CA INTER JAN 26 Exams

Super 25 New Questions by CA Bhanwar Borana

Topic: Residential Status & Scope of Total Income

Question: 1

Mr. Akshay (aged 59 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 20th April, 2024 and returned on 15th October, 2024. He has been in India for less than 700 days during the 7 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2025-26 from the following information:

(1) Long term capital gain on sale of shares of Shama India Ltd., a listed Indian company, amounting to ₹1,12,000. The sale proceeds were credited to his bank account in UK.

(2) Dividend amounting to ₹40,000 (gross) received from RIL Ltd., an Indian company. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2024. Interest on the borrowed money for the P.Y. 2024-25 amounted to ₹10,000.

(3) Interest on post office saving bank account amounting to ₹9,500. Mr. Akshay has shifted out of the default tax regime and wants to pay tax under normal provisions of the Act.

Answers:

Determination of residential status

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 for at least 60 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.

If the 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.

Mr. Akshay, an Indian citizen, has satisfied the first basic conditions for being a resident, since he was in India for 188 days (20+17+30+31+31+28+31) during the previous year 2024-25. Hence, he is a resident in India for A.Y.2025-26.

An individual would be resident but not ordinarily resident if he satisfies either one of the following conditions:—

(*i*) He has been non-resident in India in any 9 out of 10 previous years preceding the relevant previous year, or

(*ii*) He has, during the 7 years immediately preceding the relevant previous year, been in India for a period of 729 days or less.

Since Mr. Akshay has been in India for less than 700 days during the 7 years immediately preceding the previous year, he would be a resident but not ordinarily resident for A.Y. 2025-26

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

	Particulars		**Amount (₹)**
(1)	Long-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Akshay, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in UK.		1,12,000
(2)	Dividend received from an Indian company taxable in the hands of the Akshay as Income from other sources since the income has accrued or arisen	40,000	

	Particulars		Amount (₹)
	in India		
	Less: Interest expenditure restricted to 20% of dividend	8,000	32,000
(3)	Interest on post office saving bank account is taxable in the hands of Mr. Akshay as Income from other sources, since it has accrued and arisen in India and is also received in India.	9,500	
	Less: Exemption under section 10(15)	3,500	6,000
Gross Total Income			**1,50,000**
Less: Deduction under section 80TTA			6,000
Total Income			**1,44,000**

Question: 2

Ms. Aanchal, an Indian Citizen, is a government employee working for the Indian Government. She submits the following information for the previous year ending on 31.03.2025:

		₹
1	**Salary income received in Malaysia for services rendered there**	**2,00,000**
2	**Profits from business carried on in Chennai**	**80,000**
3	**Loss from business carried on in Vadodara**	**(20,000)**
4	**Loss from business carried on in USA (though profits are not received in India, business is controlled from Rishikesh)**	**(46,000)**
5	**Unabsorbed depreciation of business in USA**	**(16,000)**
6	**Profits from business in Bali (controlled from Delhi) and 60% of profit deposited in a bank in Bali and 40% received in India**	**70,000**
7	**Rent from house property situated in USA and received in USA**	**1,92,000**

Determine the gross total income of Ms. Aanchal for the A.Y. 2025-26 assuming that she has opted out from the provisions of section 115BAC on the assumption that she is:—

(1) Resident but not ordinarily resident in India

(2) Non-resident in India

Answers:

Computation of gross total Income of Ms. Aanchal for the A.Y. 2025-26 under normal provisions of the Act

Particulars of income		Resident but not ordinarily Resident (₹)	Non-Resident (₹)
1	Salary income received in Malaysia for services rendered there **(Note 1)**	2,00,000	2,00,000
	Less: Standard deduction under section 16(ia)	50,000	50,000
		1,50,000	1,50,000
2	Profits from business carried on in Chennai [Since it accrues or arises in India]	80,000	80,000
3	Loss from business carried on in Vadodara [Since it accrues or arises in India]	(20,000)	(20,000)

	Particulars of income	Resident but not ordinarily Resident (₹)	Non-Resident (₹)
4	Loss from business carried on in USA (business is controlled from Rishikesh)	(46,000)	Nil
5	Unabsorbed depreciation of business in USA	(16,000)	Nil
6	Profit from business in Bali (business is controlled from Delhi and only 40% is received in India)	70,000	28,000
7	Rent from property situated in USA and received in USA	Nil	Nil
Gross Total Income		**2,18,000**	**2,38,000**

Note 1 - Income from "Salaries" payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India as per section 9(1)(iii). Standard deduction under section 16(ia) is allowable, irrespective of residential status.

Note 2 – In case of a non-resident, only income received or deemed to be received in India and income accruing or arising or deemed to accrue or arise in India is chargeable to tax. However, in case of a resident but not ordinarily resident, income derived from a business controlled in or profession set up in India is also taxable even though it accrues or arises outside India.

Therefore, income referred to in S. No. 1, 2 and 3 are taxable in the hands of Ms. Aanchal in both cases if she is a resident but not ordinarily resident or if she is a non-resident.

Loss of business carried on in USA, unabsorbed depreciation of business in USA and Profit from business in Bali would be fully chargeable to tax in India if she is a resident but not ordinarily resident as it derived from a business controlled in India. However, Profit from business in Bali is taxable in case of non-resident to the extent of such profits received in India.

Question: 3

Swetha, a citizen of India, is a chartered accountant. She is a working partner in Swetha and Varun Associates, which was set up in Chennai, India. She visits foreign country A quite often and provides accounting services to corporates there in her individual capacity. In country A, she is not subject to any income tax. The details of her income for the financial year 2024-25 is as follows:

- **(i) Remuneration from her CA firm in India (amount received in India) - ₹16 lakhs (Deductible while computing the income of the firm)**
- **(ii) Income received from providing accounting services in country A (received in a bank account in country A) - ₹5 lakhs**
- **(iii) Dividend (from companies incorporated in country A and received in a bank account in country A)- ₹8 lakhs**
- **(iv) Income from a business in country A which was set up in country A but is controlled from Chennai, India (received in country A) - ₹7 lakhs**

Ascertain her residential status (briefly explaining relevant provisions) along with the taxability of income for the assessment year 2025-26 in the following independent situations:

- **(i) She did not visit India during the F.Y. 2024-25.**
- **(ii) She visits and stays in India for 200 days every year since 12 preceding previous years including F.Y. 2024-25.**
- **(iii) She did not visit India during the previous year 2024-25 and her income from profession in India is ₹4 lakhs for the financial year 2024-25, instead of ₹16 lakhs.**

Answer

(i) She did not visit India during the F.Y. 2024-25

Swetha is a citizen of India who is not liable to tax in Country A. She will be a deemed resident under section 6(1A) if her total income, other than the income from foreign sources, exceeds ₹15 lakhs during the previous year.

Computation of total income, other than the income from foreign sources

Particulars	₹
Remuneration from CA firm as partner [Accrued or arisen in India]	16,00,000
Income from providing accounting services in Country A and received in Country A [Income from a foreign source, hence, to be excluded]	-
Dividend from companies incorporated in Country A and received in Country A [Income from a foreign source, hence, to be excluded]	-
Income from a business in Country A but controlled from Chennai (To be included since the business is controlled from India, even though such income accrued and received outside India)	7,00,000
Total income (excluding income from foreign sources)	**23,00,000**

Since Swetha has total income excluding income from foreign sources exceeding ₹15 lakhs, she is a deemed resident and resident but not ordinarily resident in India by default.

Her total income would be ₹23 lakhs as computed above.

(ii) She visits and stays in India for 200 days every year since 12 preceding years including F.Y. 2024-25

Swetha is a resident in India since she stayed in India for 182 days or more during the P.Y. 2024-25. She is a resident and ordinarily resident in India since her stay in 7 previous years immediately preceding the

P.Y. 2024-25 exceeds ₹729 days and she is resident in 2 or more previous years out of 10 previous years preceding P.Y. 2024-25.

In such case, her global income is taxable in India. Accordingly, her total income would be as follows:

Particulars	₹
Remuneration from CA firm as partner	16,00,000
Income from providing accounting services in Country A and received in Country A	5,00,000
Dividend from companies incorporated in Country A and received in Country A	8,00,000
Income from a business in Country A but controlled from Chennai	7,00,000
Total income	**36,00,000**

(iii) She did not visit India during the P.Y. 2024-25 and her income from profession in India is ₹4 lakhs instead of ₹16 lakhs.

In such case, Swetha's total income excluding income from foreign sources would be ₹11 lakhs (₹4 lakhs + ₹7 lakhs) which is not exceeding ₹15 lakhs. Accordingly, she will be a non-resident in India during the P.Y. 2024-25. Her total income would be ₹4 lakhs comprising of income from profession only.

Question: 4

Mr. Madan, a citizen of India and the Karta of an HUF, is employed in M/s. PCS Pvt. Ltd. He is drawing monthly salary of ₹65,500 in India. On June 1, 2024 he purchased one residential house property in Mumbai for ₹18,00,000 in his individual capacity. The market value of the property is ₹32,00,000 and value for the purpose of charging stamp duty is ₹23,00,000. On August 31st, 2024 he was transferred to the branch office of M/s. PCS Pvt. Ltd. in U.S.A. and he left India on September 1st, 2024. The overseas branch paid him a salary of $ 2,500 per month in USA. He managed business of

HUF from USA when he was not in India. He had also gone out of India for 99 days and 201 days in previous years 2023-24 and 2022-23, respectively. He had never gone out of India prior to that.

He visited India from January 1, 2025 to January 15, 2025 for training on a project and received 15 days salary in India as per his Indian monthly salary before being transferred.

Mr. Rajeev, one of his friends, gifted him a sculpture in India on August 10, 2024. The market value is ₹45,100.

Determine the residential status of Mr. Madan and his HUF and compute gross total income of Mr. Madan for the assessment year 2025-26 assuming he opted out of the default tax regime. The value of one USD ($) may be taken as ₹70.

Answer:

Residential Status of Mr. Madan

Mr. Madan, an Indian citizen who left India on 1st September 2024 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the P.Y. 2024-25 which is less than 182 days.

Residential Status of HUF

Since Mr. Madan is managing the HUF for part of the year from India, control and management of its affairs is situated partly in India.

Hence, the HUF would be resident in India for the P.Y. 2024-25.

A HUF is said to be "Resident and ordinarily resident" in India during the previous year 2024-25, if Karta (Mr. Madan, in this case) satisfies both the following conditions:

- He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Mr. Madan has satisfied both the above conditions as he had never gone out of India except for 99 days and 201 days in the P.Y. 2023-24 and P.Y. 2022-23, respectively, the HUF would be ROR in India.

Computation of Gross Total Income of Mr. Madan for the A.Y. 2025-26

	Amount in ₹
Income under the head "Salaries" Salary earned in India: [₹65,500 x 5 + ₹65,500 x15/31]	3,59,194
Salary paid in USA: [Not taxable as Mr. Madan is a non-resident and such income does not accrue or arise or received in India]	Nil
Less: Standard Deduction	50,000
	3,09,194
Income from other sources Difference between the consideration of ₹18 lakhs and stamp duty value of ₹23 lakhs of the residential property acquired [Taxable, since the difference of ₹5 lakhs exceed ₹1,80,000, being the higher of 10% of the consideration and ₹50,000]	5,00,000
Sculpture received as gift from Rajeev, his friend in India [Not taxable as the value does not exceed ₹50,000]	Nil
Gross Total Income	**8,09,914**

Topic: Income from Salary

Question: 5

Ms. Ashima, aged 45 years, has been the HR manager for the past 15 years in Shipra Ltd. She gives you the following particulars for F.Y. 2024-25:

Basic Salary	**₹70,000 p.m.**
Dearness Allowance	**₹24,000 p.m. (30% of which forms part of retirement benefits)**
Bonus	**₹21,000 p.m.**

Ms. Ashima contributes 18% of basic salary as contribution to RPF. Her employer contributes the same amount to her RPF account.

The company pays medical insurance premium of ₹20,000 to effect insurance on the health of Ms. Ashima.

She received arrears of salary of ₹3,35,000. The details of arrears of salary are as follows:

Previous year	Total Income (₹)	Arrears now received (₹)
2021 – 2022	9,50,000	1,20,000
2022 – 2023	10,90,000	1,10,000
2023 – 2024	12,10,000	1,05,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2025-26. Assume that Ms. Ashima exercises the option of shifting out of the default tax regime provided under section 115BAC(1A) for A.Y. 2025-26.

For A.Y. 2022-23 and A.Y. 2024-25, Ms. Ashima has paid tax as per section 115BAC. However, for A.Y. 2023-24, she has paid tax under normal provisions of the Act.

Note: Rates of Tax

The rates of tax under normal provisions of the Act for A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25 are same as for A.Y. 2025-26. The rates of tax as per section 115BAC for different years are as follows:

Assessment Year	Slab rates of income-tax	
	Slabs	Rate
2022-23	Upto ₹2,50,000	Nil
	₹2,50,001 - ₹5,00,000	5%
	₹5,00,001 - ₹7,50,000	10%
	₹7,50,001 - ₹10,00,000	15%
	₹10,00,001 - ₹12,50,000	20%
	₹12,50,001 - ₹15,00,000	25%
	Above ₹15,00,000	30%
2023-24	Upto ₹2,50,000	Nil
	₹2,50,001 - ₹5,00,000	5%
	₹5,00,001 - ₹7,50,000	10%
	₹7,50,001 - ₹10,00,000	15%
	₹10,00,001 - ₹12,50,000	20%
	₹12,50,001 - ₹15,00,000	25%
	Above ₹15,00,000	30%

Assessment Year	Slab rates of income-tax	
	Slabs	**Rate**
2024–25	**Upto ₹3,00,000**	**Nil**
	₹3,00,001 - ₹6,00,000	**5%**
	₹6,00,001 - ₹9,00,000	**10%**
	₹9,00,001 - ₹12,00,000	**15%**
	₹12,00,001 - ₹15,00,000	**20%**
	Above ₹15,00,000	**30%**

Answer:

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

Particulars	₹
Basic Salary [₹70,000 x 12]	8,40,000
Arrears of salary	3,35,000
Dearness allowance [₹24,000 x 12]	2,88,000
Bonus [₹21,000 x 12]	2,52,000
Employer's contribution to recognized provident fund in excess of 12% of salary = 18% x [₹70,000 x 12] – 12% x {[₹70,000 + ₹7,200 (being 30% of ₹24,000)] x 12} = ₹1,51,200 – ₹1,11,168 [Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]	40,032
Medical insurance premium of ₹20,000 paid by the employer to effect insurance on the health of an employee is an exempt perquisite	-
Gross salary	**17,55,032**
Less: Standard deduction under section 16(ia)	50,000
Salary chargeable to tax/Gross Total Income	**17,05,032**
***Less:* Deduction under section 80C**	
Own contribution of ₹151,200 to RPF but restricted to ₹1,50,000	1,50,000
Total Income	**15,55,032**
Total Income (Rounded off)	**15,55,030**

Computation of tax payable by Ms. Ashima for the A.Y.2025-26 under normal provisions of the Act

Particulars	Incl. arrears of salary (₹)	Excl. arrears of salary (₹)
Total Income	15,55,030	15,55,030
Less: Arrears of salary	-	3,35,000
Total Income	15,55,030	12,20,030
Income-tax thereon	2,79,009	1,78,509
Add: Health and education cess @4%	11,160	7,140
Tax payable	**2,90,169**	**1,85,649**

Computation of tax payable on arrears of salary if charged to tax in the respective AYs

Particulars	A.Y. 2022-23		A.Y. 2023-24		A.Y. 2024-25	
	Incl. arrears (₹)	Excl. arrears (₹)	Incl. arrears (₹)	Excl. arrears (₹)	Incl. arrears (₹)	Excl. arrears (₹)
Taxable salary	9,50,000	9,50,000	10,90,000	10,90,000	12,10,000	12,10,000
Add: Arrears of salary	1,20,000	-	1,10,000	-	1,05,000	-
Taxable salary	**10,70,000**	**9,50,000**	**12,00,000**	**10,90,000**	**13,15,000**	**12,10,000**
Tax on the above	89,000	67,500	1,72,500	1,39,500	1,13,000	92,000
Add: HEC@ 4%	3,560	2,700	6,900	5,580	4,520	3,680
Tax payable	**92,560**	**70,200**	**1,79,400**	**1,45,080**	**1,17,520**	**95,680**

Computation of relief under section 89

	Particulars	₹	₹
i	Tax payable in A.Y.2025-26 on arrears: Tax on income including arrears	2,90,169	1,04,520
	Less: Tax on income excluding arrears	1,85,649	
ii	Tax payable in respective years on arrears: Tax on income including arrears (₹92,560 + ₹1,79,400 + ₹1,17,520)	3,89,480	
	Less: Tax on income excluding arrears (₹70,200 +₹1,45,080 + ₹95,680)	3,10,960	78,520
	Relief under section 89 - difference between tax on arrears in A.Y. 2025-26 and tax on arrears in the respective years		26,000

Tax payable for A.Y.2025-26 after relief under section 89

Particulars	₹
Income-tax payable on total income including arrears of salary *Less:* Relief under section 89 as computed above	2,90,169 26,000
Tax payable after claiming relief	**2,64,169**
Tax payable (Rounded off)	**2,64,170**

Question: 6

Mr. Kunal (age 27 years) is an employee in a private company posted in Delhi. He was appointed on 01.02.2023 in the scale of ₹60,000 - ₹1,000 - ₹70,000. He furnishes you the following information for the previous year 2024-25:

(*i*) **Dearness allowance @25% of basic salary (60% of DA forms part of retirement benefits)**

(*ii*) **Bonus equal to one month salary. Paid in November 2024 on basic salary applicable for that month.**

(*iii*) **Leave encashment for P.Y. 2024-25 of ₹10,000.**

(*iv*) **He also received a motor car on 01.12.2024 (cubic capacity of engine exceeds 1.60 litres) along with chauffeur for both official and personal purpose. The motor car is owned by his employer and all expenses are met by the employer.**

(*v*) **His employer granted him a loan of ₹2,00,000 on 1st June, 2024 which is repayable in equal quarterly installments over 2 years starting from 1st October, 2024. The State Bank of India**

(SBI) lending rate for such loans is 9.5% per annum as on 01.04.2024, while the employer recovers interest @5.5% per annum from the employee.

(*vi*) **His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2023. This house is owned by the employer. The perquisite value of such furnished rent-free accommodation during the previous year 2023-24 was valued at ₹92,000. Further, the accommodation is continued to be provided by the employer to the employee in P.Y. 2024-25 also.**

(*vii*) **The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹1,50,000 on 01.01.2023. Electricity and water bills of ₹5,000 p.m. for the said house were paid by the employer.**

Cost Inflation Index

F.Y. 2023-24-348, F.Y. 2024-25-363.

(*viii*) **His colleagues gifted him a mobile phone worth ₹45,000 from their own contribution on account of his marriage.**

You are required to compute the income chargeable under the head Salaries in the hands of Mr. Kunal for the Assessment Year 2025-26 assuming that he wants to pay tax under default tax regime under section 115BAC.

Answer:

Computation of income chargeable under the head "Salaries" of Mr. Kunal for A.Y.2025-26 under default tax regime

	₹	₹
Basic Pay [₹61,000 x 10 + ₹62,000 x 2] Dearness Allowance [₹7,34,000 x 25%]		7,34,000 1,83,500
Bonus		61,000
Leave encashment for P.Y. 2024-25		10,000
Value of perquisite Perquisite of Motor Car [₹3,300 x 4] As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 litres) owned by the employer is provided to employee with chauffeur for both official and personal use, the value of perquisite shall be ₹3,300 (₹2,400 + ₹900). The car was provided to employee from 01.12.2024, therefore the perquisite value has been calculated for 4 months.		 13,200
Perquisite of interest on loan **(Working Note Below)**		5,917
Value of Rent-free accommodation		
Value of Rent-free accommodation {10% of ₹9,15,100 i.e., [₹7,34,000, basic salary + ₹1,10,100 (₹1,83,500 x 60%, DA forming part of retirement benefit) + ₹10,000, leave encashment + ₹61,000, bonus]}	91,510	
Add: Value of furniture [₹1,50,000 × 10% p.a.]	15,000	
	1,06,510	
As per Rule 3, value of perquisite in case of accommodation continued to be provided to an employee for more than one previous year, shall not exceed the amount calculated for first previous year, as multiplied by the amount which is a ratio of CII for the previous year for which the value is calculated and CII for the previous year in which accommodation was initially provided to the employee.		
Accordingly, value of perquisite for P.Y. 2024-25 to be restricted to = ₹92,000 x	95,966	95,966

	₹	₹
363/348		
Facility of use of electricity and water [Electricity and water bills paid by the employer would be taxable as perquisite] [₹5,000 x 12]		60,000
Mobile phone received as gift from colleagues		Nil
(Not taxable under the head "Salaries")		
Gross Salary		11,63,583
Less: Standard deduction under section 16 [Actual salary or ₹75,000, whichever is less]		75,000
Net Salary		**10,88,583**

Working Note:

Perquisite of Interest on Loan

The value of the benefit to the assessee resulting from the concessional loan made to the employee during the relevant previous year by the employer shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India (SBI) as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it. This rate should be applied on the maximum outstanding monthly balance and the resulting amount should be reduced by the interest, if any, actually paid by him.

"Maximum outstanding monthly balance" means the aggregate outstanding balance for loan as on the last day of each month.

The perquisite value for computation is 9.5% - 5.5% = 4% p.a.

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 4% for the month (₹)
June, 2024	2,00,000	667
July, 2024	2,00,000	667
August, 2024	2,00,000	667
September, 2024	2,00,000	667
October, 2024	1,75,000	583
November, 2024	1,75000	583
December, 2024	1,75,000	583
January, 2025	1,50,000	500
February, 2025	1,50,000	500
March, 2025	1,50,000	500
Taxable Value of perquisite		**5,917**

Topic: Income from Capital Gain & IFOS

Question: 7

Mr. Aryan, a resident individual, is working in Nishchay Ltd. and earns salary of ₹90,000 per month during P.Y. 2024-25. He holds 20,000 equity shares of Alpha Ltd., an Indian listed company, purchased on 1st January 2016 at ₹200 per share. These were acquired through a recognized stock exchange and STT was paid on both acquisition and sale.

In August, 2024, Mr. Aryan transferred a plot in Chandigarh for ₹70 lakhs which was acquired by him in May 2016 for ₹22 lakhs. He paid brokerage of 1% on transfer.

In November, 2024, Alpha Ltd. decided to buy back 50% of its shares at ₹250 per share. Alpha Ltd. bought back proportionate shares of Mr. Aryan. In May 2025, Mr. Aryan acquired a residential house property in Kanpur for ₹40 lakhs. Fair Market value of equity shares of Alpha Ltd. as on 31.1.2018 was ₹190 per share.

You are required to compute the total income of Mr. Aryan if he is paying tax under default tax regime.

CII for F.Y. 2015-16: 254; F.Y. 2016-17: 264; F.Y. 2017-18: 272; F.Y. 2024-25: 363

Answer:

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

	Particulars	₹	₹
I	**Salaries** Salary from Nishchay Ltd. [₹90,000 x 12] *Less:* Deduction under section 16 - Standard deduction upto ₹75,000	 10,80,000 75,000	 10,05,000
II	**Capital Gains**		
	On buy back of equity shares of Alpha Ltd. Consideration received on buy back of shares	 Nil	
	Less: Cost of acquisition	20,00,000	
	Higher of - Actual cost of acquisition of ₹20 lakhs [10,000 shares @ ₹200 per share] - Lower of FMV as on 31.1.2018 i.e., ₹19 lakhs and full value of consideration i.e., Nil		
	Long term capital loss on buy back of shares	(20,00,000)	
	On sale of plot Sale consideration	 70,00,000	
	Less: Brokerage @1%	70,000	
	Net sale consideration	69,30,000	
	Less: Cost of acquisition [Indexation benefit is not available on transfer which took place on or after 23.7.2024]	22,00,000	
		47,30,000	
	Less: Exemption under section 54F	27,30,159	
	Amount invested in residential house within 2 years would qualify for exemption against long term capital gain arising from transfer of plot. Since the amount invested is less than the net consideration, proportionate capital gains is exempt [₹47,30,000 x ₹40,00,000/₹69,30,000]		

Particulars		₹	₹
	Long term capital gain on transfer of plot	19,99,841	Nil
	Less: Set off of long term capital loss on buy back of original shares against long term capital gain on transfer of plot to the extent of	19,99,841	
	Balance long term capital loss of ₹159 on buy back of original shares is to be carried forward to A.Y. 2026-27		
III	**Income from Other Sources**		
	Dividend on buy back of shares [10,000 x 250]		25,00,000
Total Income			**35,05,000**

Question: 8

Mr. Paras has a proprietary business since P.Y. 2015-16. He has transferred this business on 01.04.2024 by way of a slump sale for a total consideration of ₹40 Lakh. The fair market value of his capital assets as on 01.04.2024 is ₹35 Lakh. He has incurred expenses for this deal of ₹1,50,000. His Balance Sheet as on 31.03.2024 is given below:

Liabilities	₹	Assets	₹
Own Capital	**20,00,000**	**Building**	**18,00,000**
Bank Loan	**5,00,000**	**Debtors**	**5,00,000**
Unsecured Loans	**2,50,000**	**Machinery**	**5,00,000**
Creditors	**4,10,000**	**Other assets**	**3,60,000**
	31,60,000		**31,60,000**

Other information:

(1) **Bank loan balance includes ₹2 lakh for personal purpose.**

(2) **Machinery costing ₹50,000 has been allowed 100% as deduction u/s 35AD**

(3) **Other assets include self-generated goodwill of ₹60,000.**

(4) **Unsecured loans include ₹1 lakh for amount payable for the purchase of the ornaments of his wife.**

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

Answer:

Computation of capital gains on slump sale for A.Y. 2025-26

Particulars	₹
Full value of consideration [Higher of (i) FMV of capital assets on 1.4.2024 of ₹35 lakhs or (ii) FMV of Monetary consideration received of ₹40 lakhs]	40,00,000
Less: Expenses for transfer	1,50,000
	38,50,000
Less: Net worth (See Note below)	21,90,000
Long-term capital gain, since the business is held for more than 36 months [Indexation benefit not available]	**16,60,000**
Note - Computation of net worth Building[1]	18,00,000

1 Assuming Balance Sheet values represent the written down value of building as per section 43(6)(*c*).

Particulars		₹
Machinery[1] [₹5,00,000 – ₹50,000, being the amount allowed as 100% as deduction u/s 35AD]		4,50,000
Debtors		5,00,000
Other assets (₹3,60,000 – ₹60,000, being the amount of self-generated goodwill)		3,00,000
Total assets		**30,50,000**
Less: Bank Loan (₹5,00,000 – ₹2,00,000, being loan for personal purpose)	3,00,000	
Unsecured Loan (₹2,50,000 – ₹1,00,000, being the amount payable for purchase of ornaments of his wife)	1,50,000	
Creditors	4,10,000	8,60,000
Net worth		**21,90,000**

Topic: Clubbing of Income

Question: 9

Mr. Suraj, aged 40 years, submits the following information for the financial year ending 31.3.2025:

(*i*) He is employed in ABC Ltd. and earned salary income of ₹10,50,000 (computed).

(*ii*) He is engaged in a speculation and a non-speculation business. He earned profit from speculation business of ₹60,000 and suffered loss from non-speculation business of ₹40,000.

(*iii*) He reported short-term capital gain of ₹80,000. He also received lottery winnings of ₹20,000 (Gross).

(*iv*) He has a brought forward long-term capital loss of ₹30,000 from A.Y. 2023–24.

(*v*) Mr. Suraj has two children: one married daughter Riya aged 17 years, and a son Raj aged 16 years. The interest income of Riya and Raj is ₹1,200 p.a. and ₹2,000 p.a., respectively.

(*vi*) He transferred a flat to Riya on 1st April 2024, on account of natural love and affection. This flat was let out from that date and generated rental income of ₹5,000 per month.

(*vii*) Mr. Suraj paid a medical insurance premium of ₹22,000 during the financial year to insure his health, his spouse and dependent children. Additionally, he paid ₹33,000 to insure the health of his mother, aged 67 years, who is not dependent on him. He also incurred ₹20,000 as medical expenditure for his father, aged 71 years, who is not dependent and is not covered under any insurance policy. He contributed ₹6,000 during the year to the Central Government Health Scheme (CGHS).

Compute the total income of Mr. Suraj assuming that Mr. Suraj's total income is higher than Mrs. Suraj's total income, before including the income of minor children. Mr. Suraj exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Answer:

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

	Particulars	₹	₹
I	**Salaries** Income from Salary (computed)		10,50,000
II	**Income from business** Income from speculation business	60,000	
	Less: Loss from non-speculation business	(40,000)	20,000

1 Assuming Balance Sheet values represent the written down value of machinery as per section 43(6)(*c*).

	Particulars		₹	₹
	As per section 73(1), loss from speculation business cannot be set off against profit from non-speculation business. However, there is no restriction under section 72 to set off loss from non-speculation business against profit from speculation business.			
III	**Capital Gains**			
	Short-term capital gain			80,000
	As per section 74(1), long term capital loss can be set off only against long term capital gain. Therefore, long term capital loss of ₹30,000 has to be carried forward to A.Y. 2026-27			
IV	**Income from Other Sources**			
	Winnings from lotteries			20,000
Gross Total income before including income of minor children				**11,70,000**
Income of minor married daughter Riya				
(i) Interest income			1,200	
(ii) GAV [Rental income from house property] [₹5,000 x 12] [Section 27 is not attracted if the house property is transferred by a parent to a minor married daughter. Hence, Mr. Suraj is not a deemed owner of the house property. However, by virtue of section 64(1A), all income of a minor child is includible in the hands of parent whose income is higher.		60,000		
Less: 30% of GAV		18,000	42,000	
			43,200	
Less: Exempt under section 10(32)			1,500	41,700
Income of Minor Son Raj			2,000	
Interest income				
Less: Exempt under section 10(32)			1,500	500
Gross Total Income				**12,12,200**
Less: Deduction under section 80D **(Refer**				75,000
working note below)				
Total Income				**11,37,200**

Working Note

Deduction allowable under section 80D for the A.Y.2025-26

	Particulars	₹	₹
(*i*)	Medical insurance premium paid for self, spouse and dependent children	22,000	
(*ii*)	Contribution to CGHS	6,000	
		28,000	
	restricted to		25,000
(*iii*)	Mediclaim premium paid for mother, who is over 60 years of age	33,000	
(*iv*)	Medical expenditure incurred for father, who is over 60 years of age and not covered by any insurance	20,000	
		53,000	

	Particulars	₹	₹
	restricted to		50,000
			75,000

Question: 10

Mr. Suraj, (39 years), his wife Megha (35 years) and minor son Dev (12 years), provide the following details of their income/losses for the previous year 2024-25:

Mr. Suraj

(i) Salary received as a partner from a partnership firm - ₹6,15,000

He is a working partner in the firm and the salary is as per the limits prescribed under section 40(b).

(ii) Income (loss) from house property:

Brought forward loss from House -A (let out) - ₹96,000

Current year loss from House B (let out) - ₹2,30,000

(iii) Interest received on enhanced compensation - ₹2,00,000

It relates to transfer of a piece of land in the financial year 2019-20.

Out of the above ₹35,000 relates to previous year 2024-25 and the balance relate to preceding previous year.

(iv) Gift from grandfather's younger sister by cheque - ₹1,25,000

(v) Dividend on listed equity shares of domestic companies (Gross) - ₹50,000

(vi) On 1st December 2024, Mr. Suraj received ₹75 lakhs as maturity proceeds from his life insurance policy which was taken on 1st May 2012. He paid ₹6,00,000 as annual premium and the sum assured was ₹65 lakhs.

Mrs. Megha

(i) Current year loss from business. (She carried on this business with funds which Mr. Suraj gifted to her) - ₹8,10,000.

(ii) Mrs. Megha purchased a house property from her "Stridhan" and gifted the same to her minor son, Dev on 1st April, 2024 out of love and affection. The FMV of the house on the date of transfer was ₹51 lakhs.

Master Dev

Rent received from house property received from Mrs. Megha - ₹35,000 p.m.

Compute total income of Mr. Suraj, Mrs. Megha and Dev for the assessment year 2025-26 assuming Mr. Suraj has decided to pay tax under default tax regime provided under section 115BAC, whereas Mrs. Megha and Dev have opted out of the default tax regime. Briefly explain the reasons for the treatment of each item.

Answer:

Computation of total income of Mr. Suraj, Mrs. Megha and minor son Dev for A.Y. 2025-26

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
Income from house property			

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
Annual Value [As per section 27, Mrs. Megha is the deemed owner of the house property transferred to minor son, Dev without consideration though such property is acquired from her "Stridhan"] [₹35,000 x 12]		4,20,000	
Less: Deduction @30% of NAV		1,26,000	
		2,94,000	
Brought forward loss from House A [Not allowed to be set-off against income from other heads]	-		
Current year loss of Mr. Suraj from House – B [Not allowed to be set-off against income from other heads since Mr. Suraj is paying tax under default tax regime]	-		
Profits and gains from business or profession			
Salary from partnership firm	6,15,000		
Less: As per section 70, set off of current year loss from business of ₹8,10,000 to the extent of [Current year loss from business of his wife is allowed to be set off in the hands of Mr. Suraj since funds for business is gifted by him]	6,15,000		
Income from Other Sources	**-**		
Interest on enhanced compensation [Taxable in the year it is received]	2,00,000		
Less: Deduction @50%	1,00,000		
	1,00,000		
Gift from grandfather's sister [Taxable under section 56(2)(x), since grandfather's sister is not a relative and the amount of gift exceeds ₹50,000]	1,25,000		
Dividend on shares (gross)	50,000		
Maturity proceeds from LIC [Exempt under section 10(10D) since the annual premium payable does not exceed 10% of sum assured]	-		
	2,75,000		
Less: Set off of remaining business loss of ₹1,95,000	1,95,000		
Gift of house property from Mrs. Megha to Dev [Exempt since the gift is from a relative i.e., from his mother]	80,000		Nil
Taxable Income	**80,000**	**2,94,000**	**-**

Topic: Set-off & C/F of Losses

Question: 11

Surbhi, a resident individual aged 35 years, is a working partner in two firms (A and B) engaged in the retail business of garments. She provides the following details of her income/losses for the year ended 31st March 2025:

- **(i) Remuneration received as a partner from partnership firm "A" - ₹9.7 lakhs (Deductible while computing the income of the firm).**
- **(ii) Loss from intra-day trading in shares of Indian companies listed on a recognised stock exchange (no delivery of shares was taken) - ₹4 lakhs.**
- **(iii) Income from the activity of owning and maintaining race horses - ₹7 lakhs.**
- **(iv) Long term capital gains on sale of property (computed as per the provisions of the Income-tax Act, 1961) - ₹9.2 lakhs.**
- **(v) Interest paid on loan taken for repair of self-occupied house property - ₹1.2 lakhs.**
- **(vi) Amount received as advance towards sale of a shop which was later forfeited as the buyer could not comply with the conditions specified in agreement of sale - ₹5 lakhs.**
- **(vii) Share of loss from partnership firm "B" - ₹1.1 lakhs.**
- **(viii) Loss on betting -₹0.20 lakhs.**
- **(ix) Interest on fixed deposit (gross) - ₹0.80 lakhs. The fixed deposit of ₹10 lakhs was gifted to her by her father-in-law on 01.04.2024.**

Following are the losses bought forward:

- **(i) Long term capital loss on sale of unlisted shares (pertaining to A.Y. 2024-25) - ₹3.8 lakhs.**
- **(ii) Loss from the activity of owning and maintaining race horse (pertaining to A.Y. 2024-25) - ₹25,000.**

Compute gross total income of Surbhi for assessment year 2025-26 under appropriate heads of income and the amount of loss that can/cannot be carried forward assuming that she has opted out of default tax regime. Will your answer be different in case she does not opt out from default tax regime. There is no need to compute the tax payable under any of the regimes.

Answer

Computation of Gross Total Income of Mrs. Surbhi for the A.Y. 2025-26 as per the optional tax regime

Particulars	₹	₹
Income from House Property (Self-occupied Property)		
Annual Value	-	
Less: Deductions under section 24(b) Interest on loan for repair of self-occupied property (Restricted to ₹30,000)	(30,000)	
	(30,000)	
Profit and gains of business or profession Remuneration from partnership firm	9,70,000	
Share of loss from partnership firm [Not allowed for set-off as it is from exempt source]	-	
Less: Set off of loss from House Property [*Alternatively, loss from house property can be set off from advance forfeited.*]	(30,000)	9,40,000
Capital Gain		

Particulars	₹	₹
Long-term capital gain on sale of property	9,20,000	
Less: Brought forward long-term capital loss on sale of unlisted shares	(3,80,000)	5,40,000
Income from Other Sources Income from owning and maintaining race horse	7,00,000	
Less: Brought forward loss of owning and maintaining race horse	(25,000)	
	6,75,000	
Advance forfeited as the buyer could not comply with the conditions of the sale agreement	5,00,000	
FD received from Father-in-Law [Sine Father- in-law falls within the definition of relative, the gift will not be taxable in her hands]	-	
As per section 64(1)(vi), interest on fixed deposit (Since fixed deposit was gifted by father-in law, interest on FD will be clubbed in the hands of Father-in-law)	-	11,75,000
Gross Total Income		**26,55,000**
Losses to be carried forward to A.Y. 2026-27		
Loss from speculative business Loss from speculation business (intra day trading in shares) cannot be set off against any income other than profit and gains of another speculation business. Such loss can, however, be carried forward to A.Y. 2026-27 for set off against income from speculation business of that year.		4,00,000
Loss on betting Loss from betting cannot be set off or carried forward for future years.		-

Computation of Gross Total Income of Mrs. Surbhi for the A.Y. 2025-26 as per the default tax regime

Particulars	₹	₹
Gross Total Income as per optional tax regime	26,55,000	
Add: Loss from House Property [Interest under section 24(*b*) is not allowable in respect of self-occupied house property while computing total income as per section 115BAC]	30,000	
Gross Total Income as per default tax regime		26,85,000

Topic: TDS, TCS & Advance Tax

Question: 12

Examine the applicability and determine the amount of tax deduction at source as per the Income-tax Act, 1961 for the A.Y. 2025-26 in the following situations:

(*i*) **ABC Ltd., having its registered office in Noida, organized its annual company function at its Gurgaon office. For this purpose, the company engaged Beta Pvt. Ltd. to arrange road transport for its employees from Noida to Gurgaon and back, for which a payment of ₹25,000 has to be made. Further, ABC Ltd. also entered into a separate contract with Beta Pvt. Ltd. for providing catering services at the function, for ₹90,000.**

(*ii*) **Vijay Health Solutions Ltd., a Third-Party Administrator (TPA), makes payments to various hospitals across India towards settling cashless medical insurance claims on behalf of insurance companies. During the financial year 2024-25, the total payment made by Vijay Health Solutions Ltd. to Life Care Hospital for cashless claims is ₹12,00,000.**

Answer:

(*i*) Any person responsible for paying any sum i.e. ₹30,000 in a single payment or ₹1,00,000 in the aggregate during a financial year to a resident contractor for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and the contractee, tax has to be deducted at source u/s 194C at the time of payment of such sum or at the time of credit of such sum to the account of the contractor, whichever is earlier.

In the present case, ABC Ltd. has entered into separate contracts with Beta Pvt. Ltd. for arranging road transport and providing catering services, for ₹25,000 and ₹90,000, respectively. Both 'carriage of passengers' and 'catering' are expressly covered as "work" under section 194C. Even though the services are different, the aggregate payment to the contractor during the financial year is considered for the threshold limit.

Hence, TDS@2% is applicable on ₹1,15,000, being the aggregate amount paid to Beta Pvt. Ltd. The amount of tax to be deducted by ABC Ltd. would be ₹2,300.

(*ii*) The payment by TPAs was made on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under cashless claims which was on account of services rendered by hospitals to various patients. These services are primarily medical services and are liable to deduct tax at source under section 194J on all such payments to hospitals etc. as clarified by CBDT through Circular No. 8/2009 dated 24.11.2009.

In the present case, Vijay Health Solutions Ltd. is required to deduct tax u/s 194J @10% on payment of ₹12 lakhs. The amount of tax to be deducted by Vijay Health Solutions Ltd. would be ₹1,20,000.

Question: 13

Examine the applicability and determine the amount of tax deduction at source (TDS) as per the Income-tax Act, 1961 for the A.Y. 2025-26 in the following situations:

(*i*) Nexus Tech Pvt. Ltd., a company engaged in the business of manufacturing electronic goods, reported a turnover of ₹12 crore during the F.Y. 2023–24. During the F.Y. 2024–25, the company made the following purchases from resident sellers:

- **From Vendor A – Raw materials worth ₹60,00,000 (₹25 lakh in April, ₹35 lakh in July). Payment of ₹20 lakhs was made in June and remaining payment in September. Vendor A has not furnished his PAN.**
- **From Vendor B – Trading goods worth ₹48,00,000 on instalments (₹15 lakh in May, ₹20 lakh in October, ₹13 lakh in December). Entire payment was made in March, 2025.**

It is to be noted that Nexus Tech Pvt. Ltd. made the entry in its books on the date of purchase and TCS provisions are not applicable on vendors.

(*ii*) In January 2025, Mr. Sumit, engaged in business having turnover of ₹1.20 crores during the P.Y. 2023-24, enters into an annual maintenance contract (AMC) with ABC Ltd., a resident company, for ₹5,40,000 *plus* GST@18%. Mr. Sumit made the payment in February 2025 and ABC Ltd. has not provided its PAN to Mr. Sumit.

Answer:

(*i*) Since the turnover of Nexus Tech Pvt. Ltd. exceeds ₹10 crores during the P.Y. 2023-24, it is required to deduct tax at source under section 194Q for paying any sum to a resident for purchase of goods of the value exceeding ₹50 lakhs in a previous year, at the time of payment or credit, whichever is earlier.

The rate of TDS would be 0.1% of sum exceeding ₹50 lakhs. In case of non-furnishing of PAN, TDS @5% would be deducted as per section 206AA. TDS liability in respect of the purchases made by Nexus Tech Pvt. Ltd. is as follows—

- **Purchase of raw material from Vendor A**

The threshold limit of ₹50 lakhs is exhausted in July at the time of credit; accordingly, tax would be deducted by Nexus Tech Pvt. Ltd. on ₹10 lakhs, being the sum exceeding ₹50 lakhs in July.

Since Vendor A has not provided his PAN to Nexus Tech Pvt. Ltd., tax at higher rate of 5% would be deducted.

Accordingly, the tax to be deducted by Nexus Tech Pvt. Ltd. would be ₹50,000.

- **Purchase of trading goods from Vendor B**

The threshold limit of ₹50 lakhs is per resident seller per buyer. On purchase of trading goods from Vendor B, no tax is required to be deducted since the threshold of ₹50 lakhs is not exhausted.

(*ii*) Since the turnover of Mr. Sumit exceeds ₹1 crore during the P.Y. 2023-24 and the contract payments made to ABC Ltd. exceeds ₹1,00,000, the TDS provisions under section 194C would be attracted. The rate of TDS under section 194C is 2%. However, as per section 206AA, in case of non-furnishing of PAN, TDS @20% would be deducted.

In the present case, ABC Ltd. has not provided its PAN to Mr. Sumit, hence, TDS@20% is applicable on ₹5,40,000 being the amount excluding GST as GST is separately mentioned. The amount of tax to be deducted by Mr. Sumit would be ₹1,08,000.

Question: 14

Aryan, a resident individual engaged in the retail trade of auto parts through various stores across Delhi-NCR, had total turnover of ₹15 crores during the financial year 2023-24. The following data is furnished relating to the financial year ended 31-3-2025:

(i) He purchased goods for ₹105 lakhs (excluding GST @ 18%) on 21.05.2024 from Diva LLP, a limited liability partnership firm resident in India. Out of these purchases, goods worth ₹5 lakhs (excluding GST) were returned on 20.07.2024 due to quality issues for which Diva LLP refunded the money on 20.02.2025. Assume that the turnover of Diva LLP during the financial year 2023-24 was ₹8 crores.

(ii) Aryan paid ₹77,000 every month to Mr. Kulveer, a resident individual for providing catering services in his shop under a contract.

Discuss the TDS/TCS implications in respect of the above-mentioned transactions assuming PAN of all the concerned parties are available.

Answer

(i) Mr. Aryan is required to deduct tax at source under section 194Q @0.1% on the purchase of goods exceeding ₹50 lakhs without GST since his turnover for the P.Y. 2023-24 exceeds ₹10 crores. The tax is to be deducted at the time of payment or at the time of credit of such sum to the account of Diva, LLP, whichever is earlier. Accordingly, Aryan has to deduct tax of ₹5,500, being 0.1% of ₹55 lakhs on 21.5.2024.

In case of purchase return of ₹5 lakhs and amount is refunded by Diva LLP, tax deducted of ₹500 (0.1% of ₹5 lakhs) may be adjusted against the next purchase from Diva LLP.

(ii) Since Mr. Aryan paid for catering services exceeding ₹30,000 and his turnover for the P.Y. 2023-24 exceeds ₹1 crore, he is liable to deduct tax at source under section 194C @1%. The tax is to be deducted at the time of payment or at the time of credit of such sum to the account of Mr. Kulveer, whichever is earlier.

Amount of TDS = ₹77,000 x 12 x 1% = ₹9,240

Question: 15

Mr. Ganesh whose Professional Receipts for the year ended 31.03.2024 were ₹1.25 crores has made payment to Mr. Rajesh (a Chartered Accountant) during P.Y. 2024-25 who has multi faced activities.

Examine whether TDS Provisions re applicable for following payments made by Mr. Ganesh to CA Rajesh:

(i) Professional Fee for consultation - ₹32,450 on 15.06.2024 including GST paid @18%.

(ii) Royalty Payment for Use of Computer Software by various clients of Mr. Rajesh - ₹2,50,000 on 03.03.2025.

(iii) Fee for Technical services related to Business of Mr. Ganesh - ₹20,000 on 15.12.2024.

(iv) Fees for teaching accountancy to his Son - ₹40,000 on 31.10.2024.

Answer

(i) **Professional Fees for consultation**

As per section 194J, tax is required to be deducted at source @10% on fees for professional services, if the amount paid exceeds ₹30,000.

In the present case, since the amount of professional fees of ₹27,500 (₹32,450 x 100/118) excluding GST is not exceeding ₹30,000, no tax is required to be deducted at source on such payment by Mr. Ganesh.

(ii) **Royalty payment for use of computer software**

No tax is deductible at source by Individuals and HUFs on royalty payment. Hence this payment is not liable for TDS under section 194J.

(iii) **Fee for technical services related to business of Mr. Ganesh**

As per section 194J, tax is required to be deducted at source 2% on fees for technical services, if the amount paid exceeds ₹30,000.

Since in the present case, the amount of fees for technical services of ₹20,000 is not exceeding ₹30,000, no tax is required to be deducted at source on such payment by Mr. Ganesh.

(iv) **Fees for teaching accountancy to his son**

No tax is required to be deducted at source u/s 194J in respect of fees for teaching, since it does not fall within the scope of professional services. Moreover, TDS also not required to be deducted at source since such fees is paid by Mr. Ganesh for his personal purposes.

Question: 16

Answer the following:

(i) M/s. PQR & Co., a proprietary firm of Mr. Yogesh, paid an amount of ₹30,500 to Mr. Amit, a resident individual aged 45 years, on June 1, 2024 towards fees for professional services. Subsequently, another payment of ₹60,000 was due to Mr. Amit on January 30, 2025. Tax was not deducted from both the transactions. Mr. Amit has filed his return of income for assessment year 2025-26 on May 2, 2025, taking into account professional fees from M/s. PQR & Co. and paid the taxes due on the income declared in the return of income.

What are the tax obligations in the hands of M/s. PQR & Co. on the assumption that the accounts of the firm are audited under section 44AB of the Income-tax Act 1961?

(ii) M/s. Fastest Ltd. is an Indian car manufacturer. During the F.Y. 2024-25, it sold cars for ₹150 lakhs to M/s. Race LLP, a distributor of cars where the sale price of each car was ₹7.5 lakhs. The turnover for the F.Y. 2023-24 of M/s. Fastest Ltd. was ₹15 crores and M/s. Race LLP was 8 crores. What shall be the TCS/TDS implications on M/s. Fastest Ltd. and M/s. Race LLP?

Answer

(i) M/s PQR & Co. is required to deduct tax at source under section 194J @10% on the professional fees paid to Mr. Amit of ₹30,500 and ₹60,000 on 1st June 2024 and 30th January 2025, respectively, assuming M/s PQR & Co. turnover/gross receipts exceeds the prescribed threshold limit.

However, M/s PQR & Co. has not deducted the tax at source during the P.Y. 2024-25, disallowance of ₹27,150, being 30% of ₹90,500 would be attracted u/s 40(a)(ia) though Mr. Amit has filed his return of income considering the professional fees from M/s PQR & Co. and paid taxes on the same.

In such a case, M/s PQR & Co. would not be deemed as assessee in default by virtue of the first proviso to section 201(1) and the amount disallowed i.e., 27,150 would be allowed as deduction in A.Y. 2026-27.

For non-deduction of tax at source, interest @1% would be leviable under section 201(1A)(i) for every month or part of the month on the amount of tax from the date on which such tax was deductible to the date such tax was paid by the payee i.e., 2.5.2025.

Interest @1% on ₹3,050 (10% of ₹30,500) from June 2024 to May 2025 = ₹366 and on ₹6,000 (10% of ₹60,000) from January, 2025 to May 2025 = ₹300 is payable by M/s PQR & Co.

(*ii*) M/s. Fastest Ltd. is not required to collect tax at source u/s 206C(1F) on sale of cars of ₹150 lakhs to M/s. Race LLP, since such sale is to a distributor and sale price of each car does not exceed ₹10 lakhs.

M/s. Race LLP is also not required to deduct tax at source u/s 194Q, since its turnover, being a buyer in the P.Y. 2023-24 does not exceed ₹10 crores.

However, M/s Fastest Ltd. is required to collect tax at source u/s 206C(1H) @0.1% on the sale consideration exceeding ₹50 lakhs i.e. on ₹100 lakhs since turnover of M/s Fastest Ltd. exceeds ₹10 crores and TCS u/s 206C(1F) and TDS u/s 194Q is not applicable.

Topic: Return Filing

Question: 17

State, with appropriate reasons, whether the following statements are "true" or "false".

(i) An income-tax return can be revised only once.

(ii) Updated return under section 139(8A) cannot be filed if original return is a loss return under section 139(3).

Answer

(*i*) **False:** A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if an assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

(*ii*) **False:** If any person has a loss in any previous year and has furnished a return of loss on or before the due date of filing return of income under section 139(1), he shall be allowed to furnish an updated return if such updated return is a return of income.

Question: 18

Answer the following:

(i) Vegetable Ltd. filed its return of income for the A.Y. 2024-25, on 15th December 2024. On 2nd January 2025, the accountant of Vegetable Ltd. realised that he had forgotten to claim a genuine business expenditure amounting to ₹15 lakhs. He wants to file revised return to claim such expenditure as the assessment is not yet completed. Whether the action of the accountant of Vegetable Ltd. is valid?

(ii) Mahendra, a resident individual aged 45 years earned a salary income of ₹2 crores during the F.Y. 2024-25. He also earned dividend from unlisted shares amounting to ₹4 lakhs. He wants to file his return of income for the A.Y. 2025-26 through a Tax Return Preparer. Can he do so?

Answer

(*i*) The due date of filing return of income of Vegetable Ltd for the A.Y.2024-25 is 31st October, 2024 since it is a company.

However, it filed its return of income on 15.12.2024, which is a belated return.

If any omission is discovered even in a belated return, the same can also be revised up to 31.12.2024 being the date 3 months prior to the end of the relevant assessment year i.e. 31.03.2024 or completion of assessment, whichever is earlier.

However, it cannot file a revised return on 02.01.2025 since it is beyond 31.12.2024. Hence, the action of accountant of Vegetable Ltd is not valid.

(*ii*) Since Mr. Mahendra is a resident individual, not being a company or a person whose accounts are required to be audited under section 44AB for the P.Y. 2024-25, and therefore he can file his return of income for A.Y. 2025-26 through a Tax Return Preparer.

Question: 19

Rani, an Indian resident aged 34 years did not file her return of income for the A.Y. 2022-23, 2023-24 and 2024-25. She gives the following information regarding each of the A.Y.-

A.Y. 2022-23

(i) Tax payable on the total income of Rani - ₹14,50,000

(ii) TDS deducted - ₹5,00,000

A.Y. 2023-24

(i) Tax payable on the total income of Rani - ₹5,60,000

(ii) TDS deducted - ₹10,00,000

A.Y. 2024-25

(i) Tax payable on the total income of Rani - ₹6,30,000

(ii) TDS deducted - ₹2,00,000

(iii) Interest payable under section 234A, 234B and 234C - ₹90,000 (calculated till 31st May 2025)

(iv) Self-assessment tax paid - ₹1,00,000

She approaches you to file updated return under section 139(8A) on 16.5.2025. You are required to prepare a suggestion to be given to her in this respect. Your suggestion should include the financial aspect also (like payment of tax) briefly outlining the relevant provisions of the Income-tax Act.

Answer

An updated return can be furnished for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

Accordingly, the following are the suggestions to Rani with respect to updated return on 16.5.2025 for A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25:

A.Y. 2022-23: Since the period of 24 months from the end of A.Y. 2022-23 expired on 31.3.2025 updated return cannot be furnished on 16.5.2025 for A.Y. 2022-23.

A.Y. 2023-24: For A.Y. 2023-24, updated return can be furnished up to 31.3.2026. Thus, updated return can be furnished on 16.5.2025.

Since updated return would be furnished after the expiry of 12 months but before 24 months from the end of 31.3.2024, additional income tax would be payable @50% of aggregate of tax (after taking into consideration tax deducted at source) and interest payable.

Accordingly, Rani is required to pay additional income-tax in addition to the tax payable of ₹5,60,000, interest and late fee of ₹5,000.

Alternate answer: *The main solution has been worked out in line with the provisions of section 140B taking tax payable as the net figure of tax after adjusting TDS. However, since the term "tax payable" used in the ITR form for updated return is before the adjustment of TDS, TCS, Advance tax, interest payable etc., it is possible to take a view that the amount of tax payable of ₹5,60,000 is before adjusting TDS of ₹10,00,000. In such case, since the refund of ₹4,40,000 would arise, updated return cannot be furnished for A.Y. 2023-24.*

A.Y. 2024-25: - For A.Y. 2024-25, updated return can be furnished up to 31.3.2027. Thus, updated return can be furnished on 16.5.2025

Since updated return would be furnished before the expiry of 12 months from the end of 31.3.2025, additional income tax would be payable @25% of aggregate of tax (after taking into consideration tax deducted at source and self-assessment tax paid) and interest payable.

Accordingly, Rani is required to pay additional income-tax of ₹1,80,000 i.e., 25% of ₹7,20,000 (₹6,30,000 + ₹90,000) in addition to tax payable of ₹6,30,000, interest payable of ₹90,000 and late fees of ₹5,000.

Alternate answer: *The main solution has been worked out in line with the provisions of section 140B taking tax payable as the net figure of tax after adjusting TDS and self-assessment tax paid. However, since the term "tax payable" used in the ITR form for updated return is before the adjustment of TDS, TCS, Advance tax, interest payable etc., it is possible to take a view that the amount of tax payable of ₹6,30,000 is before adjusting TDS of ₹2,00,000 and self-assessment tax paid of ₹1,00,000. In such case, Rani is required to pay additional income-tax of ₹1,05,000 i.e., 25% of ₹4,20,000* [*₹3,30,000* (*₹6,30,000 – ₹2,00,000 – ₹1,00,000*) *+ ₹90,000*] *in addition to tax payable of ₹3,30,000, interest payable of ₹90,000 and late fees of ₹5,000.*

Topic: Total Income & Tax Liability

Question: 20

Mr. Ramesh is an authorized wholesale distributor of fertilizers and other agricultural products. An analysis of his trading and profit & loss account for the previous year 31.3.2025 revealed the following information: —

(1) Net Profit ₹75,43,000.

(2) The following incomes were credited in the profit and loss account—

- **(*a*) Rent received ₹5,40,000**
- **(*b*) Income-tax refund ₹15,000**
- **(*c*) Dividend from Indian companies ₹2,50,000 (Gross)**

(3) Rates and taxes debited to profit and loss account include ₹1,000 paid towards late filing of his IT return for A.Y. 2024-25 under section 234F of Income-tax Act.

(4) Salaries debited to profit and loss account include ₹35,000 paid on single day by way of cash to his accountant.

(5) Interest of ₹1,20,000 paid on loan of ₹10,00,000 taken from NBFC. Out of the loan, amount of ₹2 lakhs was used for personal purposes and the balance was used for business purposes. No TDS was deducted while paying interest. Interest of ₹1,20,000 is debited to profit and loss account.

(6) Municipal Taxes of ₹10,000 paid for the building was debited to profit and loss account.

Additional Information:

(1) Closing stock was undervalued by ₹40,000

(2) Income-tax refund includes ₹2,000 towards interest.

(3) An amount of ₹45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.

(4) Advance Tax paid during the year is ₹15 lakhs.

(5) Half of the building is used for business purpose and remaining half let out to Mr. Anshul for residential purpose.

(6) He also sold his vacant land on 10.07.2024 for ₹10 lakhs. The stamp duty value of land at the time of transfer was ₹14 lakhs. The FMV and stamp duty value of the land as on 1st April, 2001 was ₹4 lakhs and ₹3 lakhs, respectively. This land was acquired by him on 05.08.1995 for ₹1.80 lakhs. He had incurred registration expenses of ₹10,000 at that time. The cost of inflation index for the years 2024-25 and 2001-02 are 363 and 100, respectively.

(7) Mr. Ramesh's turnover for the P.Y. 2023-24 was ₹3 crores

You are required to compute the total income and tax payable by Mr. Ramesh for the A.Y. 2025-26 under regular provisions of the Act.

Answers:

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

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Rent received (Rent received has been taken as gross annual value, due to absence of information relating to expected rent)	5,40,000	
Less: Municipal tax paid by Ramesh (₹10,000 x ½)	5,000	
Net Annual Value	5,35,000	
Less: Deduction u/s 24(a) – 30% of NAV	1,60,500	3,74,500
Profits and gains from business or profession		
Net profit as per profit and loss account	75,43,000	
Add: **Expenses/Payments debited to profit and loss account but not allowed**		
- Fee for late filing of income-tax return for A.Y. 2024-25 – disallowed	1,000	
- Salary paid to an accountant in cash exceeding ₹10,000 – disallowed under section 40A(3)	35,000	
- Interest paid to NBFC on loan which is used for personal purposes (₹1,20,000 x 2,00,000/10,00,000) – not allowed as per section 37	24,000	
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of ₹96,000 under section 40(a)(ia) [Since Mr. Ramesh's turnover for the immediately preceding previous year i.e., P.Y. 2023-24 exceeds ₹1 crore, he is required to deduct tax at source. Disallowance @30% of interest is attracted for non-deduction of tax at source]	28,800	
- Municipal taxes paid for let out portion [₹10,000 x ½]	5,000	
	76,36,800	
Add: Undervaluation of Closing stock	40,000	
	76,76,800	
Less: **Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account**		
- Rent received (Taxable under the head "Income from house property")	5,40,000	
- Income-tax refund	15,000	
- Dividend received from Indian companies (Taxable under the head "Income from other sources")	2,50,000	

Particulars	Amount (₹)	Amount (₹)
		68,71,800
Capital Gains		
Long-term capital gains on sale of land (since held for more than 24 months)		
Full Value of Consideration [Higher of stamp duty value of ₹14 lakhs and Actual consideration of ₹10 lakhs, since stamp duty value exceeds actual consideration by more than 10%]	14,00,000	
Less: Indexed Cost of acquisition [₹3,00,000 x 363/100]	10,89,000	3,11,000
Cost of acquisition		
Higher of—		
- Actual cost ₹1.80 lakhs + ₹0.10 lakhs = ₹1.90 lakhs and		
- Fair Market Value (FMV) ₹4 lakhs as on 1.4.2001 restricted to stamp duty value of ₹3 lakhs as on 1.4.2001 = ₹3 lakhs		
Income from Other Sources		
Interest on income-tax refund	2,000	
Dividend from Indian companies	2,50,000	2,52,000
Gross Total Income		78,09,300
***Less:* Deduction under Chapter VI-A**		
Section 80D - Health insurance premium paid for self, spouse and his children allowable as deduction to the extent ₹25000		25,000
Total Income		77,84,300

Computation of tax payable by Mr. Ramesh for the A.Y.2025-26

Particulars		Amount (₹)
Tax on ₹3,11,000 @20% under section 112		62,200
Tax on balance income of ₹74,73,300		
Upto ₹2,50,000	Nil	
₹2,50,001 - ₹5,00,000 [i.e., ₹2,50,000 @5%]	12,500	
₹5,00,001 - ₹10,00,000 [i.e., ₹5,00,000 @20%]	1,00,000	
Above ₹10,00,000 [i.e., ₹64,73,300 @30%]	19,41,990	20,54,490
		21,16,690
Add: Surcharge @10%, since total income exceeds ₹50,00,000 but does not exceed ₹1 crore		2,11,669
		23,28,359
Add: Health and Education cess@4%		93,134
Tax liability		24,21,493
Less: Advance Tax		15,00,000
Tax Payable		**9,21,493**
Tax Payable (Rounded off)		**9,21,490**

Question: 21

Mr. K is a 48-year-old resident individual. The details of income earned for the P.Y. 2024-25 from diversified businesses and investment portfolio are as under:

(*i*) He runs two businesses:—

- **A manufacturing business with profit of ₹10,00,000.**
- **A speculative business with loss of ₹7,00,000.**

(*ii*) He incurred a loss of ₹2,15,000 from a let-out property and also earned an income of ₹50,000 from the activity of owning and maintaining race horses. For earning this income, he incurred an expense of ₹5,000.

(*iii*) He has earned short-term capital gains of ₹50,000 from equity shares sold on 10.05.2024 on which STT was paid, and long-term capital loss of ₹75,000 from other assets sold on 15.10.2024.

(*iv*) Mr. K took divorce from his wife in April 2024 and the custody of their minor son is given to Mrs. K. Following the divorce, he transferred ownership of house property to his wife. During the financial year, the property generated rental income of ₹5,00,000.

(*v*) Mr. K deposits cash of ₹50,000 every month into the bank account of his minor son. During the P.Y. 2024-25, interest income of ₹25,000 is generated in his son's bank account.

(*vi*) He has also contributed a sum of ₹2 lakh to an electoral trust and incurred expenditure of ₹30,000 on advertisement in a brochure of a political party.

(*vii*) He authored an investment portfolio book and received royalty income of ₹4,10,000 during the P.Y. 2024-25 from a publisher in Germany. The royalty is calculated at 16% of book sales value. He incurred ₹60,000 as expenditure for earning this income. Out of the total royalty, ₹2,90,000 was remitted to India by 31st August 2025, and the balance remained in abroad till 30.9.2025.

Compute the total income of Mr. K assuming that he exercises the option of shifting out of the default tax regime. Assume Mr. K's total income, excluding the minor's income, is higher than that of his wife.

Answers:

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

Particulars		**₹**	**₹**
I	**House Property**		
	Rental Income of ₹5 lakhs shall be taxable in the hands of Mrs. K since it is a case of transfer of house property to his spouse in connection with an agreement to live apart. In such case, the transferee shall be the owner of the house property and rental income will be taxed in the hands of transferee.		-
	Set off of loss from house property to be restricted to ₹2 lakhs by virtue of section 71(3A). Balance loss of ₹15,000 has to be carried forward to A.Y. 2026-27		
II	**Income from business** Income from manufacturing business	10,00,000	
	Loss from speculation business As per section 73(1), loss from speculation business can be set off only against profit from any other speculation business. Therefore, loss from speculation business of ₹7,00,000 has to be carried forward to A.Y. 2026-27	-	
	Less: Set off of loss from house property to the extent of ₹2 lakhs	2,00,000	8,00,000

	Particulars	₹	₹
III	**Capital Gains**		
	Short-term capital gain u/s 111A	50,000	
	Long term capital loss	-	50,000
	As per section 74(1), long term capital loss can be set off only against long term capital gain. Therefore, long term capital loss of ₹75,000 has to be carried forward to A.Y. 2026-27		
IV	**Income from Other Sources**		
	Royalty Income [₹4,10,000 - ₹60,000]	3,50,000	
	Interest income from son's bank account [Income of the minor will be included in the income of Mrs. K as Mrs. K is maintaining the child.]	-	
	Income from the activity of owning and maintaining race horses	50,000	
	Less: Expenses incurred to earn this income	5,000	3,95,000
Gross Total Income			**12,45,000**
Less: **Deduction under section 80GGC**		2,00,000	
Contribution to an electoral trust is allowed as deduction assuming it is paid otherwise than in cash. Expenditure of ₹30,000 incurred on advertisement in a brochure of political party is not eligible for deduction under section 80~~GGC~~			
Deduction under section 80QQB (Refer working note below)		2,30,000	4,30,000
Total Income			**8,15,000**

Working Note

Deduction allowable under section 80QQB for the A.Y.2025-26

Particulars	₹
Royalty ₹4,10,000 x 15/16 = ₹3,84,375	
Restricted to	
Amount brought into India in convertible foreign exchange within the prescribed time	2,90,000
Less: Expenses already allowed as deduction while computing royalty income	60,000
Deduction u/s 80QQB	**2,30,000**

Question: 22

Mr. Vaibhav, a resident individual aged 46 years, engaged in the business of plywood and sculptures, maintains his books of account under section 44AB. He follows the mercantile system of accounting and regularly files his return of income. The profit and loss account for the year ended on 31.3.2025 shows a net profit of ₹51,42,000 after debiting/crediting the following:—

(*i*) During the year, Mr. Vaibhav had taken professional services from a lawyer in relation to a business dispute. The legal fees was amounted to ₹1,00,000. Tax has been deducted on time but did not deposit it with the government within the due date. The TDS was later on deposited on 15th November 2025.

(*ii*) Vaibhav had renovated his office by engaging in the services of his brother, as the existing office premises had become very old and required refurbishment. The total payment made for the renovation amounted to ₹2,50,000 which is reasonable to the extent of ₹1,50,000.

(*iii*) He purchased goods worth ₹30,000 from Vishnu & Co., a micro enterprise, on March 01, 2025. According to the written agreement between them, the payment was to be made by 05th April 2025. However, he made payment to Vishnu & Co on 15th April 2025.

(*iv*) Depreciation as per profit and loss account is ₹13,66,000.

Additional Information:

(*a*) As per restructuring agreement with the bank, the bank has converted unpaid interest of ₹6,00,000 into a new loan account repayable in 20 equal annual installments. The first installment was paid in March 2025.

Vaibhav claimed the entire interest amount of ₹6,00,000 as an expense while computing his business income.

(*b*) Depreciation as per Income-tax Rules, 1962 is ₹12,00,000.

(*c*) He contributed ₹50,000 towards Tier I account of NPS during the year. Further, he has invested in five-year term deposit of ₹1.5 lakhs.

(*d*) He employed 90 new employees during the P.Y. 2024-25, the details of whom are as follows:

No. of employees	Date of employment	Regular/Casual	Total monthly emoluments per employee (₹)
20	1.4.2024	Regular	24,000
25	1.5.2024	Casual	24,500
30	1.8.2024	Regular	26,000
15	1.9.2024	Casual	23,500

The regular employees participate in recognized provident fund while the casual employees do not.

(*e*) Mr. Vaibhav had sculptures in the form of capital assets acquired in January 2015, for ₹1,80,000. Later on, in F.Y. 2023-24, he started sculpture business and converted these capital assets into stock- in-trade for his business. Fair market value at the time of conversion was ₹3,50,000. Subsequently, he sold the stock-in-trade on June 10, 2024, for ₹5,00,000. No entry has been made in books for conversion and sale of converted sculptures.

You are required to compute the total income and tax liability of Mr. Vaibhav for the A.Y. 2025-26 if he opts out of the default tax regime.

CII for F.Y. 2014-15: 240; F.Y. 2023-24: 348; F.Y. 2024-25: 363

Answer:

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

Particulars		₹	₹	₹
I	**Income from business or profession**			
	Net profit as per profit and loss account ***Add*: Items of expenditure not allowable while computing business income**		51,42,000	
	- Depreciation as per books of accounts	13,66,000		
	- Payment for professional services [Since the tax was deducted on time, but such tax has not been paid on or before the due date specified in section 139(1), ₹30,000 [₹1,00,000 x 30%] has to [₹1,00,000 x 30%] has to be disallowed in F.Y. 2024-25 under section 40(a)(ia) and has to be added back]	30,000		

Particulars		₹	₹	₹
	- Payment for renovation of office [Unreasonable payment made to brother for renovating his office has to be added back as per section 40A(2)]	1,00,000		
	- Payment to M/s Vishnu & Co, a micro enterprise, for purchase of raw material [Not Allowable as per section 43B(h) since payment was made to a micro enterprise and the same was not within the time specified in the written agreement]	30,000		
	- Conversion of interest into loan [Conversion of unpaid interest into loan shall not be construed as payment of interest for the purpose of section 43B. The amount of unpaid interest so converted into loan shall be allowed as deduction only in the year in which the converted loan is actually paid.] Accordingly, only ₹30,000 shall be allowed as deduction in P.Y. 2024-25 [₹6 lakhs/20 installments]	5,70,000		
	- Payment received from sale of stock-in-trade converted from capital assets [Sale consideration - FMV as on date of conversion]	1,50,000	22,46,000	
			73,88,000	
	Less: Depreciation as income- tax Rules, 1962		12,00,000	61,88,000
	Capital Gains			
	Sale consideration			
	Less: Indexed cost of acquisition [₹1,80,000 x 348/240]		3,50,000	
	Long term capital gains [Indexation benefit is available since the property is transferred before 23.7.2024]		2,61,000	89,000
Gross Total Income				**62,77,000**
Less: Deduction under Chapter VI-A				
Deduction under section 80C				
- Investment in five-year deposit			1,50,000	
Deduction under section 80CCD(1B)				
- Contribution in NPS			50,000	
Deduction under section 80JJAA (See working note below)			17,28,000	19,28,000
Total Income				**43,49,000**

Computation of tax liability of Mr. Vaibhav for A.Y. 2025-26 under normal provisions of the Act

Particulars	₹	₹
Tax @20% on LTCG of ₹89,000 on sale of Sculptures [Since the property is transferred before 23.7.2024]		17,800
Tax at slab rate on balance income of ₹42,60,000		
Upto ₹2,50,000	Nil	
₹2,50,001 – ₹5,00,000 [@5% of ₹2.50 lakh]	12,500	
₹5,00,001 – ₹10,00,000 [@20% of ₹5,00,000]	1,00,000	
₹10,00,001 - ₹42,60,000 [@ 30% of ₹32,60,000]	9,78,000	10,90,500

Particulars	₹	₹
		11,08,300
Add: Health and education cess@4%		44,332
Tax liability		11,52,632
Tax liability (Rounded off)		**11,52,630**

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

Particulars	₹	₹
Total Income		43,49,000
Add: Deduction under section 80JJAA		17,28,000
Adjusted Total Income		60,77,000
Alternate Minimum Tax @18.5%		11,24,245
Add: Surcharge @10% since adjusted total income exceeds ₹50 lakhs but does not exceed ₹1 crore		1,12,425
		12,36,670
Add: Health and education cess@4%		49,467
Tax liability		12,86,137
Tax liability (Rounded off)		**12,86,140**

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* surcharge@10% and cess@4%. Therefore, tax liability as per section 115JC is ₹12,86,140.

AMT Credit to be carried forward under section 115JEE

	₹
Tax liability under section 115JC	12,86,140
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	11,52,630
	1,33,510

Working Note

Computation of Deduction under section 80JJAA

Particulars	₹
Additional employee cost	17,28,000
= ₹24,000 × 12 × 20 = ₹57,60,000	
Deduction under section 80JAA = 30% of ₹57,60,000 Since casual employees do not participate in recognized provident fund, they do not qualify as additional employees. Further, 30 regular employees employed on 1.8.2024 also do not qualify as additional employees since their monthly emoluments exceed ₹25,000. Therefore, only 20 employees employed on 1.4.2024 qualify as additional employees, and the total emoluments paid or payable to them during the P.Y.2024-25 is deemed to be the additional employee cost.	

Question: 23

Mr. Shobhit, a resident individual aged 54 years, engaged in the manufacture of spare parts of cars. He follows the mercantile system of accounting and regularly files his return of income. The profit and loss account for the year ended 31.3.2025 shows a net profit of ₹57,25,000 after debiting/crediting the following:

(*i*) **During the year, Mr. Shobhit purchased plant and machinery for ₹55 lakhs for which he took loan from a scheduled bank. (Date of loan 1.5.2024 and rate of interest 11% p.a.). The asset was acquired on 1.7.2024 and put to use on 1.9.2024. The entire interest amount is debited to the profit and loss account.**

(*ii*) **On 1.4.2024, the production manager working in the factory of Mr. Shobhit took voluntary retirement from the services. Mr. Shobhit paid him ₹8,00,000 as compensation for his services under the Voluntary Retirement Scheme.**

(*iii*) **Mr. Shobhit purchased raw material from M/s Kamal & Sons, a micro enterprise, and M/s Hitesh & Sons, a medium enterprise, for ₹51,000 and ₹75,000, respectively on 15.3.2025. As per the written agreement with them, both the payment has to be made by 10.4.2025. Mr. Shobhit made the payment to M/s Kamal & Sons on 9.4.2025 and to M/s Hitesh & Sons on 15.11.2025.**

(*iv*) **He contributed 20% of basic salary to the account of each employee under a pension scheme referred to in section 80CCD which is debited to the profit and loss account. Basic salary of the employees aggregate to ₹10 lakhs and dearness allowance is 40% of basic salary and it forms part of retirement benefit.**

(*v*) **Depreciation debited to profit and loss account is ₹27,50,000.**

(*vi*) **He received ₹13,850 as income-tax refund out of which ₹3,850 is interest on refund. The entire amount is credited to profit and loss account.**

Additional Information:

(*a*) **Mr. Shobhit purchased a new computer on 31st August, 2024 and was put to use on the same day in his office. The payment was made as under:**

- **₹28,000 paid in cash at the time of purchase of new computer on 31/08/2024**
- **₹25,000 paid by account payee cheque on 05/09/2024 as balance cost of new computer**

(*b*) **WDV (as per the Income-tax Act, 1961) of different assets as on 1.4.2024:**

Plant and machinery ₹8,00,000;

Factory Building ₹6,45,000

(*c*) **He paid ₹50,000 as life insurance premium taken on the life of his father who is dependent on him. The sum assured is ₹8,00,000 and the policy was taken on 1.4.2015.**

(*d*) **He also paid ₹45,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹5,00,000 and the policy was taken on 1.4.2017.**

(*e*) **On 1.10.2024, he withdrew ₹1.50 crores in cash from two current accounts maintained by him with PNB Bank of India. There are no other withdrawals during the year.**

(*f*) **Mr. Shobhit had sold a house on 30th March, 2022 and deposited the long term capital gains of ₹25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1st July, 2024, he sold another house property in which he resided for ₹1 crore. He earned a long-term capital gain (without indexation benefit) of ₹50,00,000 on sale of this property. On 5th January, 2025, he withdrew the whole money out of his capital gain account and invested ₹60 lakhs on construction of a house in Mumbai. The construction of the house completed on 23rd March 2025. The indexed cost of acquisition of the house property is ₹60 lakhs.**

You are required to compute the total income of Mr. Shobhit and also the tax payable by him after TDS/TCS credit, if any, for the A.Y. 2025-26 if he is opting out of the default tax regime.

Answer:

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

	Particulars	₹	₹	₹
I	**Income from business or profession** Net profit as per profit and loss account ***Add*: Items of expenditure not allowable while computing business**	27,50,000	57,25,000	
	- Depreciation as per books of accounts			
	- Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset as first put to use not allowable as deduction. Accordingly, interest of ₹2,01,667 [₹55,00,000 x 11% x 4/12] has to be added back, since the same is debited to the profit and loss account]	2,01,667		
	- Compensation on voluntary retirement [Only 1/5th of the compensation paid is allowable in the current year. The remaining are allowable in the four succeeding years in equal installments. Hence, 4/5th of ₹8 lakh debited to profit and loss account has to be added back]	6,40,000		
	- Payment to M/s Kamal & Sons, a micro enterprise, for purchase of raw material [Allowable as per section 43B(h) since payment was made to a micro enterprise and the same was within the time specified in the written agreement which is within 45 days from 15.3.2025]	Nil		
	- Payment to M/s Hitesh & Sons, a medium enterprise, for purchase of raw material [Allowable, as section 43B which mandates allowability of expenditure on actual payment basis is not applicable on medium enterprise and Mr. Shobhit follows mercantile system of accounting]	Nil		
	- Excess Contribution towards employees' pension scheme [Contribution to the extent of 14% of salary (basic salary + dearness allowance, if it forms part of pay for retirement benefits) is allowable as deduction under section 36(1)(iva). Accordingly, disallowance is required to be made since contribution made is not within the prescribed limit. Disallowance under section 40A(9) = 2,00,000 (20% of ₹10 lakh) - 14% of ₹14,00,000 (₹10 lakh + ₹4 lakh) = ₹4,000]	4,000	35,95,667	
			93,20,667	
	***Less*: Items of income to be treated separately under the respective head of income**			
	- Income-tax refund including interest on refund of ₹3,850		13,850	
			93,06,817	
	Less: Allowable expenditure Normal depreciation on			
	(i) Opening WDV			

Particulars		₹	₹	₹
	- Factory Building ₹6,45,000 @10%	64,500		
	- Plant & Machinery ₹8,00,000 @15%	1,20,000		
	(ii) Computer acquired on 31.8.2024 for ₹25,000 @40% [Since payment of ₹28,000 made in cash in a day to a person exceeds ₹10,000, the same would not be included in the actual cost of computer. Hence, only actual cost of ₹25,000 is eligible for depreciation]	10,000		
	(iii) On Plant & Machinery acquired on 1.5.2024 for ₹57,01,667 @15% [₹55,00,000 *plus* ₹2,01,667, being the amount of interest on loan taken for purchase of this plant and machinery from the date on which capital was borrowed till the date on which asset as first put to use shall be capitalized]	8,55,250	10,49,750	
	Additional depreciation on Plant & Machinery acquired on 1.5.2024 for ₹57,01,667 @20%		11,40,333	
				71,16,734
II	**Capital Gains**			
	Sale consideration		1,00,00,000	
	Less: Indexed cost of acquisition		60,00,000	
	Long term capital gains [Indexation benefit is available since the property is transferred before 23.7.2024]		40,00,000	
	Less: Exemption under section 54 [Since ₹35 lakhs is invested in construction of house within the stipulated time limit.]		35,00,000	
	Capital gain of ₹25 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 ₹35 lakhs invested in construction of house is eligible for exemption u/s 54 against the long-term capital gain on sale of house property during the P.Y.2024-25]			5,00,000
III	**Income from Other Sources** Interest on income-tax refund			3,850
Gross Total Income				**76,20,584**
Less: Deduction under Chapter VI-A				
Deduction under section 80C				
- Life insurance premium of his father [Not allowable as deduction, since not covered within the meaning of term "person" in case of an individual, though he is dependent on him]			Nil	
- Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether Dependent or not falls within the meaning of term "Person" and the premium does not exceed 10% of the ₹5,00,000, being the sum assured]			45,000	45,000
Total Income				**75,75,584**

Particulars	₹	₹	₹
Total Income (Rounded off)			**75,75,580**

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

Particulars	₹	₹
Tax @20% on LTCG of ₹5 lakhs on sale of house property [Since the property is transferred before 23.7.2024]		1,00,000
Tax at slab rate on balance income of ₹70,75,580		
Upto ₹2,50,000	Nil	
₹2,50,001 – ₹5,00,000 [@5% of ₹2.50 lakh]	12,500	
₹5,00,001 – ₹10,00,000 [@20% of ₹5,00,000]	1,00,000	
₹10,00,001 - ₹70,85,580 [@ 30% of ₹60,75,580]	18,22,674	
		19,35,174
		20,35,174
Add: Surcharge @10%, since total income exceeds ₹50,00,000 but does not exceed ₹1 crore		2,03,517
		22,38,961
Add: Health and education cess@4%		89,548
Tax liability *Less:* TDS u/s 194N @ 2% on ₹50 lakhs, being the cash withdrawals exceeding ₹1 crore		23,28,239 1,00,000
Tax payable		**22,28,239**
Tax payable (Rounded off)		**22,28,240**

Question: 24

Mrs. S.C. Bose (aged 62 years) is a widow of a public sector employee who died during his service in 2011. She earns income from business of running a flower bouquet shop at Kolkata and income from royalty from writing books of science and sells in India and abroad. Profit & Loss account for the year ended 31st March, 2025 furnished by her is given below:

Particulars	₹	Particulars	₹
To Opening stock	**1,00,000**	**By Sales of flower bouquet**	**36,75,000**
To Purchases	**15,66,000**	**By Family pension from PSU through bank**	**3,60,000**
To Salaries and wages	**4,90,000**	**By Royalty form California University for books sold (Foreign exchange brought into India)**	**4,25,000**
To Expenses relating to books authored by her	**75,000**	**By Dividend (Net of TDS)**	**4,50,000**
To Expenses in connection with dividends	**12,000**	**By Interest on FDR (No TDS deducted)**	**76,000**
To Repairs & Maintenance	**3,25,000**	**By Closing stock**	**1,36,000**
To Amount paid to IIT Chennai for scientific research projects	**35,000**		
To Computers and other electronic items (purchased on 01-12-2024)	**4,50,000**		
To Net Profit	**20,69,000**		
Total	**51,22,000**	**Total**	**51,22,000**

Additional Information:

(i) **Purchases include ₹2 lakhs relate to flowers and creepers directly purchased from a farmer in cash on 26.09.2024.**

(ii) **Repairs & Maintenance includes one-time deposit of ₹2,00,000 paid to electricity and water department.**

(iii) **Computers and other electronic items includes ₹1,00,000 paid for television and washing machine for her household use.**

(iv) **Salary & wages includes salary paid ₹2,40,000 to her illiterate brother (reasonable salary as per market rate is ₹1,80,000)**

(v) **She purchased a residential house for ₹110 lakhs for which loan of ₹75 lakhs was taken from State Bank of India. Accrued interest was ₹3,37,500 till 31-03-2025 which was paid on 10-04-2025. No principal amount and interest was paid by Mrs. S.C. Bose till 31-03-2025. Ground floor of the house was used for shop and first floor was occupied for her residence.**

(vi) **She purchased an electric vehicle on 30-09-2024 for ₹25 lakhs for business purposes.**

(vii) **She sold 10,000 listed shares of SBCL Ltd. for ₹11,66,000 on 11-12-2024 which were purchased for ₹2,65,000 on 16.08.2024. STT was paid on purchase and sale both.**

Compute total income of Mrs. S.C. Bose under default tax regime u/s 115BAC and optional tax regime of the Income-tax Act, 1961

Answer:

Computation of total income of Mrs. S.C. Bose for A.Y. 2025-26 under default tax regime under section 115BAC(1A)

	Particulars		₹	₹
I	**Income from house property**			
	Self-occupied portion [First Floor]			
	Annual Value		Nil	
	Less: Deduction u/s 24			
	Interest on housing loan [Not allowed under default tax regime]		Nil	
II	**Profits and gains from business or profession**			Nil
	Net profit		20,69,000	
	Add*: Items of expenditure not allowable while computing business income** - Expenses relating to books authored by her [Allowed as deduction considering royalty income is taxable under the head "Profits and gains from business or profession"] [Note -*** *Royalty income may be taxed under the head "Income from other Sources". In such case, expenses relating to books would not be allowed as deduction while computing business income and allowed from royalty income while computing "Income from Other Sources".*]	Nil		
	- Expenses in connection with dividends [Not allowed since expense is in respect of dividend taxable under the head "Income from Other Sources"]	12,000		
	- Amount paid to IIT Chennai from scientific research projects, not allowable under default tax regime	35,000		

	Particulars		₹	₹
	- Computers and other electronic items [Capital expenditure not allowed as deduction]	4,50,000		
	- Payment to a farmer exceeding ₹10,000 in cash for purchase of flower and creepers [Not disallowed under section 40A(3), since payment to farmer comes under exclusion]	Nil		
	- One-time deposit to electricity and water department, not allowed as deduction	2,00,000		
	- Excessive salary paid to brother [Disallowed under section 40A(2), since brother falls under the definition of relative and salary paid is in excess of market rate] [₹2,40,000 – ₹1,80,000]	60,000	7,57,000	
			28,26,000	
	***Less*: Items of income to be treated separately under the respective head of income**			
	- Family pension from PSU [Taxable under the head "Income from Other Sources"]	3,60,000		
	- Royalty from California University [No adjustment is required since royalty is taxable under the head "Profits and gains from business or profession"]	Nil		
	[***Note -*** *Royalty income may be taxed under the head "Income from Other Sources". In such case, the income has to be reduced while computing business income.*]			
	- Dividend [Taxable under the head "Income from Other Sources"]	4,50,000		
	- Interest on FDRs [Taxable under the head "Income from Other Sources"]	76,000	8,86,000	
			19,40,000	
	***Less*: Allowable expenditure**			
	- Interest on residential house used for shop [₹3,37,500/2][1] [Since the interest is paid on or before due date of filing return of income, disallowance under section 43B would not be attracted.]		1,68,750	
	- Depreciation			
	On Computer and other electronic items other than television and washing machine [₹3,50,000 x 40% x 50%, since it is purchased and put to use for less than 180 days]	70,000		
	On residential house used for shop [₹1,10,00,000 x 10% x 50% for ground floor]	5,50,000		
	On electric vehicle [₹25,00,000 x 40%]	10,00,000	16,20,000	
				1,51,250
III	**Capital Gains**			
	Sale consideration on sale of listed shares of SBCL Ltd.		11,66,000	

1 *Assumed the portion of ground floor and first floor is equal.*

	Particulars		₹	₹
	Less: Cost of acquisition		2,65,000	
	Short term capital gains taxable under section 111A [Since shares are held for less than 12 months and STT has been paid]			9,01,000
IV	**Income from Other Sources** Family pension from PSU	3,60,000		
	Less: Lower of 33-1/3% of ₹3,60,000 or ₹25,000 allowed as deduction	25,000	3,35,000	
	Dividend [₹4,50,000/90%]	5,00,000		
	Less: Expenditure to the extent of 20% of dividend	12,000	4,88,000	
	[***Note -*** *If it is assumed that expenditure are in the nature of expenses other than interest expenses, no deduction would be allowed from dividend income.*]			
	Interest on FDRs		76,000	8,99,000
	Gross Total Income			**19,51,250**
	Less: Deduction under section 80QQB and 80TTB [Not allowable under default tax regime]			Nil
	Total Income			**19,51,250**

Computation of total income of Mrs. S.C. Bose for A.Y. 2025-26 under the optional tax regime of the Income-tax Act, 1961

	Particulars	₹	₹
	Gross Total Income as per default tax regime u/s 115BAC *Less:* Interest on borrowings for self-occupied property [₹3,37,500/2]	1,68,750	19,51,250
	100% deduction under section 35(2AA) for amount paid to IIT Chennai from scientific research projects	35,000	2,03,750
			17,47,500
	Add: Excess deduction from family pension [₹25.000 - ₹15,000] [Lower of 33-1/3% of ₹3,60,000 or ₹15,000 as deduction is allowed from family pension under optional tax regime]		10,000
	Gross Total Income as per optional tax regime *Less*: Deduction under Chapter VI-A **Deduction under section 80QQB** Deduction for royalty income of ₹3,50,000 [₹4,25,000 – ₹75,000], restricted to ₹3,00,000	3,00,000	17,57,500
	Deduction under section 80TTB Interest on FDRs assuming FDRs are with banks, restricted to [***Note -*** *If it is assumed that FDRs are not with banks, co-operative society engaged in banking business or post office, deduction under section 80TTB would not be available.*]	50,000	
			3,50,000
	Total Income		**14,07,500**

Question: 25

Mr. Raman, a resident individual aged 62 years, is engaged in the business of manufacturing and sales of spare parts for motor bikes, as a proprietor. He prepares his accounts on mercantile basis. This business is carried out on the ground floor of a two storied commercial building owned by him, the written down value of which is ₹8 lakhs as on April 1, 2024. He prepares his accounts on accrual basis. The Statement of Profit and Loss for the previous year ended on March 31, 2025 shows a net profit of ₹9.25 lakhs (before taxation and depreciation) after debiting/crediting the following items:

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

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

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

(iv) Fire insurance premium of ₹66,000 for the entire building remained unpaid till 31st March, 2025.

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

(vi) He let out first floor of his commercial building to Mr. Aman on April 1, 2024 and received rent of ₹35,000 per month. Municipal taxes ₹20,000 relating to the building were paid equally by both Mr. Raman and Mr. Aman. Rent received was credited and municipal taxes of ₹10,000 (relating to ground floor) was debited to the statement of profit and loss.

(vii) He sold a piece of land for ₹44 lakhs on 12th April, 2024. He had acquired the land for 40 lakhs on 1st January, 2023. The gain of 4,00,000 is credited to the statement of profit and loss.

(CII for F.Y. 2022-23-331; F.Y. 2024-25-363)

Additional Information:

(i) Mr. Raman purchased raw material from M/s. Paul Industries, a micro enterprise, for ₹49,000 on March 10, 2025. However, the payment to M/s. Paul Industries was made on April 5, 2025 by cheque. No written agreement for payment existed between M/s. Paul Industries and Mr. Raman. Another supplier M/s. Kal Industries, a small enterprise, with whom also no written agreement existed for payment, was paid ₹1,34,000 in cash on April 5, 2025 for purchase of raw material on March 31, 2025. Both M/s. Paul Industries and M/s. Kal Industries follow mercantile system of accounting.

(ii) Mr. Raman acquired a registered trademark on July 15, 2024 for ₹2,00,000. Mr. Raman started using this trademark for his business from January 15, 2025. Mr. Raman omitted to enter any transaction relating to this trademark in his books of accounts.

(iii) Mr. Raman bought a car for personal use on 12th April, 2020 for ₹5,40,000. He started using this car for business purposes from 01.04.2024. As on that day, the market value of the car was ₹2,10,000. Assume the rate of depreciation to be 15%.

(iv) He incurred ₹2,50,000 on the purchase of a new machinery to be used in the production of spare parts for motor bikes on May 15, 2024.

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

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

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

Compute the total income and tax payable for assessment year 2025-26 by Mr. Raman under default tax regime and optional tax regime as per normal provisions of the Act. Which option is advantageous to Mr. Raman?

Answer:

Computation of total income and tax payable by Mr. Raman for A.Y. 2025-26 under default tax regime

	Particulars	₹	₹
I	**Income from house property** Gross Annual Value of first floor (Rent received has been taken as gross annual value in the absence of other information) [₹35,000 x 12]	4,20,000	
	Less: Municipal taxes (paid by tenant, Mr. Aman, hence not deductible)	Nil	
	Net Annual Value	4,20,000	
	Less: Deduction @30% of NAV	1,26,000	2,94,000
II	**Profits and gains of business or profession** **Net Profit** ***Add:* Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other heads of income**	9,25,000	
	- Travelling expenses [Allowable since the same is incurred wholly and exclusively for business purpose]	Nil	
	[***Note -*** *Alternatively, it is possible to assume that the proportionate foreign tour expenditure attributable to attending the marriage ceremony of a vendor's son is a personal expenditure. In such case, ₹2,40,000 X 4/10 = ₹96,000 would be disallowed.*]		
	- Interest on delay in deposit of GST [Interest on delay in deposit in GST is compensatory in nature and hence, allowable as expenditure]	Nil	
	- Fee for technical services to non-resident [100% disallowed under section 40(a)(i) since the TDS was not deducted]	3,88,000	
	- Fire insurance premium [Fire insurance premium for ground floor which is occupied for business purpose is allowed since Mr. Raman is following mercantile system of accounting. Remaining half for let out portion is disallowed] [₹66,000/2]	33,000	
	- Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime]	75,000	
	- Municipal taxes for ground floor [Allowable since the ground floor is occupied for business purpose]	Nil	
	- Sum payable for purchase of raw material from M/s Paul Industries, a micro enterprise [Not allowable as per section 43B(h) since payment was made to a micro enterprise on 5.4.2025 which is beyond the time limit specified u/s 15 of the MSMED Act, 2006 i.e., within 15 days from 10.3.2025]	49,000	
	- Sum payable for purchase of raw material from M/s Kal Industries, a small enterprise [Allowable as per section 43B(h) since payment was made to a small enterprise on 5.4.2025 i.e., within 15 days from 31.3.2025.	Nil	
	However, since the payment is made in cash on 5.4.2025, ₹1,34,000 for purchase of raw material would be the deemed income of P.Y. 2025-26 as per section 40A(3A)]		
		14,70,000	

	Particulars	₹	₹
	***Less:* Incomes credited to profit and loss account but not taxable as business income**		
	- Rent received for let out portion	4,20,000	
	- Gain on sale of land	4,00,000	
	Less: Depreciation		
	- On trademark [₹2,00,000 x 25% x 50%, since trademark is put to use for less than 180 days]	25,000	
	- On Car [₹5,40,000 x 15%]	81,000	
	- On new Plant & machinery [₹2,50,000 x 15%]	37,500	
	- On Building [₹8,00,000 x 10%]	80,000	
	Additional depreciation		
	- On new Plant & machinery [Not allowable under default tax regime]	Nil	
	Income from Business		4,26,500
III	**Capital Gains** Full value of consideration	44,00,000	
	Less: Cost of acquisition Short term capital gains on land [Since land is held for less than 24 months]	40,00,000	4,00,000
	Gross Total Income		**11,20,500**
	Less: Deduction under Chapter VI-A [Not allowable under default tax regime]		Nil
	Total Income		**11,20,500**
	Tax Payable Up to ₹3,00,000	Nil	
	From ₹3,00,001 to ₹7,00,000 @5%	20,000	
	From ₹7,00,001 to ₹10,00,000 @10%	30,000	
	From ₹10,00,001 to ₹11,20,500 @15%	18,075	
			68,075
	Add: Health and education cess @4%		2,723
	Tax Payable		**70,798**
	Tax Payable (Rounded off)		**70,800**

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

	Particulars	₹	₹
	Gross Total Income as per default tax		11,20,500
	Less: Additional depreciation on new Plant & machinery [₹2,50,000 x 20%]		50,000
	Less: Contribution to scientific research association approved u/s 35		75,000
	Gross Total Income as per normal provisions of the Act		**9,95,500**
	***Less:* Deduction under Chapter VI-A** **Deduction under section 80C**		

	Particulars	₹	₹
	Tuition fees to a college for daughter's education	25,000	
	Deduction under section 80D		
	Preventive health check-up for self and parents restricted to	5,000	
	Deduction under section 80GGC Donation to a registered political party since the payment is made otherwise than by cash	20,000	50,000
	Total Income as per normal provisions of the Act **Tax Payable** Up to ₹3,00,000	Nil	**9,45,500**
	From ₹3,00,001 to ₹5,00,000 @5%	10,000	
	From ₹5,00,001 to ₹9,45,500 @20%	89,100	
			99,100
	Add: Health and education cess @4%		3,964
	Tax Payable		**1,03,064**
	Tax Payable (Rounded off)		**1,03,060**
Since tax payable under default tax regime is lower than the tax payable under normal provisions of the Act, it would be beneficial for Mr. Raman to pay tax under default tax regime u/s 115BAC.			