	Particulars	(₹)
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross Profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to Staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000

Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on Loans	2,51,250		
Depreciation	1,07,250		
Goods and Services Tax	1,62,525		
Demand Paid			
Salary	5,50,000		
Miscellaneous expenses	2,38,475		
Net Profit	50,85,000		
	66,66,000		66,66,000

Following are the, further Information relating to the financial year 2024-25:

- Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- Salary Includes ₹ 30,000 paid to his brother which is unreasonable to the extent of ₹ 5,000.
- Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- Miscellaneous expenses include an amount of ₹ 1,00,000 paid to Political Party by cheque.
- Goods and Services Tax demand paid Includes an amount of ₹: 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- Mr. Amit had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15-07-2024 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing Charges".
- Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000 excluding depreciation on warehouse building.
- Interest on loans includes an amount of ₹ 80,000 paid to Mr. Mohit, a resident, on which tax was not deducted.

Compute the Total Income and Tax Liability of Mr. Amit for the A.Y. 2025-26 in a most beneficial manner.

(MTP 15 Marks, March, 2024) (RTP Nov., 2022)

Answer:

Computation of total income of Mr. Amit as per Section 115BAC for A. Y. 2025-26

Particulars	(₹)
Net profit as per profit and loss account	50,85,000
Less: Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "Income from other sources"	30,000
	50,55,000
Add: Expenses either not allowable or to be considered separately but charged in the Profit & Loss Account	
- Salary paid to brother disallowed to the extent considered unreasonable [Section 40A(2)]	5,000

- Advertisement in the souvenir of political party not allowable as per Section 37(28) [See Note 1]	2,500
- Payment made to political party by cheque [See Note 2]	1,00,000
- Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infract ion of law [See Note 3]	5,300
- Depreciation as per books	1,07,250
- 30% of interest paid on loan paid to Mr. Mohit, a resident, without deduction of tax at source not allowable as per Section 40(a)(ia)	24,000
	52,99,050
Less: Depreciation allowable as per Income-Tax Act, 1961 65,000	
Depreciation on building [₹ 20 lakhs × 10%] 2,00,000	2,65,000
Profits and gains from business or profession	50,34,050
Income from Other Sources	
Interest on income-tax refund	4,570
Gross Total Income	50,38,620
Less: Deduction under Section 80GGC [Contribution to Political Party] [Not allowable]	Nil
Total Income	50,38,620

Notes:

- (1) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under Section 37(28).
- (2) Payment to political party is not an expenditure incurred wholly and exclusively for business purpose and hence not allowance under Section 37(1). Since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (3) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (4) Deduction under Section 35AD is not allowable as per Section 115BAC(2). However, normal depreciation u/s 32 is allowable.

Computation of Tax Liability as per Section 115BAC

Particulars	(₹)	(₹)
Tax on Total Income of ₹ 50,38,620		
Up to ₹ 3,00,000 Nil	Nil	
₹3,00,000 – ₹ 7,00,000 [₹ 4,00,000 @ 5%] 20,000	20,000	
₹7,00,001 – ₹ 10,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	

₹10,00,001 – ₹ 12,00,000 [₹ 2,00,000 @ 15%]	30,000	
₹12,00,001 – ₹ 15,00,000 [₹ 3,00,000 @ 20%]	60,000	
Above ₹ 15,00,000 @30%	10,61,586	
		12,01,586
Add: Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,20,159
		13,21,745
Less: Marginal relief (Sec computation below)		83,125
		12,38,620
Add: Health and Education Cess @4%		49,545
Total Tax Liability		12,88,165
Total Tax Liability (Rounded off)		12,88,170

Computation of Marginal Relief

Particulars		(₹)
(A)	Tax payable Including surcharge on total income of ₹ 50,38,620 as per Section 115BAC	13,21,745
(B)	Tax payable on total income of ₹ 50 lakhs as per Section 115BAC	12,00,000
(C)	Excess Tax Payable (A - B)	1,21,745
(D)	Marginal relief (₹ 1,21,745 – ₹ 38,620, being the amount of income in excess of ₹ 50 lakhs)	83,125

Note: An Individual Paying Tax u/s 115BAC is not liable to Alternate Minimum Tax u/s 115JC.

Computation of Total Income of Mr. Amit for A.Y. 2025-26 under normal provisions of the Act

Particulars	(₹)	(₹)
Gross Total Income as per default tax regime under Section 115BAC		50,38,620
Add: Depreciation on building [₹ 20 lakhs × 10%]		2,00,000
		52,38,620
Less: Warehousing charges		22,50,000
Gross Total Income excluding profits and gains from specified business under Section 35AD		29,88,620
Profits and gains from specified business under Section 35AD		
Warehousing Charges	22,50,000	

Less: Deduction under Section 35AD (See Note 1)	20,00,000	2,50,000
Gross Total Income as per Normal Provisions of the Act		32,38,620
Less: Deduction under section 80GGC for contribution to Political Party (See Note 2)		1,00,000
Total Income as per Regular Provisions of the Act		31,38,620

Notes:

- (1) Deduction @100% of the capital expenditure is available under Section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1-04-2009.
- (2) Payment to political party qualifies for deduction under Section 80GGC since the payment is made by way of a cheque.

Computation of Tax Liability of Mr. Amit for A.Y. 2025-26
under the Regular Provisions of the Act

Particulars	Amount in ₹	
Tax on Total Income of ₹ 31,38,620		
Up to ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 Lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 31,38,620 [@30% of ₹ 21,38,620]	6,41,586	7,54,086
Add: Health and Education cess @4%		30,163
Tax Liability		7,84,249
Total Tax Liability (rounded off)		7,84,250

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

Particulars	Amount in ₹	
Total Income (computed above as per regular provisions of income tax)		31,38,620
Add: Deduction under Section 35AD	20,00,000	
Less: Depreciation under Section 32 on building [₹ 20 lakhs × 10%]	(2,00,000)	18,00,000
Adjusted Total Income		49,38,620
Alternative Minimum Tax @ 18.5%		9,13,645
Add: Health and education cess @4%		36,546
Total Tax Liability		9,50,191
Total Tax Liability (rounded off)		9,50,190

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess @4%. Therefore, liability as per Section 115JC is ₹ 9,50,190.

Since the tax liability of Mr. Amit under Section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him to opt out of the default tax regime under Section 115BAC for A.Y. 2025-26 and pays tax under regular provisions of the Act. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

AMT credit to be carried forward under Section 115JEE

Particulars	(₹)
Tax Liability under Section 115JC	9,50,190
Less: Tax Liability under the regular provisions of the Income-tax Act, 1961	7,84,250
	1,65,940

16. Dr. Rohan, 82 years old resident surgeon, having his Nursing Home in Mumbai, gives the following particulars for the year ended on 31-03-2025.

Receipts	(₹)	Payments	(₹)
Opening Balance b/d	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2024 received in April, 2024		Entertainment Expenses	1,10,000
IPD 40,000	85,000	Purchase of Television	48,000
OPD 45,000			
Dividend from shares (net)	18,900	Gift to daughter-in Law	60,000
Fees received during the year	10,25,000	Interest on loan for repairs to property	65,000
Gifts received from relatives of patients	45,000	Personal medical expenses	70,000
Honorarium for painting services in Jal Hind Art School (net)	22,500	Deposits in PPF A/c	55,000
Income-tax Refund (Including interest ₹ 1,500)	12,100	Nursing Home expenses	v
		Prof. fees paid for consulting services	1,20,000
		Purchase of furniture at home	1,35,000
		Personal Expenses	3,00,000
		Balance c/f	2,04,500
	19,18,500		19,18,500

Other Information:

- (a) He keeps his books of accounts on cash basis and has not opted for the provisions of Section 44ADA.
- (b) Salary includes ₹ 60,000 paid to his sister who is a qualified nurse paid in cash.

- (c) Entertainment expenses include ₹ 25,000 for dinner to doctors in a five star hotel.
- (d) Interest on loan for repairs to property includes ₹ 40,000 for his residential property.
- (e) His daughter in law earned income of ₹ 10,000 from the amount received as gift.
- (f) Fixed Assets values as on 01-04-2024 are as under:
Nursing Home Equipment's ₹ 2,20,000, Medical Books (incl. annual publications ₹ 10,000) ₹ 35,000, Laptop ₹ 40,000.
- (g) Television purchased for nursing home purpose on 21-09-2024 is put to use on 03-10-2024.
- (h) He has donated ₹ 10,000 towards PM CARES Fund on 15-08-2024.

You are required to

- Compute the total income and tax payable by him for A.Y. 2025-26 as per the regular provisions of the Income-tax Act, 1961. Assume that he has not opted for Section 115BAC.
- What will be his total income and tax payable, if he opts for the provisions of Section 44ADA? Will it be more beneficial for him to adopt 44AOA?

(PYP 14 Marks, Nov., 2022)

Answer:

- Computation of total income and tax payable by Dr. Rohan for A.Y. 2025-26 as per the regular provisions of the Act**

Particulars		(₹)	(₹)	(₹)
I	Income from house property			
	Annual value [Assuming residential property self-occupied]		Nil	
	Less: Deduction under Section 24(b)			
	Interest on loan for repairs to property, ₹ 40,000, restricted to		30,000	
	Loss from self-occupied property [can be set-off against Profits and gains of business or profession or Income from other sources]			(30,000)
II	Profits and gains from business and profession			
	Gross Receipts:			
	Fees from visits to other hospitals [5,85,000/90%]	6,50,000		
	Fees for March 2024 received in April 2024 [Fees for March 2024 is chargeable to tax during P.Y. 2024-25, since Dr. Rohan is following cash system of accounting] [40,000 + 45,000]	85,000		
	Fees received during the year	10,25,000		
	Gifts received from relatives of patients (taxable as business income)	45,000	18,05,000	
	Less: Permissible Deductions			

	Salary to staff [Salary paid to his sister who is a qualified nurse in cash disallowed under Section 40A(3), since such cash payment exceeds ₹ 10,000] [₹ 3,50,000 – ₹ 60,000]	2,90,000		
	Taxes and insurance	26,000		
	Entertainment expenses, including dinner to doctors [Assuming that the entire sum was incurred wholly and exclusively for business purpose]	1,10,000		
	Interest on loan for repair to property [to the extent relating to business] = ₹ 65,000 – ₹ 40,000, relating to residential property	25,000		
	Nursing Home Expenses	3,75,000		
	Professional fees paid for consulting services	1,20,000	9,46,000	
			8,59,000	
	Less: Depreciation under section 32 Nursing home equipment's [2,20,000 × 15%] Note - Nursing home equipment would be eligible for depreciation @15%, being the general rate for plant and machinery. The main solution has, accordingly, been worked out applying 15%. However, if such equipment are in the nature of life saving medical equipment, they would be eligible for higher depreciation @40%. If 40% rate is applied, depreciation would be ₹ 88,000	33,000		
	Medical books [35,000 × 40%]	14,000		
	Laptop [40,000 × 40%]	16,000		
	Television (48,000 × 15%, since the television is put to use for 180 days during the P.Y. 2024-25]	7,200	70,200	
	Note: Television would be eligible for depreciation @15%. However, television connected to laptop or other medical equipment and used by Doctor may be classified as plant and machinery eligible for depreciation @40%. If 40% rate is applied, depreciation for TV would be ₹ 19,200.			
	Also, it is possible to take a view that Television is furniture and fixtures qualifying for depreciation @10%. If 10% rate is applied, depreciation for TV would be ₹ 4,800.			7,88,800

III.	Income from Other Sources			
	Dividend from shares [18,900/90%]		21,000	
	Honorarium for painting services in Jai Hind Art School [22,500/90%]		25,000	
	Honorarium (Alternative without TDS) – ₹ 22,500. Note – In the question, it is mentioned that Dr. Rohan has received Honorarium for painting services in Jai Hind Art School (Net) of ₹ 22,500. Since the threshold limit for deducting tax at source under Section 194J is ₹ 30,000, there is no requirement to deduct tax at source on such income. Accordingly, question can be answered without grossing up the amount of honorarium of ₹ 22,500.			
	Interest on income-tax refund		1,500	
	Income earned from gift to daughter in law [Income earned by daughter in law from asset gifted without consideration to her by Dr. Rohan is includible in the hands of Dr. Rohan]		10,000	57,500
	Gross Total Income			8,16,300
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Deposits in P PF		55,000	
	Deduction under Section 80D			
	Medical expenses to the extent of ₹ 50,000 since Dr. Rohan is a senior citizen (assuming he has not taken any medical insurance policy)		50,000	
	Deduction under Section 80G			
	Donation towards PM CARES Fund		10,000	1,15,000
	Total Income			7,01,300
	Tax Payable			
	Up to ₹ 5,00,000 [since Dr. Rohan is aged 80 years or above]		Nil	
	5,00,001 to ₹ 7,01,300 [₹ 2,01,300 @20%]		40,260	
				40,260
	Add: HEC @4%			1,610
	Tax liability			41,870
	Less: TDS on fees from visits to other hospitals		65,000	

	TDS on dividend from shares		2,100	
	TDS on honorarium for painting services in Jai Hind art School		2,500	69,600
	Tax Refundable			27,730

II. Computation of total income and tax payable by Dr. Rohan for A.Y. 2025-26 if he opts for Section 44ADA

Particulars		(₹)	(₹)
I	Income from house property		
	Loss from self-occupied property		(30,000)
II	Income from business or profession		
	Income from profession $[18,05,000 \times 50\%]$ [No other expenditure or depreciation is allowed]		9,02,500
III	Income from Other Sources		57,500
	Gross Total Income		9,30,000
	Less: Deduction under Chapter VI-A		1,15,000
	Total Income		8,15,000
	Tax Payable		
	Up to ₹ 5,00,000	Nil	
	5,00,001 to ₹ 8,15,000 $[3,15,000 @ 20\%]$	63,000	
			63,000
	Less: HEC @4%		2,520
	Tax Liability		65,520
	Less: TDS		69,600
	Tax Refundable		4,080
Since tax refundable in case Dr. Rohan opts for the provisions of Section 44ADA is lower than the regular provisions of the Act, it would be beneficial for him not to opt for Section 44ADA and get his books of account audited and declare income under the regular provisions.			

EXAM INSIGHTS: Gift received from relatives of patients up to ₹ 50,000 shown as exempt though only gifts from own relatives would be eligible for exemption under Section 56(2)(x) and not from relatives of patients.

- Interest on loan for repair of property not restricted to ₹ 30,000. It was wrongly deducted in full i.e., ₹ 40,000 while computing income under the head "House Property". While computing tax

payable/tax refundable, amount of TDS was not deducted from the amount of tax liability. Consequently, computation of total income and tax payable were incorrect.

17. Mr. Samar, a resident individual, aged 43 years, provides professional services in the field of interior decoration. His Income & Expenditure A/c for the year ended 31st March, 2025 is as under:

Expenditure	(₹)	Income	(₹)
To Employees' Remuneration & Benefits	13,66,000	By Consultancy Charges	58,80,000
To Office & Administrative Exp.	3,14,000	By Interest on Public Provident Fund (PPF) Account	60,000
To General Expenses	75,000	By Interest on Savings Bank Account	20,000
To Electricity Expenses	65,000	By Interest on National Savings Certificates VIII Issue (for 3 rd year)	21,000
To Medical Expenses	80,000		
To Purchase of Furniture	48,000		
To Depreciation	90,000		
To Excess of income over exp.	39,43,000		
	59,81,000		59,81,000

The following other information relates to financial year 2024-25:

- (i) The expenses on Employees' Remuneration & Benefits includes:
 - (a) Family Planning expenditure of ₹ 20,000 incurred for the employees which was revenue in nature. The same was paid through account payee cheque.
 - (b) Payment of salary of ₹ 25,000 per month to sister-in-law of Mr. Samar, who was in-charge of the Accounts & Receivables department. However, in comparison to similar work profile, the reasonable salary at market rates is ₹ 20,000 per month.
- (ii) Amount received by Mr. Samar as Employees' Contribution to EPF for the month of February, 2025- ₹ 10,000 was deposited after the due date under the relevant Act relating to EPF.
- (iii) Medical Expenses of ₹ 80,000 as appearing in the Income & Expenditure A/c was expensed for the treatment of father of Mr. Samar. His father was 72 years old and was not covered by any health insurance policy. The said payment of ₹ 80,000 was made through account payee cheque.
- (iv) General expenses as appearing in the Income & Expenditure A/c, includes a sum of ₹ 25,000 paid to Ms. Anjaleen on 5th January, 2025 as commission for securing work from new clients. This payment was made to her without deduction of tax at source.
- (v) Written down value of the depreciable assets as on 1st April, 2023 were as follows :
Professional Books ₹ 90,000, Computers ₹ 35,000
- (vi) The new Furniture as appearing in the, Income & Expenditure A/c was purchased on 31st August, 2024 and was put to use on the same day. The payment was made as under:
 - 18,000 paid in cash at the time of purchase of new furniture on 31-08-2024.
 - ₹ 19,000 paid by account payee cheque on 05-09-2024 as balance cost of new furniture and
 - ₹ 11,000 paid in cash on 31-08-2024 to the transporter as freight charges for the new furniture.

(vii) Mr. Samar purchased a car on 02-04-2023 for ₹ 3,35,000 for personal use. However, on 30-04-2024 he brought the said car for use in his profession. The fair market value of the car as on 30-04-2024 was ₹ 2,50,000.

(viii) Mr. Samar made a contribution of ₹ 1,00,000 in his PPF A/c on 31-01-2025.

(ix) The Gross Professional Receipts of Mr. Samar for P.Y. 2023-24 was ₹ 52,00,000.

Compute the total income and tax liability of Mr. Samar for A.Y. 2025-26, assuming that he has not opted for payment of tax under section 115BAC.

Ignore provisions under Section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income.

(MTP 14 Marks, March 2023) (Same concept different figures PYP 14 Marks, July 2021)

Answer:

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

Particulars		(₹)	(₹)	(₹)
1	Income from business or profession			
	Excess of income over expenditure		39,43,000	
	Add: Items debited but not allowable while computing business income			
	- Family planning expenditure incurred for employees [not allowable as deduction since expenditure on family planning for employees is allowed only to a company assessee / not allowed in case of individuals. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]	20,000		
	- Salary payment to sister-in-law in excess of market rate [Any expenditure incurred for which payment is made to a relative, to the extent it is considered unreasonable is disallowed. However, sister-in-law is not included in the definition of "relative" for the purpose of Section 40A(2). Therefore, no adjustment is required for excess salary paid to Mr. Samar's sister-in-law]	Nil		
	- Medical expenses for the treatment of father [Not allowed as deduction since it is a personal expenditure/not an expenditure incurred for the purpose of business of Mr. Samar. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]	80,000		

- Commission to Ms. Anjaleen without deduction of tax at source [Mr. Samar would be liable to deduct tax at source on commission since his gross receipts from profession exceeded ₹ 50 lakhs during F.Y.2023-24. Since commission has been paid without deduction of tax at source, hence 30% of ₹ 25,000, being commission paid without deducting tax at source, would be disallowed under Section 40(a)(ia) while computing the business income of A.Y.2025-26]	7,500		
- Depreciation as per books of account	90,000		
- Purchase of Furniture [not allowable, since it is a capital expenditure]	48,000	2,45,500	
		41,88,500	
Add: Employees' Contribution to EPF (Sum received by the assessee from his employees as contribution to EPF is income of the employer. Since the amount is not credited to Income and Expenditure Account, the same has to be added for computing business income. Deduction in respect of such sum is allowed only if such amount is credited to the employee's account on or before due date under the relevant Act. Since, the employees' contribution to EPF for February 2024 is deposited after the due date under the relevant Act, no deduction would be available]		10,000	
Less: Depreciation as per Income-tax Rules		41,98,500	
- On Professional Books (₹ 90,000 × 40%)	36,000		
- On Computers [₹ 35,000 × 40%]	14,000		
- On Furniture [₹ 19,000 × 10%, since it has been put to use for more than 180 days during the year] [Any expenditure for acquisition of any asset in respect of which payment or aggregate of payment made to a person, otherwise than by an A/c Payee cheque/bank draft or use of ECS or through prescribed electronic mode, exceeds ₹ 10,000 in a day, such expenditure would not form part of actual cost of such asset. Hence, ₹	1,900		

	18,000 and ₹ 11,000 paid on 31-08-2024 in cash would not be included in the actual cost of furniture]			
	- On Car [₹ 3,35,000 × 15%] [Actual cost of car would be the purchase price of the car to Mr. Samar, i.e., ₹ 3,35,000]	50,250	1,02,150	
			40,96,350	
	Less: Items of income, credited but not taxable or taxable, under any other head of income			
	- Interest on Public Provident Fund [Exempt]	60,000		
	- Interest on savings bank account [Taxable under the head "Income from other sources"]	20,000		
	- Interest on National Savings Certificates VIII Issue (3 rd Year) [Taxable under the head "Income from other sources"]	21,000	1,01,000	
				39,95,350
II	Income from Other Sources			
	Interest on savings bank account		20,000	
	Interest on National Savings Certificates VIII Issue (3 rd Year)		21,000	41,000
	Gross Total Income			40,36,350
	Less: Deduction under Chapter VI –A			
	Deduction under Section 80C			
	Contribution to PPF	1,00,000		
	Deduction under Section 80D		50,000	
	Medical expenses for the treatment of father [Since Mr. Samar's father is a senior citizen and not covered by any health insurance policy, payment for medical expenditure by a mode other than cash would be allowed as deduction to the extent of ₹ 50,000]			
	Deduction under Section 80TTA			
	Interest on savings bank account to the extent of ₹ 10,000		10,000	1,81,000
	Total Income			38,55,350

Computation of Tax Liability of Mr. Samar for A.Y.2025-26

Particulars	Amount in ₹	
Tax on total Income of ₹ 38,55,350		
Up to ₹ 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– ₹ 38,55,350 [<i>@30% of ₹ 28,55,350</i>]	8,56,605	
		9,69,105
Add: Health and education cess@4%		38,764
Total Tax Liability		10,07,869
Tax Liability (rounded off)		10,07,870

'As per Section 2(41)

EXAM INSIGHTS: *The following common errors were noticed:*

- *Family planning expenses were wrongly allowed as deduction while computing business income of Mr. Ashish, being an individual though the same is allowable only to company assesses.*
- *Disallowance u/s 40A(2) wrongly made in respect of salary paid to sister-in-law, without considering that she is not a relative for this purpose.*
- *30% disallowance of expenditure for non-deduction of tax at source from commission payment was not made.*
- *Exemption not provided for interest on PPF. Consequently, total Income and tax liability were also not correctly computed.*

18. (Includes concepts of Capital Gains)

Mr. Piyush runs a sole proprietorship firm and owns four machines which was put in use for business in March, 2023. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2024 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2024 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2024.

Further, Mr. Piyush has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31-03-2025:

Sl. No.	Particulars	(₹ in Lakhs)
(i)	Payment made to UV University, an approved University	15
(ii)	Payment made to Satywati College	17

Compute the following for Assessment Year 2025-26

(i) Claim of depreciation

(ii) Capital gains liable to tax

(iii) If Piyush had sold the two machines in July, 2024 for ₹ 15,00,000, explain, will there be any difference in your above workings?

(iv) Deduction available under Section 35 if he has shifted out of the default tax regime

(MTP 6 Marks Nov., 2024) (Similar concepts fewer adjustments MTP 4 Marks, April 2021 & Oct., 2023)

Answer:**(i) Computation of depreciation for A.Y.2025-26**

Particulars	(₹)
W.D.V. of the block as on 01-04-2024	7,70,000
Add: Purchase of second hand plant during the year (in December, 2024)	6,10,000
	13,80,000
Less: Sale consideration of old machinery during the year [In July, 2024]	10,00,000
W.D.V of the block as on 31-03-2025	3,80,000
Depreciation @ 15% but restricted to 50% thereon. ₹ 3,80,000 × 7.5% [Since the value of the block as on 31-03-2025 represents part of actual cost of second hand plant purchased in December, 2024, which has been put to use for less than 180 days, depreciation is restricted to 50% of the prescribed percentage of 15% i.e. depreciation is restricted to 7½%. Therefore, the depreciation allowable for the year is ₹ 28,500 being 7½% of ₹ 3,80,000]	28,500

(ii) In the given case, no capital gains would arise, since the block of asset continues to exist, and some of the assets are sold for a price which is lesser than the written down value of the block as increased by the actual cost of asset purchased during the year

(iii) If the two machines are sold in July, 2024 for ₹ 15,00,000, then short term capital gains would arise, since the sale consideration is more than the aggregate of the written down value of the block at the beginning of the year and the additions made during the year.

Particulars	(₹)	(₹)
Sale consideration		15,00,000
Less: W.D.V. of the machines as on 01-04-2024	7,70,000	
Purchase of second plant during the year	6,10,000	13,80,000
Short term capital gains		1,20,000

(iv) Computation of deduction allowable under Section 35

Particulars	Amount (₹ in lakhs)	Section	% of weighted deduction	Amount of deduction (₹ in lakhs)
Payment for Scientific Research				
UV University, an approved University	15	35(1)(ii)	100%	15

Satyawati College [Since it is not mentioned as an approved University]	17	---	NIL	NIL
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