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PRACTICE PROBLEMS

SOLUTIONS INCOME TAX

(Volume – 1)

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₹750

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY

SOLUTIONS OF MCQS

1. (a); 2. (d); 3. (d); 4. (d); 5. (a); 6. (b); 7. (d); 8. (c); 9. (b); 10. (a); 11.(b); 12.(a); 13.(a); 14.(a); 15.(c);16.(c); 17.(e); 18.(d); 19(c); 20.(d); 21 (c); 22 (c); 23 (a); 24 (a); 25 (a); 26 (a); 27 (a); 28 (c); 29 (b); 30 (c);

Hint for answer 2. As per rule 27, meaning of making prescribed arrangement for declaration and payment of dividends in India means that the company has complied with the following conditions:

1. The share-register of the company for all shareholders shall be regularly maintained at its principal place of business within India, in respect of any assessment year from a date not later than the 1st day of April of such year.
2. The general meeting for passing the accounts of the previous year relevant to the assessment year and for declaring any dividends in respect thereof shall be held only at a place within India.
3. The dividends declared, if any, shall be payable only within India to all shareholders.

Hint for answer 10.

Total income	3,10,000
On first ₹2,50,000	Nil
On next ₹60,000 @ 5%	3,000
Tax before health and education cess	3,000

Hint for answer 14.

Computation of Tax Liability

Tax on LTCG (3,50,000 – 2,50,000) @ 20% u/s 112	20,000
Tax before Rebate u/s 87A	20,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	7,500
Add: HEC @ 4%	300
Tax Liability	7,800

Hint for answer 26.

Computation of Tax Liability

Tax on STCG (3,50,000 – 2,50,000) @ 15% u/s 111A	15,000
Tax before Rebate u/s 87A	15,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	2,500
Add: HEC @ 4%	100
Tax Liability	2,600

Hint for answer 27.

Computation of Tax Liability

Tax on Casual Income 3,50,000 30% u/s 115BB	1,05,000
Tax before Rebate u/s 87A	1,05,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	92,500
Add: HEC @ 4%	3,700
Tax Liability	96,200

Hint for answer 28.***Computation of Tax Liability***

Tax on STCG 3,50,000 @ 15% u/s 111A	52,500
Tax before Rebate u/s 87A	52,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	52,500
Add: HEC @ 4%	2,100
Tax Liability	54,600

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:

₹

(i) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

(ii) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

(iii) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

(iv) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

(v) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,70,000
Add: HEC @ 4%	18,800
Tax Liability	4,88,800

(vi) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,70,000
Add: HEC @ 4%	18,800
Tax Liability	4,88,800

(vii) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

(viii) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

(ix) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,60,000

Add: HEC @ 4%	18,400
Tax Liability	4,78,400
(x) Computation of Tax Liability	
Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,60,000
Add: HEC @ 4%	18,400
Tax Liability	4,78,400
(xi) Computation of Tax Liability	
Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400
(xii) Computation of Tax Liability	
Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,72,500
Add: HEC @ 4%	18,900
Tax Liability	4,91,400

Solution 2:

₹

(i) Computation of Tax Liability

Total Income	100,05,000.00
Tax on ₹100,05,000 at slab rate	28,14,000.00
Add: Surcharge @ 15%	4,22,100.00
Tax before marginal relief	32,36,100.00
Less: Marginal Relief	(1,37,350.00)

Working Note:

Tax + surcharge on income of ₹100,05,000	32,36,100
Tax + surcharge on income of ₹100,00,000	(30,93,750)
Increase in tax	1,42,350
Increase in income	5,000
Marginal Relief (1,42,350 – 5,000)	1,37,350

Tax after marginal relief	30,98,750.00
Add: HEC @ 4%	1,23,950.00
Tax Liability	32,22,700.00

(ii) Computation of Tax Liability

Total Income	102,00,000.00
Tax on ₹102,00,000 at slab rate	28,72,500.00
Add: Surcharge @ 15%	4,30,875.00
Tax before marginal relief	33,03,375.00
Less: Marginal Relief	(9,625.00)

Working Note:

Tax + surcharge on income of ₹102,00,000	33,03,375
Tax on income of ₹100,00,000	(30,93,750)
Increase in tax	2,09,625
Increase in income	2,00,000
Marginal Relief (2,09,625 – 2,00,000)	9,625

Tax after marginal relief	32,93,750.00
Add: HEC @ 4%	1,31,750.00
Tax Liability	34,25,500.00

(iii) Computation of Tax Liability

Total Income	90,00,000.00
Tax on ₹90,00,000 at slab rate	25,12,500.00
Add: Surcharge @ 10%	2,51,250.00

Tax before health & education cess		27,63,750.00
Add: HEC @ 4%		1,10,550.00
Tax Liability		28,74,300.00
(iv) Computation of Tax Liability		
Total Income		4,98,000.00
Tax on ₹4,98,000 at slab rate		12,400.00
Add: HEC @ 4%		496.00
Tax Liability		12,896.00
Rounded off u/s 288B		12,900.00
(v) Computation of Tax Liability		
Total Income		4,05,000.00
Tax on ₹4,05,000 at slab rate		5,250.00
Less: Rebate u/s 87A		(5,250.00)
Tax before health & education cess		Nil
Add: HEC @ 4%		Nil
Tax Liability		Nil
(vi) Computation of Tax Liability		
Total Income		102,05,000.00
Tax on ₹102,05,000 at slab rate		28,71,500.00
Add: Surcharge @ 15%		4,30,725.00
Tax before marginal relief		33,02,225.00
Less: Marginal Relief		(6,225.00)
Working Note:		
Tax + surcharge on income of ₹102,05,000	33,02,225	
Tax on income of ₹100,00,000	(30,91,000)	
Increase in tax	2,11,225	
Increase in income	2,05,000	
Marginal Relief (2,11,225 – 2,05,000)	6,225	
Tax after marginal relief		32,96,000.00
Add: HEC @ 4%		1,31,840.00
Tax Liability		34,27,840.00
(vii) Computation of Tax Liability		
Total Income		25,00,000.00
Tax on ₹25,00,000 at slab rate		5,62,500.00
Add: HEC @ 4%		22,500.00
Tax Liability		5,85,000.00
(viii) Computation of Tax Liability		
Total Income		4,50,000.00
Tax on ₹4,50,000 at slab rate		10,000.00
Add: HEC @ 4%		400.00
Tax Liability		10,400.00
(ix) Computation of Tax Liability		
Total Income		3,80,000.00
Tax on ₹3,80,000 at slab rate		Nil
Tax Liability		Nil
(x) Computation of Tax Liability		
Total Income		110,00,000.00
Tax on ₹110,00,000 at slab rate		31,00,000.00
Add: Surcharge @ 15%		4,65,000.00
Tax before health & education cess		35,65,000.00
Add: HEC @ 4%		1,42,600.00
Tax Liability		37,07,600.00

(xi) Computation of Tax Liability

Total Income	99,99,000.00
Tax on ₹99,99,000 at slab rate	28,12,200.00
Add: Surcharge @ 10%	2,81,220.00
Tax before health & education cess	30,93,420.00
Add: HEC @ 4%	1,23,736.80
Tax Liability	32,17,156.80
Rounded off u/s 288B	32,17,160.00

(xii) Computation of Tax Liability

Total Income	12,00,000.00
Tax on ₹12,00,000 at slab rate	1,72,500.00
Add: HEC @ 4%	6,900.00
Tax Liability	1,79,400.00

(xiii) Computation of Tax Liability

Total Income	202,00,000
Tax on ₹202,00,000 at slab rate	58,72,500
Add: Surcharge @ 25%	14,68,125
Tax before marginal relief	73,40,625
Less: Marginal Relief	(4,56,250)

Working Note:

Tax + surcharge @25% on income of ₹202,00,000	73,40,625
Tax + surcharge @15% on income of ₹200,00,000	(66,84,375)
Increase in tax	6,56,250
Increase in income	2,00,000
Marginal Relief (6,56,250 – 2,00,000)	4,56,250

Tax after marginal relief	68,84,375
Add: HEC @ 4%	2,75,375
Tax Liability	71,59,750

(xiv) Computation of Tax Liability

Total Income	502,00,000
Tax on ₹502,00,000 at slab rate	1,48,72,500
Add: Surcharge @ 37%	55,02,825
Tax before marginal relief	2,03,75,325
Less: Marginal Relief	(16,59,700)

Working Note:

Tax + surcharge @37% on income of ₹502,00,000	203,75,325
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	18,59,700
Increase in income	2,00,000
Marginal Relief (18,59,700 – 2,00,000)	16,59,700

Tax after marginal relief	1,87,15,625
Add: HEC @ 4%	7,48,625
Tax Liability	1,94,64,250

Solution 3:

₹

(i) Computation of Tax Liability

Total Income	50,20,000
Tax on ₹50,20,000 at slab rate	13,18,500
Add: Surcharge @ 10%	1,31,850
Tax before marginal relief	14,50,350
Less: Marginal Relief	(1,17,850)

Working Note:		
Tax + surcharge on income of ₹50,20,000	14,50,350	
Tax on income of ₹50,00,000	(13,12,500)	
Increase in tax	1,37,850	
Increase in income	20,000	
Marginal Relief (1,37,850 – 20,000)	1,17,850	
Tax after marginal relief		13,32,500
Add: HEC @ 4%		53,300
Tax Liability		13,85,800
(ii) Computation of Tax Liability		
Total Income		53,00,000.00
Tax on ₹53,00,000 at slab rate		14,02,500.00
Add: Surcharge @ 10%		1,40,250.00
Tax before health & education cess		15,42,750.00
Add: HEC @ 4%		61,710.00
Tax Liability		16,04,460.00
(iii) Computation of Tax Liability		
Total Income		51,00,000
Tax on ₹51,00,000 at slab rate		13,40,000
Add: Surcharge @ 10%		1,34,000
Tax before marginal relief		14,74,000
Less: Marginal Relief		(64,000)
Working Note:		
Tax + surcharge on income of ₹51,00,000	14,74,000	
Tax on income of ₹50,00,000	(13,10,000)	
Increase in tax	1,64,000	
Increase in income	1,00,000	
Marginal Relief (1,64,000 – 1,00,000)	64,000	
Tax after marginal relief		14,10,000
Add: HEC @ 4%		56,400
Tax Liability		14,66,400
(iv) Computation of Tax Liability		
Total Income		54,00,000.00
Tax on ₹54,00,000 at slab rate		14,20,000.00
Add: Surcharge @ 10%		1,42,000.00
Tax before health & education cess		15,62,000.00
Add: HEC @ 4%		62,480.00
Tax Liability		16,24,480.00
(v) Computation of Tax Liability		
Total Income		51,22,000.00
Tax on ₹51,22,000 at slab rate		13,49,100.00
Add: Surcharge @ 10%		1,34,910.00
Tax before marginal relief		14,84,010.00
Less: Marginal Relief		(49,510)
Working Note:		
Tax + surcharge on income of ₹51,22,000	14,84,010	
Tax on income of ₹50,00,000	(13,12,500)	
Increase in tax	1,71,510	
Increase in income	1,22,000	
Marginal Relief (1,71,510 – 1,22,000)	49,510	
Tax after marginal relief		14,34,500 .00
Add: HEC @ 4%		57,380.00
Tax Liability		14,91,880.00

(vi) Computation of Tax Liability

Total Income	50,80,000.00
Tax on ₹50,80,000 at slab rate	13,36,500.00
Add: Surcharge @ 10%	1,33,650.00
Tax before marginal relief	14,70,150.00
Less: Marginal Relief	(77,650)

Working Note:

Tax + surcharge on income of ₹50,80,000	14,70,150
Tax on income of ₹50,00,000	(13,12,500)
Increase in tax	1,57,650
Increase in income	80,000
Marginal Relief (1,57,650 – 80,000)	77,650

Tax after marginal relief	13,92,500 .00
Add: HEC @ 4%	55,700.00
Tax Liability	14,48,200.00

Solution 4:

₹

(i) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Less: Rebate u/s 87A	(12,000)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(ii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(iii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Less: Rebate u/s 87A	(12,000)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(iv) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(v) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	9,500
Less: Rebate u/s 87A	(9,500)
Tax Liability	Nil

(vi) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	9,500
Less: Rebate u/s 87A	(9,500)
Tax Liability	Nil

(vii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(viii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(ix) Computation of Tax Liability

Total Income	4,90,000
Tax Liability	Nil

(x) Computation of Tax Liability

Total Income	4,90,000
Tax Liability	Nil

(xi) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(xii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

Solution 5:***Computation of Total Income***

	₹	₹
Income under the head Salary		2,40,000
Income under the head House Property		1,55,000
Income under the head Business/Profession		3,30,000
Income under the head Capital gains		
Long term capital gains	1,20,000	
Short term capital gains	35,000	1,55,000
Income under the head Other Sources (Casual Income)		65,000
Gross Total Income		9,45,000
Less: Deductions u/s 80C to 80U		(45,000)
Total Income		9,00,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	55,500
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Solution 5(b):

Total Income ₹ 9,00,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	55,500
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Solution 5(c):

Total Income ₹ 9,00,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	53,000
Tax before health & education cess	96,500
Add: HEC @ 4%	3,860
Tax Liability	1,00,360

Solution 5(d):

Total Income ₹ 9,00,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	55,500
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Solution 5(e):

Total Income ₹ 9,00,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	55,500
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Solution 5(f):

Total Income ₹ 9,00,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	43,000
Tax before health & education cess	86,500
Add: HEC @ 4%	3,460
Tax Liability	89,960

Solution 5(g):

	₹
Total Income	9,00,000
Computation of Tax Liability	
Tax on Long term capital gains ₹1,20,000 @ 20% u/s 112	24,000
Tax on Casual Income ₹65,000 @ 30% u/s 115BB	19,500
Tax on Normal income ₹7,15,000 at slab rate	55,500
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Solution 6:

	₹
(i)	
Computation of Total Income	
Income under the head Salary	30,000
Income under the head House Property	50,000
Income under the head Capital Gains (LTCG)	8,00,000
Gross Total Income	8,80,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	8,80,000
Computation of Tax Liability	
Tax on LTCG ₹6,30,000 (8,00,000 – 1,70,000) @ 20% u/s 112	1,26,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,26,000
Add: HEC @ 4%	5,040
Tax Liability	1,31,040
(ii)	
Total Income	8,80,000
Computation of Tax Liability	
Tax on LTCG ₹6,30,000 (8,00,000 – 1,70,000) @ 20% u/s 112	1,26,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,26,000
Add: HEC @ 4%	5,040
Tax Liability	1,31,040
(iii)	
Total Income	8,80,000
Computation of Tax Liability	
Tax on LTCG ₹5,80,000 (8,00,000 – 2,20,000) @ 20% u/s 112	1,16,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,16,000
Add: HEC @ 4%	4,640
Tax Liability	1,20,640
(iv)	
Total Income	8,80,000
Computation of Tax Liability	
Tax on LTCG ₹5,80,000 (8,00,000 – 2,20,000) @ 20% u/s 112	1,16,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,16,000
Add: HEC @ 4%	4,640
Tax Liability	1,20,640
(v)	
Total Income	8,80,000
Computation of Tax Liability	

Tax on LTCG ₹3,80,000 (8,00,000 – 4,20,000) @ 20% u/s 112	76,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	76,000
Add: HEC @ 4%	3,040
Tax Liability	79,040

(vi)

Total Income	8,80,000
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Computation of Tax Liability

Tax on LTCG ₹3,80,000 (8,00,000 – 4,20,000) @ 20% u/s 112	76,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	76,000
Add: HEC @ 4%	3,040
Tax Liability	79,040

(vii) In situation (i)

Total Income	8,80,000
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Computation of Tax Liability

Tax on LTCG ₹8,00,000 @ 20% u/s 112	1,60,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,60,000
Add: HEC @ 4%	6,400
Tax Liability	1,66,400

In situation (ii)

Total Income	8,80,000
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Computation of Tax Liability

Tax on LTCG ₹8,00,000 @ 20% u/s 112	1,60,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,60,000
Add: HEC @ 4%	6,400
Tax Liability	1,66,400

In situation (iii)

Total Income	8,80,000
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Computation of Tax Liability

Tax on LTCG ₹8,00,000 @ 20% u/s 112	1,60,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,60,000
Add: HEC @ 4%	6,400
Tax Liability	1,66,400

In situation (iv)

Total Income	8,80,000
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Computation of Tax Liability

Tax on LTCG ₹8,00,000 @ 20% u/s 112	1,60,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,60,000
Add: HEC @ 4%	6,400
Tax Liability	1,66,400

In situation (v)

Total Income	8,80,000
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Computation of Tax Liability

Tax on LTCG ₹8,00,000 @ 20% u/s 112	1,60,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,60,000
Add: HEC @ 4%	6,400

Tax Liability	1,66,400
<i>In situation (vi)</i>	
Total Income	8,80,000
<i>Computation of Tax Liability</i>	
Tax on LTCG ₹8,00,000 @ 20% u/s 112	1,60,000
Tax on ₹80,000 at slab rate	Nil
Tax before health & education cess	1,60,000
Add: HEC @ 4%	6,400
Tax Liability	1,66,400

Solution 7:

(i)

Computation of Total Income

Income under the head Salary	90,000
Income under the head House Property	60,000
Income under the head Capital Gains	
Long term capital gains	2,30,000
Short term capital gains u/s 111A	2,40,000
Income under the head Other Sources (Casual Income)	70,000
Gross Total Income	6,90,000
Less: Deduction u/s 80C to 80U	(1,50,000)
Total Income	5,40,000

Computation of Tax Liability

Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112	Nil
Tax on STCG ₹2,20,000 (₹2,40,000 – 20,000) @ 15% u/s 111A	33,000
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	54,000
Add: HEC @ 4%	2,160
Tax Liability	56,160

(ii)

Total Income	5,40,000
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Computation of Tax Liability

Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112	Nil
Tax on STCG ₹2,20,000 (₹2,40,000 – 20,000) @ 15% u/s 111A	33,000
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	54,000
Add: HEC @ 4%	2,160
Tax Liability	56,160

(iii)

Total Income	5,40,000
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Computation of Tax Liability

Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112	Nil
Tax on STCG ₹1,70,000 (2,40,000 – 70,000) @ 15% u/s 111A	25,500
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	46,500
Add: HEC @ 4%	1,860
Tax Liability	48,360

(iv)

Total Income	5,40,000
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Computation of Tax Liability

Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112	Nil
Tax on STCG ₹1,70,000 (2,40,000 – 70,000) @ 15% u/s 111A	25,500
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	46,500
Add: HEC @ 4%	1,860
Tax Liability	48,360

(v)

Total Income	5,40,000
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Computation of Tax Liability

Tax on LTCG ₹2,30,000 @ 20% u/s 112	46,000
Tax on STCG ₹2,40,000 @ 15% u/s 111A	36,000
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	1,03,000
Add: HEC @ 4%	4,120
Tax Liability	1,07,120

(vi)

Total Income	5,40,000
--------------	----------

Computation of Tax Liability

Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112	Nil
Tax on STCG (2,40,000 – 2,40,000) @ 15% u/s 111A	Nil
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	21,000
Add: HEC @ 4%	840
Tax Liability	21,840

(vii)

Total Income	5,40,000
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Computation of Tax Liability

Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112	Nil
Tax on STCG (2,40,000 – 2,40,000) @ 15% u/s 111A	Nil
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	21,000
Add: HEC @ 4%	840
Tax Liability	21,840

(viii)

Total Income	5,40,000
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Computation of Tax Liability

Tax on LTCG ₹2,30,000 @ 20% u/s 112	46,000
Tax on STCG ₹2,40,000 @ 15% u/s 111A	36,000
Tax on Casual Income ₹70,000 @ 30% u/s 115BB	21,000
Tax on normal income at slab rate	Nil
Tax before health & education cess	1,03,000
Add: HEC @ 4%	4,120
Tax Liability	1,07,120

Solution 8:

(i)

Income under the head House Property

₹

8,42,324.00

Gross Total Income	8,42,324.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	8,42,324.00
Rounded off u/s 288A	8,42,320.00
Computation of Tax Liability	
Tax on ₹8,42,320 slab rate	80,964.00
Add: HEC @ 4%	3,238.56
Tax Liability	84,202.56
Rounded off u/s 288B	84,200.00
(ii)	
Income under the head Business/Profession	14,42,336.00
Gross Total Income	14,42,336.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	14,42,336.00
Rounded off u/s 288A	14,42,340.00
Computation of Tax Liability	
Tax on ₹14,42,340 slab rate	2,45,202.00
Add: HEC @ 4%	9,808.08
Tax Liability	2,55,010.08
Rounded off u/s 288B	2,55,010.00
(iii)	
Income under the head Capital Gains (LTCG)	11,35,335.00
Gross Total Income	11,35,335.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	11,35,335.00
Rounded off u/s 288A	11,35,340.00
Computation of Tax Liability	
Tax on ₹8,35,340 (11,35,340 – 3,00,000) @ 20% u/s 112	1,67,068.00
Add: HEC @ 4%	6,682.72
Tax Liability	1,73,750.72
Rounded off u/s 288B	1,73,750.00
(iv)	
Income under the head Capital Gains (LTCG)	13,35,334.90
Gross Total Income	13,35,334.90
Less: Deduction u/s 80C to 80U	Nil
Total Income	13,35,334.90
Rounded off u/s 288A	13,35,330.00
Computation of Tax Liability	
Tax on ₹10,85,330 (13,35,330 – 2,50,000) @ 20% u/s 112	2,17,066.00
Add: HEC @ 4%	8,682.64
Tax Liability	2,25,748.64
Rounded off u/s 288B	2,25,750.00
(v)	
Income under the head Capital Gains (STCG)	10,20,335.00
Gross Total Income	10,20,335.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	10,20,335.00
Rounded off u/s 288A	10,20,340.00
Computation of Tax Liability	
Tax on ₹7,70,340 (10,20,340 – 2,50,000) @ 15% u/s 111A	1,15,551.00
Add: HEC @ 4%	4,622.04
Tax Liability	1,20,173.04
Rounded off u/s 288B	1,20,170.00

(vi)	
Income under the head Capital Gains (LTCG)	5,40,337.00
Gross Total Income	5,40,337.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,40,337.00
Rounded off u/s 288A	5,40,340.00

Computation of Tax Liability

Tax on ₹5,40,340 @ 20% u/s 112	1,08,068.00
Add: HEC @ 4%	4,322.72
Tax Liability	1,12,390.72
Rounded off u/s 288B	1,12,390.00

(vii)

Income under the head Other Sources (winning from lottery)	7,20,000.00
Gross Total Income	7,20,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	7,20,000.00

Computation of Tax Liability

Tax on ₹7,20,000 @ 30% u/s 115BB	2,16,000.00
Add: HEC @ 4%	8,640.00
Tax Liability	2,24,640.00

(viii)

Income under the head Capital Gains (LTCG)	15,65,385.00
Gross Total Income	15,65,385.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	15,65,385.00
Rounded off u/s 288A	15,65,390.00

Computation of Tax Liability

Tax on ₹10,65,390 (15,65,390 – 5,00,000) @ 20% u/s 112	2,13,078.00
Add: HEC @ 4%	8,523.12
Tax Liability	2,21,601.12
Rounded off u/s 288B	2,21,600.00

(ix)

Income under the head Other Sources (winning from lottery)	10,20,000.00
Gross Total Income	10,20,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	10,20,000.00

Computation of Tax Liability

Tax on ₹10,20,000 @ 30% u/s 115BB	3,06,000.00
Add: HEC @ 4%	12,240.00
Tax Liability	3,18,240.00

Solution 9:

₹

(i) Computation of Tax Liability

Income under the head Business/Profession	70,000
Total Income	70,000
Tax on ₹70,000 @ 30%	21,000
Add: HEC @ 4%	840
Tax Liability	21,840

(ii) Computation of Tax Liability

Income under the head Business/Profession	150,00,000
Total Income	150,00,000

Tax on ₹150,00,000 @ 30%	45,00,000
Add: Surcharge @ 7%	3,15,000
Add: HEC @ 4%	1,92,600
Tax Liability	50,07,600
(iii) Computation of Tax Liability	
Income under the head Business/Profession	6,00,000
Total Income	6,00,000
Tax on ₹6,00,000 @ 30%	1,80,000
Add: HEC @ 4%	7,200
Tax Liability	1,87,200
(iv) Computation of Tax Liability	
Income under the head Business/Profession	10,30,000
Total Income	10,30,000
Tax on ₹10,30,000 @ 30%	3,09,000
Add: HEC @ 4%	12,360
Tax Liability	3,21,360
(v) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	700,00,000
Total Income	700,00,000
Tax on ₹700,00,000 @ 20%	140,00,000
Add: Surcharge @ 7%	9,80,000
Add: HEC @ 4%	5,99,200
Tax Liability	155,79,200
(vi) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	1,50,000
Total Income	1,50,000
Tax on ₹1,50,000 @ 20%	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200
(vii) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	6,00,000
Total Income	6,00,000
Tax on ₹6,00,000 @ 20%	1,20,000
Add: HEC @ 4%	4,800
Tax Liability	1,24,800
(viii) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	10,30,000
Total Income	10,30,000
Tax on ₹10,30,000 @ 20%	2,06,000
Add: HEC @ 4%	8,240
Tax Liability	2,14,240
(ix) Computation of Tax Liability	
Income under the head Other Sources (Casual Income)	400,00,000
Total Income	400,00,000
Tax on ₹400,00,000 @ 30%	120,00,000
Add: Surcharge @ 7%	8,40,000
Add: HEC @ 4%	5,13,600
Tax Liability	133,53,600

Solution 9(b):

₹

(i) Computation of Tax Liability

Income under the head Business/Profession	70,000
Total Income	70,000

Tax on ₹70,000 @ 40%	28,000
Add: HEC @ 4%	1,120
Tax Liability	29,120
(ii) Computation of Tax Liability	
Income under the head Business/Profession	150,00,000
Total Income	150,00,000
Tax on ₹150,00,000 @ 40%	60,00,000
Add: Surcharge @ 2%	1,20,000
Add: HEC @ 4%	2,44,800
Tax Liability	63,64,800
(iii) Computation of Tax Liability	
Income under the head Business/Profession	6,00,000
Total Income	6,00,000
Tax on ₹6,00,000 @ 40%	2,40,000
Add: HEC @ 4%	9,600
Tax Liability	2,49,600
(iv) Computation of Tax Liability	
Income under the head Business/Profession	10,30,000
Total Income	10,30,000
Tax on ₹10,30,000 @ 40%	4,12,000
Add: HEC @ 4%	16,480
Tax Liability	4,28,480
(v) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	700,00,000
Total Income	700,00,000
Tax on ₹700,00,000 @ 20%	140,00,000
Add: Surcharge @ 2%	2,80,000
Add: HEC @ 4%	5,71,200
Tax Liability	148,51,200
(vi) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	1,50,000
Total Income	1,50,000
Tax on ₹1,50,000 @ 20%	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200
(vii) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	6,00,000
Total Income	6,00,000
Tax on ₹6,00,000 @ 20%	1,20,000
Add: HEC @ 4%	4,800
Tax Liability	1,24,800
(viii) Computation of Tax Liability	
Income under the head Capital Gains (long term capital gains)	10,30,000
Total Income	10,30,000
Tax on ₹10,30,000 @ 20%	2,06,000
Add: HEC @ 4%	8,240
Tax Liability	2,14,240
(ix) Computation of Tax Liability	
Income under the head Other Sources (Casual Income)	400,00,000
Total Income	400,00,000
Tax on ₹400,00,000 @ 30%	120,00,000
Add: Surcharge @ 2%	2,40,000
Add: HEC @ 4%	4,89,600

Tax Liability	127,29,600
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Solution 10:

₹

Computation of Total Income

Income under the head Business/Profession	6,00,000.00
Income under the head House Property	4,00,000.00
Income under the head Capital Gains	
Long term capital gains	4,50,000
Short term capital gains u/s 111A	3,50,000
Income under the head Other Sources (Casual Income)	8,00,000.00
Gross Total Income	3,50,000.00
Less: Deduction u/s 80C to 80U	21,50,000.00
Total Income	(1,25,000.00)
	20,25,000.00

Computation of Tax Liability

Tax on LTCG ₹4,50,000 @ 20% u/s 112	90,000.00
Tax on STCG ₹3,50,000 @ 15% u/s 111A	52,500.00
Tax on Casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000.00
Tax on ₹8,75,000 at slab rate	87,500.00
Tax before health & education cess	3,35,000.00
Add: HEC @ 4%	13,400.00
Tax Liability	3,48,400.00

Solution 11:***Computation of Total Income***

₹

Income under the head Salary	3,00,000
Income under the head House Property	16,00,000
Income under the head Capital Gains (Long term capital gains)	1,00,000
Gross Total Income	20,00,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	19,40,000
Agricultural Income	4,00,000

Computation of Tax Liability

Tax on long term capital gain ₹1,00,000 @ 20% u/s 112	20,000
Normal income ₹18,40,000	
Step 1. Tax on (18,40,000 + 4,00,000)	4,84,500
Step 2. Tax on (₹2,50,000 + 4,00,000) at slab rates	(42,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	4,42,000
Tax before health & education cess	4,62,000
Add: HEC @ 4%	18,480
Tax Liability	4,80,480

Solution 11(b):***Computation of Total Income***

₹

Income under the head Salary	3,00,000
Income under the head House Property	16,00,000
Income under the head Capital Gains (Long term capital gains)	1,00,000
Gross Total Income	20,00,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	19,40,000
Agricultural Income	4,00,000

Computation of Tax Liability

Tax on long term capital gain ₹1,00,000 @ 20% u/s 112	20,000
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Step 1. Tax on (18,40,000 + 4,00,000)	4,82,000
Step 2. Tax on (₹3,00,000 + 4,00,000) at slab rates	(50,000)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	4,32,000
Tax before health & education cess	4,52,000
Add: HEC @ 4%	18,080
Tax Liability	4,70,080

Solution 12:

Computation of Total Income

	₹
Income under the head House Property	3,00,000
Income under the head Capital gains (long term capital gains)	5,00,000
Gross Total Income	8,00,000
Less: Deduction u/s 80C to 80U	(1,00,000)
Total Income	7,00,000
Agricultural income	3,00,000

Computation of Tax Liability

Tax on normal income ₹2,00,000 at slab rate	Nil
Tax on long term capital gain ₹4,50,000 (₹5,00,000 – ₹50,000) @ 20% u/s 112	90,000
Tax before health & education cess	90,000
Add: HEC @ 4%	3,600
Tax Liability	93,600

Solution 12(b):

Computation of Total Income

	₹
Income under the head House Property	3,00,000
Income under the head Capital gains (long term capital gains)	5,00,000
Gross Total Income	8,00,000
Less: Deduction u/s 80C to 80U	(1,00,000)
Total Income	7,00,000
Agricultural income	3,00,000

Computation of Tax Liability

Tax on normal income ₹2,00,000 at slab rate	Nil
Tax on long term capital gain ₹2,00,000 (₹5,00,000 – ₹3,00,000) @ 20% u/s 112	40,000
Tax before health & education cess	40,000
Add: HEC @ 4%	1,600
Tax Liability	41,600

Note: If non-agricultural income is upto the limit not chargeable to tax (₹2,50,000/3,00,000/5,00,000), partial integration is not applicable.

Solution 13:

Computation of Total Income

	₹
Income under the head Other Sources (Casual income)	5,00,000
Income under the head Capital gains (STCG u/s 111A)	7,00,000
Gross Total Income	12,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	12,00,000
Agricultural income	3,00,000

Computation of Tax Liability

Tax on STCG ₹4,50,000 (₹7,00,000 – 2,50,000) @ 15% u/s 111A	67,500
Tax on casual income ₹5,00,000 @ 30%	1,50,000
Tax before health & education cess	2,17,500
Add: HEC @ 4%	8,700
Tax Liability	2,26,200

Note: On Long term capital gain, casual income and short term capital gain u/s 111A partial integration shall not be applicable.

Solution 13(b):**Computation of Total Income**

	₹
Income under the head Other Sources (Casual income)	5,00,000
Income under the head Capital gains (STCG u/s 111A)	7,00,000
Gross Total Income	12,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	12,00,000
Agricultural income	3,00,000

Computation of Tax Liability

Tax on STCG ₹7,00,000 @ 15% u/s 111A	1,05,000
Tax on casual income ₹5,00,000 @ 30%	1,50,000
Tax before health & education cess	2,55,000
Add: HEC @ 4%	10,200
Tax Liability	2,65,200

Note: On Long term capital gain, casual income and short term capital gain u/s 111A partial integration shall not be applicable.

Solution 14:**Computation of Total Income**

	₹
Income under the head Business/Profession	12,00,000
Income under the head Other Sources (Casual income)	5,00,000
Gross Total Income	17,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	17,00,000
Agricultural income	10,00,000

Computation of Tax Liability

Tax on casual income ₹5,00,000 @ 30% u/s 115BB	1,50,000
Normal income ₹12,00,000	
Step 1. Tax on (12,00,000 + 10,00,000)	4,60,000
Step 2. Tax on (₹5,00,000 + 10,00,000) at slab rates	(2,50,000)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	2,10,000
Tax before health & education cess	3,60,000
Add: HEC @ 4%	14,400
Tax Liability	3,74,400

Solution 15:**Computation of Total Income**

	₹
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000
Income under the head Capital Gains	
Short Term Capital Gain	50,000
Short Term Capital Gain 111A	2,00,000
Long Term Capital Gain	1,50,000
Income under the head Capital Gains	4,00,000
Casual Income	70,000
Gross Total Income	8,70,000
Less: Deduction u/s 80C to 80U	(1,10,000)
Total Income	7,60,000
Agricultural Income	5,00,000

Computation of Tax Liability

Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
Tax on long term capital gain ₹1,50,000 @ 20% u/s 112	30,000
Tax on short term capital gain ₹2,00,000 @ 15% u/s 111A	30,000
Normal income ₹3,40,000	
Step 1. Tax on (3,40,000 + 5,00,000)	80,500
Step 2. Tax on (₹2,50,000 + 5,00,000) at slab rates	(62,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	18,000
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Solution 15(b):

Computation of Total Income

	₹
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000
Income under the head Capital Gains	
Short Term Capital Gain	50,000
Short Term Capital Gain 111A	2,00,000
Long Term Capital Gain	1,50,000
Income under the head Capital Gains	4,00,000
Casual Income	70,000
Gross Total Income	8,70,000
Less: Deduction u/s 80C to 80U	(1,10,000)
Total Income	7,60,000
Agricultural Income	5,00,000

Computation of Tax Liability

Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
Tax on long term capital gain Nil (₹1,50,000-1,50,000) @ 20% u/s 112	Nil
Tax on short term capital gain ₹ 1,90,000(₹2,00,000-₹10,000) @ 15% u/s 111A	28,500
Tax on normal income ₹3,40,000 at slab rate	Nil
Tax before health & education cess	49,500
Add: HEC @ 4%	1,980
Tax Liability	51,480

Note: If non-agricultural income is upto the limit not chargeable to tax (₹2,50,000/ 3,00,000/5,00,000), partial integration is not applicable.

Solution 15(c):

Computation of Total Income

	₹
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000
Income under the head Capital Gains	
Short Term Capital Gain	50,000
Short Term Capital Gain 111A	2,00,000
Long Term Capital Gain	1,50,000
Income under the head Capital Gains	4,00,000
Casual Income	70,000
Gross Total Income	8,70,000
Less: Deduction u/s 80C to 80U	(3,00,000)
Total Income	5,70,000
Agricultural Income	5,00,000

Computation of Tax Liability

Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
--	--------

Tax on long term capital gain ₹1,50,000 @ 20% u/s 112	30,000
Tax on short term capital gain ₹2,00,000 @ 15% u/s 111A	30,000
Tax on normal income ₹1,50,000 at slab rate	Nil
Tax before health & education cess	81,000
Add: HEC @ 4%	3,240
Tax Liability	84,240

Note: If non-agricultural income is upto the limit not chargeable to tax (₹2,50,000/ 3,00,000/5,00,000), partial integration is not applicable.

Solution 16:

Computation of Total Income

	₹
Income under the head House Property	2,00,000
Income under the head capital gains (long term capital gains)	10,00,000
Gross Total Income	12,00,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	11,40,000
Agricultural income	7,00,000

Computation of Tax Liability

Tax on normal income ₹1,40,000 at slab rate	Nil
Tax on long term capital gain ₹8,90,000 (₹10,00,000 – ₹1,10,000) @ 20% u/s 112	1,78,000
Tax before health & education cess	1,78,000
Add: HEC @ 4%	7,120
Tax Liability	1,85,120

Note: If non-agricultural income is upto the limit not chargeable to tax (₹2,50,000/ 3,00,000/5,00,000), partial integration is not applicable.

Solution 16(b):

Computation of Total Income

	₹
Income under the head House Property	10,00,000
Income under the head capital gains (long term capital gains)	10,00,000
Gross Total Income	20,00,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	19,40,000
Agricultural income	7,00,000

Computation of Tax Liability

Tax on long term capital gain ₹10,00,000 @ 20% u/s 112	2,00,000
Normal income ₹9,40,000	
Step 1. Tax on (9,40,000 + 7,00,000) at slab rates	3,02,000
Step 2. Tax on (₹3,00,000 + 7,00,000) at slab rates	(1,10,000)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	1,92,000
Tax before health & education cess	3,92,000
Add: HEC @ 4%	15,680
Tax Liability	4,07,680

Solution 17:

Computation of Total Income

		₹
Income under the head Business/Profession		6,00,000.00
Income under the head House Property		4,00,000.00
Income under the head Capital Gains		
Long term capital gains	4,50,000	
Short term capital gains u/s 111A	3,50,000	8,00,000.00
Income under the head Other Sources (Casual Income)		3,50,000.00
Gross Total Income		21,50,000.00

Less: Deduction u/s 80C to 80U (not allowed)	Nil
Total Income	21,50,000.00
Computation of Tax Liability as per section 115BAC	
Tax on LTCG ₹4,50,000 @ 20% u/s 112	90,000.00
Tax on STCG ₹3,50,000 @ 15% u/s 111A	52,500.00
Tax on Casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000.00
Tax on ₹10,00,000 at slab rate (115BAC)	75,000.00
Tax before health & education cess	3,22,500.00
Add: HEC @ 4%	12,900.00
Tax Liability	3,35,400.00

Solution 18:

₹

Computation of Total Income

Income under the head Business/Profession	9,00,000.00
Income under the head House Property	1,00,000.00
Income under the head salary	3,00,000.00
Gross Total Income	13,00,000.00
Less: Deduction u/s 80C to 80U (not allowed)	Nil
Total Income	13,00,000.00

Computation of Tax Liability as per section 115BAC

Tax on ₹13,00,000 at slab rate (115BAC)	1,37,500.00
Tax before health & education cess	1,37,500.00
Add: HEC @ 4%	5,500.00
Tax Liability	1,43,000.00

TAXABILITY OF GIFT

SECTION 56

SOLUTIONS OF MCQS

1. (b); 2. (c); 3. (a); 4. (e); 5. (c); 6. (c); 7. (d); 8. (c); 9. (a); 10. (d); 11.(c); 12.(a);13.(c); 14. (a) 15. (a) ; 16. (d) ; 17. (c); 18. (a); 19. (d); 20. (c)

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:

- (i) Mr. X has received gift of ₹50,000 in cash from his friend, in this case it will not be considered to be his income.
- (ii) Mr. X has received gift of ₹2,50,000 in cash from his brother, in this case it will not be considered to be his income.
- (iii) Mr. X has received gift of ₹ 2,50,000 in cash from his mother's sister, in this case it will not be considered to be his income.
- (iv) Mr. X has received gift of ₹2,50,000 in cash from his father's brother, in this case it will not be considered to be his income.
- (v) Mr. X has received gift of ₹2,50,000 in cash from his cousin, in this case it will be chargeable to tax.
- (vi) Mr. X has received gift of ₹2,50,000 in cash from brother of his spouse, in this case it will not be considered to be his income.
- (vii) Mr. X has received gift of ₹2,50,000 in cash from his grand father, in this case it will not be considered to be his income.
- (viii) Mr. X has received gift of ₹2,50,000 in cash from spouse of his brother, in this case it will not be considered to be his income.
- (ix) Mr. X has received gift of ₹2,50,000 in cash from husband of his sister, in this case it will not be considered to be his income.
- (x) Mr. X has received gift of ₹2,50,000 in cash from sister of his brother's wife, in this case it will be considered to be his income.
- (xi) Mr. X has received gift of ₹2,50,000 in cash from the sister of his spouse, in this case it will not be considered to be his income.
- (xii) Mr. X has received gift of ₹6,000 in cash on his birthday from each of his eleven friends, in this case it will be considered to be his income because the total amount is exceeding ₹50,000.
- (xiii) Mr. X has received gift of ₹2,50,000 in kind from his friend, in this case it will be considered to be his income.
- (xiv) Mr. X has received gift of ₹2,50,000 in cash from his friend on the occasion of his marriage, in this case it will not be considered to be his income.
- (xv) Mr. X has received gift of ₹1,00,000 in cash and ₹1,00,000 as property from his fiancée, in this case gift in cash will be considered to be his income and the gift in kind shall also be considered to be his income.

Solution 2:

Computation of income under the head Salary

Gift in kind from his employer (70,000 – 5,000)	₹ 65,000.00
Less: Standard deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	15,000.00

Computation of income under the head Other Sources

Gift received from friend	27,000.00
Gifts received from neighbours	60,000.00
Gift received from friend in kind	2,00,000.00
Income under the head Other Sources	2,87,000.00
Gross Total Income	3,02,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,02,000.00

Computation of Tax Liability

Tax on ₹3,02,000 at slab rate	2,600.00
Less: Rebate u/s 87A	(2,600.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil
Rounded off u/s 288B	Nil

Solution 3:

₹

Computation of income under the head Other Sources

Gift received from son of his father's brother	5,00,000
Gift received from brother of father's of Mrs. X	1,00,000
Income under the head Other Sources	6,00,000
Gross Total Income	6,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	6,00,000
Agricultural Income	5,00,000

Computation of Tax Liability

Step 1. Tax on (6,00,000 + 5,00,000) at slab rates	1,42,500
Step 2. Tax on (₹2,50,000 + 5,00,000) at slab rates	(62,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	80,000
Tax before health & education cess	80,000
Add: HEC @ 4%	3,200
Tax Liability	83,200

Solution 3(b):

Total Income	6,00,000
Agricultural Income	5,00,000

Computation of Tax Liability

Step 1. Tax on (6,00,000 + 5,00,000) at slab rates	1,30,000
Step 2. Tax on (₹5,00,000 + 5,00,000) at slab rates	(1,00,000)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	30,000
Tax before health & education cess	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200

Solution 3(c):

Total Income	6,00,000
Agricultural Income	5,00,000

Computation of Tax Liability

Step 1. Tax on (6,00,000 + 5,00,000) at slab rates	1,42,500
Step 2. Tax on (₹2,50,000 + 5,00,000) at slab rates	(62,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	80,000
Tax before health & education cess	80,000
Add: HEC @ 4%	3,200
Tax Liability	83,200

Solution 4:

₹

Computation of income under the head Other Sources

Gift in kind from brother of his grand father	8,00,000
Income under the head Other Sources	8,00,000
Gross Total Income	8,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	8,00,000

Agricultural Income	1,00,000
Computation of Tax Liability	
Step 1. Tax on (8,00,000 + 1,00,000) at slab rates	92,500
Step 2. Tax on (₹2,50,000 + 1,00,000) at slab rates	(5,000)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	87,500
Tax before health & education cess	87,500
Add: HEC @ 4%	3,500
Tax Liability	91,000

Solution 5:**Computation of Total Income of Mrs. X for the A.Y. 2023-24**

₹

Gift received on the occasion of marriage are exempt	--
Cash gift received from cousin of Mrs. X's mother is taxable under section 56(2)(x) (Cousin of Mrs. X's mother is not a relative)	2,50,000
Mobile phone gifted by her friend is not taxable since it is not included in the definition of "property" under section 56(2)(x)	--
Cash gift received from elder brother of husband's grandfather is taxable (Brother of husband's grandfather is not a relative)	2,40,000
Cash gift from friend is taxable	6,00,000
Since bullion is included in the definition of property, therefore, when bullion is received without consideration, the same is taxable, since the aggregate fair market value exceeds ₹50,000	4,75,000
Difference of ₹2.5 lakh in the value of jewellery purchased from her friend, is not taxable as it represents the stock-in-trade of Mrs. X. Since Mrs. X is carrying jewellery business and it has been mentioned that the jewellery were subsequently sold in the course of her business, such jewellery represent the stock-in-trade of Mrs. X.	Nil
Income under the head Other Sources	15,65,000
Gross Total Income	15,65,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	15,65,000
Computation of Tax Liability	
Tax on ₹ 15,65,000 at slab rate	2,82,000
Add: HEC @ 4%	11,280
Tax Liability	2,93,280

**ADVANCE PAYMENT OF TAX
OR
PAY AS YOU EARN SCHEME
SECTION 207 TO 219**

SOLUTIONS OF MCQS

Answer

1. (b); 2. (b); 3. (c); 4. (d); 5. (b); 6. (c); 7. (c); 8. (c); 9. (c); 10. (b)

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:**Computation of Total Income**

Income under the head House Property	15,00,000
Income under the head Other Sources	
Gift in kind received from a friend	2,00,000
Gross Total Income	17,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	17,00,000
Agricultural Income	3,00,000

Computation of Tax Liability

Step 1. Tax on (17,00,000 + 3,00,000) at slab rates	4,12,500
Step 2. Tax on (₹2,50,000 + 3,00,000) at slab rates	(22,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	3,90,000
Add: HEC @ 4%	15,600
Tax Liability	4,05,600

Interest u/s 234C

	Amount payable ₹	Amount actually paid ₹	Shortfall ₹
Upto 15.06 2022 (4,05,600 x 15%)	60,840	15,000	45,840
Rounded off under rule 119A = 45,800			
Interest u/s 234C = 45,800 x 1% x 3 month =	1,374		
Upto 15.09 2022 (4,05,600 x 45%)	1,82,520	30,000	1,52,520
Rounded off under rule 119A = 1,52,500			
Interest u/s 234C = 1,52,500 x 1% x 3 month =	4,575		
Upto 15.12.2022 (4,05,600 x 75%)	3,04,200	50,000	2,54,200
Interest u/s 234C = 2,54,200 x 1% x 3 month =	7,626		
Upto 15.03.2023 (4,05,600 x 100%)	4,05,600	60,000	3,45,600
Interest u/s 234C = 3,45,600 x 1% x 1 month =	3,456		

Interest liability under section 234C

₹17,031

Interest under section 234B (01-04-2023 to 10-09-2023)

3,45,600 x 1% x 6

₹20,736

Interest under section 234A (01-08-2023 to 10-09-2023)

3,45,600 x 1% x 2

₹ 6,912

Solution 2:

Total Income	27,00,000
Computation of Tax Liability	
Tax on ₹27,00,000 @ 30%	8,10,000

Add: HEC @ 4%	32,400
Tax Liability	8,42,400

Interest u/s 234C

	Amount payable ₹	Amount actually paid ₹	Shortfall ₹
Upto 15.06 2022 (8,42,400 x 15%)	1,26,360	20,000	1,06,360
Rounded off under rule 119A = 1,06,300			
Interest u/s 234C = 1,06,300 x 1% x 3 month =	3,189		
Upto 15.09 2022 (8,42,400 x 45%)	3,79,080	30,000	3,49,080
Rounded off under rule 119A = 3,49,000			
Interest u/s 234C = 3,49,000 x 1% x 3 month =	10,470		
Upto 15.12.2022 (8,42,400 x 75%)	6,31,800	80,000	5,51,800
Interest u/s 234C = 5,51,800 x 1% x 3 month =	16,554		
Upto 15.03.2023 (8,42,400 x 100%)	8,42,400	1,00,000	7,42,400
Interest u/s 234C = 7,42,400 x 1% x 1 month =	7,424		

Interest liability under section 234C ₹37,637

Interest under section 234B (01-04-2023 to 10-12-2023)

7,42,400 x 1% x 9 ₹66,816

Interest under section 234A (01-11-2023 to 10-12-2023)

7,42,400 x 1% x 2 ₹14,848

Solution 3:**Computation of Total Income**

Income under the head House Property	18,00,000
Income under the head Other Sources	
Gift received from sister of her mother in law	1,20,000
Gross Total Income	19,20,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	19,20,000
Agricultural Income	4,00,000

Computation of Tax Liability

Step 1. Tax on (19,20,000 + 4,00,000) at slab rates	5,08,500
Step 2. Tax on (₹2,50,000 + 4,00,000) at slab rates	(42,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	4,66,000
Add: HEC @ 4%	18,640
Tax Liability	4,84,640

Interest u/s 234C

	Amount payable ₹	Amount actually paid ₹	Shortfall ₹
Upto 15.06 2022 (4,84,640 x 15%)	72,696	15,000	57,696
Rounded off under rule 119A = 57,600			
Interest u/s 234C = 57,600 x 1% x 3 month =	1,728		
Upto 15.09 2022 (4,84,640 x 45%)	2,18,088	45,000	1,73,088
Rounded off under rule 119A = 1,73,000			

Interest u/s 234C = $1,73,000 \times 1\% \times 3 \text{ month} = 5,190$

Upto 15.12.2022 ($4,84,640 \times 75\%$) 3,63,480 75,000 2,88,480

Rounded off under rule 119A = 2,88,400

Interest u/s 234C = $2,88,400 \times 1\% \times 3 \text{ month} = 8,652$

Upto 15.03.2023 ($4,84,640 \times 100\%$) 4,84,640 1,00,000 3,84,640

Interest u/s 234C = $3,84,600 \times 1\% \times 1 \text{ month} = 3,846$

Interest liability under section 234C

₹19,416

Interest under section 234B (01-04-2023 to 10-12-2023)

$3,84,600 \times 1\% \times 9$

₹34,614

Interest under section 234A (01-08-2023 to 10-12-2023)

$3,84,600 \times 1\% \times 5$

₹19,230

RESIDENTIAL STATUS & SCOPE OF TOTAL INCOME SECTION 5 TO 9

SOLUTIONS OF MCQS

1. (b); 2. (b); 3. (d); 4. (a); 5. (d); 6. (a); 7. (d); 8. (d); 9. (a); 10. (d); 11. (b); 12. (b); 13. (c); 14. (b); 15. (a); 16. (a); 17. (b); 18. (b); 19. (b); 20. (c); 21. (c); 22. (c); 23. (d); 24. (a); 25. (a)

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Non-Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Resident
2014-15	Resident
2013-14	Resident
2012-13	Resident

Total stay in 7 years preceding the relevant previous year is 732 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 2:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Resident
2014-15	Resident
2013-14	Resident
2012-13	Resident

Total stay in 7 years preceding the relevant previous year is 754 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 3:

2022-23	Resident
2021-22	Resident

2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Resident
2014-15	Non-Resident
2013-14	Non-Resident
2012-13	Non-Resident

Total stay in 7 years preceding the relevant previous year is 742 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 4:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Non-Resident
2014-15	Non-Resident
2013-14	Non-Resident
2012-13	Non-Resident

Total stay in 7 years preceding the relevant previous year is 772 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 5:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Non-Resident
2014-15	Resident
2013-14	Non-Resident
2012-13	Resident

Total stay in 7 years preceding the relevant previous year is 868 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 6:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Non-Resident
2014-15	Resident
2013-14	Non-Resident
2012-13	Non-Resident

Total stay in 7 years preceding the relevant previous year is 706 days.

Since the assessee is able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be NOR.

1. He is **non resident in India** in at least **nine out of ten previous** years preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 7:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Resident
2014-15	Resident
2013-14	Non-Resident
2012-13	Non-Resident

Total stay in 7 years preceding the relevant previous year is 787 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous** years preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 8:

2022-23	Resident
2021-22	Resident
2020-21	Resident
2019-20	Resident
2018-19	Resident
2017-18	Resident
2016-17	Resident
2015-16	Resident

2014-15 Non-Resident
 2013-14 Non-Resident
 2012-13 Non-Resident

Total stay in 7 years preceding the relevant previous year is 781 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 9:

2022-23 Resident
 2021-22 Resident
 2020-21 Resident
 2019-20 Resident
 2018-19 Resident
 2017-18 Non-Resident
 2016-17 Resident
 2015-16 Non-Resident
 2014-15 Non-Resident
 2013-14 Non-Resident
 2012-13 Non-Resident

Total stay in 7 years preceding the relevant previous year is 774 days.

Since the assessee is not able to comply with any of the conditions of section 6(6)(a), as listed below, he will be considered to be ROR.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Solution 10:

Mr. X is in India for 60 days or more in 2022-23 but for less than 365 days in 4 years immediately preceding 2022-23, so he is non-resident in 2022-23.

Solution 11:

Stay of Mr. X in various years is as given below.

In P.Y. 2018-19

{July – 31, August – 31, September – 30, October – 31, November – 30, December – 11, March – 5}

Days of stay in India are 169, so Mr. X is non-resident.

In P.Y. 2019-20

{April – 30, May – 31, June – 30, July – 21, September – 21, October – 31, November – 30, December – 31, January – 31, February – 29, March – 1}

Days of stay in India are 286. So, he is resident and also he is non-resident in at least 9 years out of 10 years preceding the relevant previous year, hence he is NOR.

In P.Y. 2020-21

{January – 31, February – 28, March – 31}

Days of stay in India are 90. So, he is resident and also he is non-resident in at least 9 years out of 10 years preceding the relevant previous year, hence he is NOR.

In P.Y. 2021-22

{April – 30, May – 31, June – 30, July – 31, August – 31, September – 23, February – 28, March – 31}

Days of stay in India are 235. So, he is resident and also his stay during seven years preceding the relevant previous year is 729 days or less, hence he is NOR.

In P.Y. 2022-23

{April – 30, May – 31, June – 30, July – 1, February – 18, March – 31}

Days of stay in India are 141 and during the previous 4 years his stay is for 365 days or more so he is resident and also he is ROR because he is not able to fulfil any of the conditions of section 6(6)(a). i.e.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Hence he is ROR .

Solution 12:**In P.Y. 2018-19**

{July – 31, August – 31, September – 7, January – 31, February – 28, March – 8}

Days of stay in India are 136, so Mr. Daniel is non-resident.

In P.Y. 2019-20

{July – 21, August – 31, September – 20, February – 20, March – 31}

Days of stay in India are 123, so, he is non-resident.

In P.Y. 2020-21

{April – 30, May – 9, January – 31, February – 28, March – 31}

Days of stay in India are 129, so, he is non-resident.

In P.Y. 2021-22

{April – 30, May – 20, March – 21}

Days of stay in India are 71 and also he stays for 365 days or more during 4 years preceding the relevant previous year and also he is able to comply with at least one of the conditions of section 6(6)(a) as given below.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or less.

Hence he is NOR.

In P.Y. 2022-23

{April – 30, May – 31, June – 21, March – 5}

Days of stay in India are 87 and during the previous 4 years his stay is more than 365 days. So he is resident but not ordinarily resident because he is able to fulfill at least one of the two condition given u/s 6(6)(a).

Solution 13:

Since he is out of India every year for 274 days so his days of stay in India are –

In 2022-23 91 Days

In 2021-22 91 Days

In 2020-21 91 Days

In 2019-20 92 Days

In 2018-19 91 Days

So his stay in India during the seven years immediately preceding the relevant previous year is less than 729 days, so he is resident but not ordinarily resident.

Solution 14:

Days of stay in India in P.Y. 2022-23 are 182.

{October – 31, November – 30, December – 31, January – 31, February – 28, March – 31}

So he is resident and also he will be able to comply with at least one of the conditions of section 6(6)(a) as given below.

1. He is **non resident in India** in at least **nine out of ten previous years** preceding that year.

or

2. He has **during the seven previous** years preceding that year been in India for a period of 729 days or

less.

Hence he is NOR.

Solution 15:

His days of stay in India are as under –

In P.Y. 2012-13 274 days

{July – 31, August – 31, September – 30, October – 31, November – 30, December – 31, January – 31, February – 28, March – 31}

In P.Y. 2013-14 365

In P.Y. 2014-15 365

In P.Y. 2015-16 366

In P.Y. 2016-17 365

In P.Y. 2017-18 365

In P.Y. 2018-19 365

In P.Y. 2019-20 366

In P.Y. 2020-21 365

In P.Y. 2021-22 215

{April – 30, May – 31, June – 30, July – 31, August – 31, September – 30, October – 31, November – 1}

In P.Y. 2022-23 60

{January – 31, February – 28, March – 1}

He is resident in 2022-23 but he is not able to comply with any of the conditions of section 6(6)(a) hence he is resident and ordinarily resident.

Solution 16:

His days of stay in India in year 2021-22 are 313.

{May – 9, June – 30, July – 31, August – 31, September – 30, October – 31, November – 30, December – 31, January – 31, February – 28, March – 31}

So he is resident and he is also able to comply with one of the condition of section 6(6)(a) hence he will be considered to be resident but not ordinarily resident.

His days of stay in India in 2022-23 are 60.

{April – 30 and May – 30}

So he is non-resident in the year 2022-23.

Solution 17:

His days of stay in India during 2022-23 are 182.

{April – 30, May – 31, June – 30, July – 31, August – 31, September – 29}

So Mr. X is resident in previous year 2022-23 and also he is not able to comply with any of the conditions of section 6(6)(a) hence he will be considered to be ROR.

Solution 18:

It will be accruing arising abroad because if any loan has been taken by a person resident in India from outside India then interest income shall be accruing arising in India only if such resident has utilized the loan amount in India.

Solution 19:

Particulars	ROR	NOR	NR
(i) Income accruing/arising outside India but received in India	10,000	10,000	10,000
(ii) Income accruing/arising outside India and also received abroad.	5,000	-----	-----
(iii) Income accruing/arising in India	10,000	10,000	10,000
(iv) Income accruing/arising outside India and also received abroad.	2,000	-----	-----
(v) Income accruing/arising outside India and also received outside India but from a business controlled from India	50,000	50,000	-----
(vi) Income accruing/arising in India	12,000	12,000	12,000

(vii) Past profits	-----	-----	-----
Taxable Income	89,000	82,000	32,000

Solution 20:

Particulars	ROR	NOR	NR
(1) Income accruing/arising outside India and received outside India	40,000	-----	-----
(2) Income accruing/arising in India	15,000	15,000	15,000
(3) Past profits	-----	-----	-----
(4) Income accruing/arising and received outside India	1,00,000	-----	-----
(5) Income accruing/arising and received outside India, but business controlled from India	1,75,000	1,75,000	-----
(6) Income deemed to be accruing/ arising in India	20,000	20,000	20,000
(7) Income deemed to be accruing/ arising in India	2,00,000	2,00,000	2,00,000
Gross Total Income	5,50,000	4,10,000	2,35,000

Solution 21:

Particulars	ROR	NOR	NR
(1) Income accruing /arising in India	1,20,000	1,20,000	1,20,000
(2) Income accruing/arising in India	2,25,000	2,25,000	2,25,000
(3) Income accruing/arising and received outside India	1,45,000	-----	-----
(4) Income accruing/arising in India	1,50,000	1,50,000	1,50,000
(5) Income accruing/arising outside India and received outside India	1,50,000	-----	-----
(6) Income accruing/arising outside India and received outside India	75,000	-----	-----
(7) Income accruing/arising in India	65,000	65,000	65,000
(8) Income accruing/arising in India	80,000	80,000	80,000
(9) Income received in India	40,000	40,000	40,000
Gross Total Income	10,50,000	6,80,000	6,80,000

Solution 22:

	ROR	NOR	NR
(1) Income accruing/arising outside India from a business controlled in India, half of the income received in India	60,000	60,000	30,000
(2) Income accruing/arising outside India and received outside India	10,000	-----	-----
(3) Income accruing/arising in India	1,70,000	1,70,000	1,70,000
(4) Income accruing/arising outside India and received outside India	2,20,000	-----	-----
(5) Income accruing/arising outside India and received outside India	1,00,000	-----	-----
(6) Income received in India	60,000	60,000	60,000
(7) Income accruing/arising and received outside India, but profession set up in India	90,000	90,000	-----
(8) Income accruing/arising in India	19,000	19,000	19,000
(9) Income accruing/arising in India	39,000	39,000	39,000
(10) Income accruing/arising outside India and received outside India, but business controlled from India	4,80,000	4,80,000	-----
(11) Income accruing/arising outside India, half received outside India and half in India	12,000	6,000	6,000
(12) Income accruing/arising outside India, 4/5 th received outside India and 1/5 th in India	50,000	10,000	10,000
Gross Total Income	13,10,000	9,34,000	3,34,000

Solution 23:

Since Mr. X is covered in special category and will be resident, if his stay in India in relevant previous year

is 182 days or more, hence Mr. X is a non-resident as his stay in India is less than 182 days and his income taxable in India shall be ₹

Income under the head Salary

Income accruing/arising in India (60,000 x 5)	3,00,000.00
Income received in India (60,000 x 1)	60,000.00
Gross Salary	3,60,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Gross Salary	3,10,000.00

Income under the head Other Sources

Gift of gold (₹11,00,000 – ₹8,00,000)	3,00,000.00
Gift of building (₹13,00,000 – ₹10,00,000)	3,00,000.00
Income under the head Other Sources	6,00,000.00
Gross Total Income	9,10,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	9,10,000.00

Computation of Tax Liability

Tax on ₹9,10,000 at slab rate	94,500.00
Add: HEC @ 4%	3,780.00
Tax Liability	98,280.00

Note: STCG is received in USA is not taxable in India as the assessee is a non-resident.

Solution 24:

In this case, Mrs. X stays in India for more than 182 days during the previous year 2022-23 and also she is not able to comply with any of the conditions of section 6(6)(a), she will be considered to be ROR.

Her incomes taxable in India shall be ₹

Income under the head Salary

Income accruing/arising in India (2,00,000 x 12)	24,00,000.00
Gross Salary	24,00,000.00
Less: Standard deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	23,50,000.00

Income under the head Other Sources

Gift from friend (immovable property)	51,000.00
Interest from UK Development bond (Received in USA)	2,00,000.00
Income under the head Other Sources	2,51,000.00
Gross Total Income	26,01,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	26,01,000.00

Computation of Tax Liability

Tax on ₹26,01,000 at slab rate	5,92,800.00
Add: HEC @ 4%	23,712.00
Tax Liability	6,16,512.00
Rounded off u/s 288B	6,16,510.00

SOLUTIONS OF EXAMINATIONS QUESTIONS

JAN – 2021 (NEW COURSE)

Answer 3(c)

Income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of clauses (v), (vi) and (vii) of section 9(1) shall be included in the total income of the non-resident, whether or not –

- (i) the non-resident has a residence or place of business or business connection in India; or
- (ii) the non-resident has rendered services in India.

In effect, the income by way of fees for technical services, interest or royalty, from services utilized in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India.

Therefore, the given statement that income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus, is correct.

MAY – 2019 (NEW COURSE)

Solution 2(a) :

As per section 5, All Global Income of ROR shall be taxable in India but in case of NOR income accruing arising in India or received in India shall be taxable in India. In case of NOR, income accruing / arising aboard and received aboard but from a business controlled from India or from a profession which was set up in India shall be taxable in India.

S.No.	Particulars	ROR	NOR
(i)	Income from business in India, controlled from London	2,00,000	2,00,000
(ii)	Profit from business in Japan, controlled from India	70,000	70,000
(iii)	Past years untaxed foreign income brought to India	-	-
(iv)	Royalty Income from a resident for technical service to run business outside India (assumed amount received in India)	4,00,000	4,00,000
(v)	Agriculture Income from Bhutan (i.e. outside India) assumed received in Bhutan	90,000	-
(vi)	Income from house property in Dubai received in Dubai	73,000	-
	Gross Total Income	8,33,000	6,70,000

Note: Student can take assumption that royalty received outside India, in such case royalty shall be taxable in case of ROR only.

Note: In the above solution income of 73,000 is presumed to be computed income under the head house property. Student can also presume such amount as rent received (as the amount is deposited in bank account) and standard deduction u/s 24(a) @ 30% shall be allowed from 73,000 and taxable amount shall be 51,100.

MAY – 2019 (OLD COURSE)

Solution 2(a):

As per section 5, All Global Income of ROR shall be taxable in India but in case of NOR/NR income accruing arising in India or received in India shall be taxable in India. In case of NOR, income accruing /

arising abroad and received abroad but from a business controlled from India or from a profession which was set up in India shall be taxable in India.

S.No.	Particulars	ROR	NOR	NR
(i)	Short term capital gains on sale of shares in Indian company received in Japan (income accruing/arising from India)	85,000	85,000	85,000
(ii)	Rent from property in Bangladesh deposited in a bank at Dhaka, later on remitted to India through approved banking channels (income accruing arising abroad received abroad) (96,000 – 30% of 96,000)	67,200	-	-
	Gross Total Income	1,52,200	85,000	85,000
	Less: Deduction u/s 80C to 80U	-	-	-
	Total Income	1,52,200	85,000	85,000

NOV – 2018 (NEW COURSE)

Solution 2(a):

As per section 5, Income of ROR is taxable if income is accruing/arising in India or abroad but in case of NOR & Non- Resident Income is taxable if it is accruing arising or deemed to accrue/arise in India or received or deemed to be received in India even if accrued outside India. All Global Income of ROR is taxable in India.

Particulars	ROR	NOR	Non – Resident
Pension received from the US Government (Income accruing/arising abroad and received abroad)	3,20,000	-	-
Agricultural income from lands in Malaysia (Income accruing/arising abroad and received abroad)	2,70,000	-	-
Rent received from let out property in Colombo, Sri Lanka (4,20,000 – 30% of 4,20,000) (Income accruing/arising abroad and received abroad)	2,94,000	-	-
Total	8,84,000	-	-

NOV – 2018 (OLD COURSE)

Solution 2(a):

(i) As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He stays in India for 182 days or more during the relevant previous year
- (ii) He stays in India for 60 days or more and also for 365 days or more during 4 years preceding the relevant previous year.

If the individual satisfies any one of the conditions mentioned above, he is a resident, otherwise the individual is a non-resident.

In the given case his stay in India in the previous year is less than 60 days hence he will be Non-Resident.

As per section 5, in case of Non-resident – The following incomes shall be taxable.

- (i) income accruing /arising in India.
- (ii) income received or deemed to be received in India even if accruing /arising abroad.

(ii) Computation of Total Income for the A.Y. 2023-24

- (1) Short term capital gains on the sale of shares of an Indian company is income accruing/arising in India but the amount is received outside India. As Income is accruing/arising in India hence it is taxable in case of Non-Resident.
- (2) Interest on Fixed Deposits with State Bank of India (Mumbai) is income accruing/arising in India hence taxable in case of Non-resident.

	₹
Short term capital gains	35,000
Interest on fixed deposits	8,000
Gross Total Income	43,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	43,000

MAY – 2018 (NEW COURSE)**Solution 3:**

S.No.	Particulars	ROR	NR
(i)	Interest from German Derivatives Bonds (1/3 received in India)	21,000	7,000
(ii)	Income from agriculture land situated in Malaysia ,remitted to India	51,000	-
(iii)	Income earned from business in Dubai, Controlled from India (₹20,000 received in India).	75,000	20,000
(iv)	Profit from business in Mumbai, controlled from Australia	1,75,000	1,75,000
(v)	Interest received from Mr. Ashok (NRI) on loan provided to him for business in India	35,000	35,000
(vi)	Profit from business in Canada controlled from Mumbai (60% of profits deposited in a bank in Canada and 40% remitted to India) Note: The language is not clear. It should be 100% deposited in Canada but 40% remitted to India. OR It should be 60% deposited in Canada and 40% deposited in India and in that case 24,000 (40% of 60,000) shall be taxable in case of NR.	60,000	-
(vii)	Amount received from an NRI for the use of know-how for his business in Singapore	8,00,000	-
(viii)	Past years untaxed foreign income brought to India	-	-
	Total	12,17,000	2,37,000

MAY – 2018 (OLD COURSE)**Solution 3(a):**

Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He stays in India for 182 days or more during the relevant previous year
- (ii) He stays in India for 60 days or more and also for 365 days or more during 4 years preceding the relevant previous year.

If the individual satisfies any one of the conditions mentioned above, he is a resident, otherwise the individual is a non-resident.

Meaning of Not-ordinarily resident Section 6(6)(a)

An individual who is resident of India shall be considered to be NOR if he has complied with at least one of the conditions given below:

- (i) If such individual has during the 7 previous years preceding the relevant previous year been in India for a period of 729 days or less or
- (ii) If such individual has been non-resident in India in 9 years out of 10 previous years preceding the relevant previous year

If he has not complied with even a single condition, he will be considered to be ROR.

Stay and Status of Mrs. Karuna Kapoor in various years is as given below.

In P.Y. 2014-15

{April – 28, May – 31, June – 30, July-11}

Days of stay in India are 100, so she is non-resident.

In P.Y. 2015-16

{April – 28, May – 31, June – 30, July-11}

Days of stay in India are 100, so she is non-resident.

In P.Y. 2016-17

{April – 28, May – 31, June – 30, July-11}

Days of stay in India are 100, so she is non-resident.

In P.Y. 2017-18

{April – 28, May – 31, June – 30, July-11}

Days of stay in India are 100, so she is non-resident.

In P.Y. 2018-19

{ May – 15, June – 30, July-31, August- 31, September - 30 }

Days of stay in India are 137, so she is resident and also she is non-resident in at least 9 years out of 10 years preceding the relevant previous year, hence she is NOR.

In P.Y. 2019-20

{ September – 24, October – 31, November – 30, December – 31, January – 31, February – 29, March – 26}

Days of stay in India are 202, so she is resident and also she is non-resident in at least 9 years out of 10 years preceding the relevant previous year, hence she is NOR.

In P.Y. 2020-21

{February – 20, March – 26}

Days of stay in India are 46. So, she is non - resident.

In P.Y. 2021-22

{June – 9, July – 11}

Days of stay in India are 20. So, she is non – resident

In P.Y. 2022-23

{April – 28, May – 31, June – 30, July – 11}

Days of stay in India are 100. So, she is resident and also her stay during seven years preceding the relevant previous year is 729 days or less, hence she is NOR.

NOV – 2017

Question 2(a)**(5 Marks)****Answer:**

(i) As per section 6(3), A company would be resident in India if

(a) it is an Indian Company; or

(b) its place of effective management in that year is in India.

In the given case, DAISY Ltd. a foreign company therefore it would be resident in India if its place of effective management in that year is in India.

Section 6(3) defines “place of effective management” to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made. In the case of DAISY Ltd., its place of effective management for P.Y.2022-23 is not in

India, since the significant management and commercial decisions are, in substance, made by the Board of Directors outside India in USA.

Hence, DAISY Ltd, being a foreign company is a non-resident for A.Y.2023-24, since its place of effective management is outside India in the P.Y.2022-23.

(ii) If any non - resident is purchasing goods from India for the purpose of export, such income shall not be accruing/arising in India, hence it is not taxable in India.

MAY – 2017

Question 2(a) (i)**(4 Marks)****Answer:**

As per section 6(1), Mr. Damodhar is covered in special category.

Period of stay in India shall exclude time period from 12th August 2022 to 21st January, 2023 and also 29 days for which he stays out of India.

His stay in India shall be 173 days [April – 30 + May – 2 + June – 30 + July – 31 + August – 11 + January – 10 + February – 28 + March – 31]

Since his period of stay in India during the P.Y.2022-23 is less than 182 days, he is a non-resident for A.Y.2023-24.

Note - Since the residential status of Mr. Damodhar is “non-resident” for A.Y.2023 – 24 consequent to his number of days of stay in P.Y.2022–23 being less than 182 days, his period of stay in the earlier previous years become irrelevant.

Question 4(a)**(4 Marks)****Solution:**

- (a) **Taxable in India:** As per section 9, Amount received for use of Patent for a Business in India shall be deemed as Income accruing arising in India and chargeable to tax in India.
- (b) **Not Taxable in India:** As per section 9, Amount received in Japan for use of know - how for a business in Sri Lanka shall not be deemed as Income accruing arising from India and not chargeable to tax in India.
- (c) **Taxable in India:** As per section 9, Amount received for use of Technical know - how in India shall be deemed as Income accruing arising in India and shall be taxable in India.
- (d) **Not Taxable in India:** As per section 9, Amount received in Nepal for Feasibility study conducted for the new project in Nepal shall not be deemed as Income accruing arising from India and not chargeable to tax in India.

NOV – 2016

Question 4(a)**(2 Marks)****Answer:**

As per section 9, if source of income is in India, income shall be accruing/arising in India and shall be taxable in all the three status even if income has been received outside India, hence in the given case Income is chargeable to tax in India as income is accruing and arising from India as property is situated in India.

NOV – 2015

Question 2(a).**(4 Marks)****Solution:****Residential status of Mr. X for the Assessment Year 2023-24**

As per Section 6(1), any individual who is a citizen of India and has left India for taking up any business or profession or employment outside India are covered in the special category and they will be considered to be resident only if they stay in India for 182 days or more i.e. second condition of 60 plus 365 days shall not be applicable.

In the given case Mr. X is covered under special category and stay in the current year is 99 days only which is less than 182 days. So he is non-resident.

As per section 9, if any non-resident has provided any patent right or any managerial, technical services and such patent right etc. was used in India, in such cases any royalty or fee received by non-resident shall be considered to be income accruing/arising in India and shall be taxable and it do not matter that the non-resident do not have residence or place of business or business connection in India i.e. there is no territorial nexus or non-resident has not rendered services in India.

In the given case Fees charged from XYZ Limited is taxable in India because the assessee has transferred technical documents and designs to setup an automobile factory in Faridabad (i.e. in India).

MAY – 2015

Question 2(a)(i).

(4 Marks)

Solution:

(a) **Taxable in India:** As Mr. David is an Central Government employee and salary paid by Central Government for the services rendered outside India is taxable in India.

(b) **Taxable in India:** As service is rendered in India means income accruing and arising from India.

(c) **Taxable outside India:** As Royalty is paid for business carried outside India means Income accruing outside India.

(d) **Taxable in India:** As the loan is used for business in India.

Question 2(a)(ii).

(4 Marks)

Solution:

Ms. Bindu is a resident since her stay in the previous year 2022-23 is 365 days.

2021-22 -	365
2020-21 -	42 (i.e. 11 + 31)
2019-20 -	Nil (since she is residing in New York)
2018-19 -	Nil (since she is residing in New York)
2017-18 -	Nil (since she is residing in New York)
2016-17 -	Nil (since she is residing in New York)
2015-16 -	Nil (since she is residing in New York)
	407

Since stay in 7 years preceding the relevant previous year is less than 729 days and She is non-resident in 9 years preceding the relevant previous year, she will be considered to be NOR.

NOV – 2014

Question 2(a).

(5 Marks)

Solution: Computation of Total Income of Mrs. X and Mrs. Y for the A.Y. 2023-24

Sl.No.	Particulars	Mrs. X NR	Mrs. Y ROR
(i)	Income from Profession in Malaysia, (set up in India) received there	-	-
(ii)	Profit from business in Delhi, but managed directly from Malaysia	40,000	-
(iii)	Rent (computed) from property in Malaysia deposited in a Bank at Malaysia, later on remitted to India through approved banking channels.	-	-
(iv)	Cash gift received from a friend on Mrs. Y's 50 th birthday	-	51,000
(v)	Agricultural income from land in Maharashtra (exempt u/s 10(1))	-	-
(vi)	Past foreign untaxed income brought to India	-	-
(vii)	Fees for technical services rendered in India received in Malaysia	25,000	-
(viii)	Income from a business in Pune (Mrs. X receives 50% of the income in India)	12,000	15,000
(ix)	Interest on debentures in an Indian company (Mrs. X received the	18,500	14,000

	same in Malaysia)		
(x)	Short-term capital gain on sale of shares of an Indian company	15,000	25,500
(xi)	Interest on fixed deposit with SBI in India	12,000	8,000
	Total Income	1,22,500	1,13,500

MAY – 2013

Question 2(a).

(4 Marks)

Solution:

Computation of Total Income of Mr. X & Mr. Y for the A.Y. 2023-24

Sl. No.	Particulars	Mr. X NR (₹)	Mr. Y ROR (₹)
1.	Interest on American Development Bonds	23,000	18,000
2.	Short term capital gains on sale of shares of an Indian company received in India	45,000	75,000
3.	Profit from a business in Mumbai but managed directly from America	10,000	-
4.	Income from a business in Mumbai	32,000	28,000
5.	Fees for technical services rendered in America, and received in America, but services utilized in India	1,50,000	-
6.	Interest on fixed deposit with State Bank of India, Mumbai	4,500	12,000
7.	Income from house property at Mumbai	67,200	38,500
	Total Income	3,31,700	1,71,500

MAY – 2012

Question 2

(5 Marks)

Answer: Computation of Total Income of Mr. X and Mr. Y for the A.Y. 2023-24

Sl. No.	Particulars	Mr. X Non-Resident	Mr. Y ROR
1.	Interest on Canada Development Bond, (only 50% of interest received in India)	17,500	40,000
2.	Profit from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
3.	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
4.	Income from a business in Chennai	80,000	70,000
5.	Fees for technical services rendered in India, but received in Canada	1,00,000	-----
6.	Interest on fixed bank deposit in UCO Bank, Delhi	7,000	12,000
7.	Agricultural income from a land situated in Andhra Pradesh	-----	-----
8.	Income under the head house property at Bhopal	1,00,000	60,000
	Total Income	4,64,500	4,12,000

Notes:

1. Agricultural income from a land situated in Andhra Pradesh (in India), is exempted under section 10(1) of Income tax Act, 1961 in case of both non-resident and resident assessee.

NOV – 2011

Question 5

(3 Marks)

Answer:

Mr. X is a non-resident in the previous year 2022-23 as he doesn't come to India during the year.

Computation of Gross total income of Mr. X for A.Y. 2023-24

₹

Income under the head Salary

Income under the head Salary {Taxable as it is deemed to be earned in India u/s 9}

5,00,000

Income under the head Other Sources

Interest on FDR	1,00,000
Income from agriculture in Pakistan (assumed to be received outside India)	Nil
Income under the head Other Sources	1,00,000
Income under the head House Property	
Income from house property in Pakistan (assumed to be received outside India)	Nil
Gross Total Income	6,00,000

MAY – 2010**Answer.****Computation of Total Income of Mr. X for the A.Y. 2023-24**

Particulars	Resident & ordinarily resident	Resident but not ordinarily resident	Non-Resident
a) Profit on sale of shares of an Indian company, received in Germany	15,000	15,000	15,000
c) Income from business in London deposited in a bank in London	75,000	-	-
c) Agricultural income from land in Gujarat [See Note (ii) below]	-	-	-
TOTAL INCOME	90,000	15,000	15,000

Note : Agricultural income is exempt under section 10(1).**MAY – 2010****Question 1****(2 Marks each)****Answer:****(i)** As per section 5, in case of non-resident, incomes taxable shall be:

- (a) any income deemed to be accruing/arising in India.
(b) any income which is received or is deemed to be received in India.

(ii) As per Section 9, salaries payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India. Hence, salary received by Mr. X, a citizen of India, from the Government of India for services rendered outside India is chargeable to tax under the head 'Salaries'.

NOV – 2009**Question 1****(4 Marks)****Answer:****Computation of Total Income of Mr. X and Mr. Y for the A.Y. 2023-24**

Sl. No.	Particulars	Mr. X Non-Resident	Mr. Y ROR
1.	Interest on U.K. Development Bonds	12,500	20,000
2.	Profit from a business in Mumbai but managed directly from London	10,000	12,000
3.	Profit on sale of shares of an Indian company received in India	50,000	80,000
4.	Income from a business in Delhi	20,000	20,000
5.	Fees for technical services rendered in India but received in London	1,00,000	-
6.	Interest on fixed Deposit in SBI Bangalore	5,000	15,000
7.	Agricultural income from a land in Rajasthan [(Exempt u/s.10(1))]	-	-

8.	Income under the head House property at Bangalore	50,400	33,600
	Gross Total Income	2,47,900	1,80,600

Note: Agricultural income from a land situated in the State of Rajasthan, is exempted under section 10(1) of Income tax Act, 1961 in case of both non-resident and resident assessee.

MAY – 2007

Question 1

(2 Marks)

Answer: True: A person is said to be “not-ordinarily resident” in India if he satisfies either of the conditions given in sub-section (6) of section 6. This sub-section relates to only individuals and Hindu Undivided Families. Therefore, only individuals and Hindu undivided families can be resident, but not ordinarily resident in India. All other classes of assesseees can be either a resident or non-resident for the purpose of income-tax. A firm can, therefore, either be a resident or non-resident.

INCOME UNDER THE HEAD HOUSE PROPERTY

SECTION 22 TO 27

SOLUTIONS OF MCQS

Answer

1.(c); 2.(b); 3. (b); 4. (c); 5. (b); 6. (a); 7. (a); 8. (b); 9. (b); 10. (c); 11.(b); 12. (b); 13. (d); 14. (a); 15. (b); 16. (b); 17. (c); 18. (c); 19. (c); 20. (a); 21. (b); 22. (b); 23. (a); 24. (a); 25. (a); 26. (d); 27. (a); 28. (a); 29. (d); 30. (a)

Hint for answer 8.

Arrears of rent received	30,000.00
Less: Deduction under section 25A @ 30%	<u>(9,000.00)</u>
Income from House property	21,000.00

Hint for answer 9.

Recovery of Unrealised Rent	90,000
Less: Deduction @ 30%	(27,000)
Income under the head House Property	63,000

Hint for answer 13.

	₹	₹
Gross Annual Value		2,90,000

Working Note:

(a) Municipal value of property	3,00,000
(b) Fair rent	2,50,000
(c) Higher of (a) and (b)	3,00,000
(d) Standard rent	2,90,000
(e) Annual Letting Value / Expected Rent [lower of (c) and (d)]	2,90,000
(f) Actual rent [20,000 x 9] + [30,000 x 3]	2,70,000
(g) Gross Annual Value [higher of (e) and (f)]	2,90,000

Hint for answer 16.

Prior period interest

From 01.04.2018 to 31.03.2021

= 5,00,000 x 12% x 3 = 1,80,000

1,80,000 allowed in 5 equal instalments

= 1,80,000 / 5 = ₹ 36,000 per annum

Current period interest

From 01.04.2022 to 31.03.2023

= 5,00,000 x 12% x 1 = ₹60,000

Total Interest = ₹60,000 + ₹ 36,000 = ₹96,000

Hint for answer 18.**Computation of income under the head House Property**

Gross Annual Value (20,000 X 12)	2,40,000.00
Less: Municipal Tax	(60,000.00)
Net Annual Value	1,80,000.00
Less: Standard Deduction u/s 24(a)	(54,000.00)
Less: Interest u/s 24(b)	NIL
Income from House Property	1,26,000.00

Hint for answer 19.

Prior period interest	NIL
Current period interest	
From 01.05.2022 to 31.03.2023	
= 20,00,000 x 6% x 11/12 = ₹1,10,000	
Total Interest = ₹1,10,000 + ₹ 0 = ₹1,10,000	

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:

₹

Computation of income under the head House Property

Gross Annual Value

10,80,000

Working Note:

₹

(a) Fair Rent (₹ 80,000 x 12)	9,60,000
(b) Municipal Valuation (₹ 81,000 x 12)	9,72,000
(c) Higher of (a) or (b)	9,72,000
(d) Standard Rent (₹ 1,00,000 x 12)	12,00,000
(e) Expected Rent {Lower of (c) or (d)}	9,72,000
(f) Rent received (₹ 90,000 x 12)	10,80,000
GAV = Higher of (e) or (f)	10,80,000

Less: Municipal Tax

(70,000)

Net Annual Value

10,10,000

Less: 30% of NAV u/s 24(a)

(3,03,000)

Less: Interest on capital borrowed u/s 24(b)

(82,000)

Income under the head House Property

6,25,000

Gross Total Income

6,25,000

Less: Deduction u/s 80C to 80U

Nil

Total Income

6,25,000

Computation of Tax Liability

Tax on ₹6,25,000 at slab rate

37,500

Add: HEC @ 4%

1,500

Total tax liability

39,000

Solution 2:

₹

Computation of income under the head House Property

Gross Annual Value

36,00,000.00

Working Note:

₹

(a) Fair Rent (2,50,000 x 12)	30,00,000
(b) Municipal Value (2,75,000 x 12)	33,00,000
(c) Higher of (a) or (b)	33,00,000
(d) Standard Rent (2,80,000 x 12)	33,60,000
(e) Expected Rent {Lower of (c) or (d)}	33,00,000
(f) Rent received /receivable (3,00,000 x 12)	36,00,000
GAV shall be higher of (e) or (f)	36,00,000

Less: Municipal Tax

(6,00,000.00)

Net Annual Value

30,00,000.00

Less: 30% of NAV u/s 24(a)

(9,00,000.00)

Less: Interest on capital borrowed u/s 24(b)

(3,00,000.00)

Income under the head House Property

18,00,000.00

Gross Total Income

18,00,000.00

Less: Deduction u/s 80C to 80U

Nil

Total Income	18,00,000.00
Computation of Tax Liability	
Tax on ₹18,00,000 @ 30%	5,40,000.00
Add: HEC @ 4%	21,600.00
Tax Liability	5,61,600.00

Solution 3.

₹

Computation of income under the head House Property

Gross Annual Value (2,00,000 x 12)	24,00,000.00
------------------------------------	--------------

Working Note:	₹
(a) Fair Rent (1,80,000 x 12)	21,60,000
(b) Standard Rent (2,20,000 x 12)	26,40,000
(c) Expected Rent (lower of (a) or (b))	21,60,000
(d) Rent Received/Receivable (2,00,000 x 12)	24,00,000
GAV = Higher of (c) or (d)	24,00,000

Less: Municipal Tax	(6,00,000.00)
Net Annual Value	18,00,000.00
Less: 30% of NAV u/s 24(a)	(5,40,000.00)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	12,60,000.00
Gross Total Income	12,60,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	12,60,000.00
Computation of Tax Liability	
Tax on ₹12,60,000 @ 30%	3,78,000.00
Add: HEC @ 4%	15,120.00
Tax Liability	3,93,120.00

Solution 4: Computation of Total Income & Tax Liability of Mr. X

₹

Gross Annual Value	6,60,000.00
--------------------	-------------

Working Note:	₹
(a) Fair Rent (₹55,000 x 12)	6,60,000
(b) Municipal Valuation (₹52,000 x 12)	6,24,000
(c) Higher of (a) or (b)	6,60,000
(d) Standard Rent (₹60,000 x 12)	7,20,000
(e) Expected Rent {Lower of (c) or (d)}	6,60,000
(f) Rent received /receivable (50,000 x 9)	4,50,000
If there was no vacancy, in that case rent received/receivable would have been (50,000 x 12) ₹6,00,000 which is not exceeding expected rent hence GAV shall be expected rent i.e. ₹6,60,000	
GAV	6,60,000

Less: Municipal Tax	(30,000.00)
Net Annual Value	6,30,000.00
Less: 30% of NAV u/s 24(a)	(1,89,000.00)
Less: Interest on capital borrowed u/s 24(b)	(20,000.00)
Income under the head House Property	4,21,000.00
Total Income	4,21,000.00

Computation of Tax Liability

Tax on Normal Income ₹4,21,000 at slab rate	8,550.00
Less: Rebate u/s 87A	(8,550.00)
Tax Liability	Nil

Solution 4(b): Computation of Total Income & Tax Liability of Mr. X

₹

Gross Annual Value

5,40,000.00

Working Note:

₹

(a) Fair Rent (₹55,000 x 12)	6,60,000
(b) Municipal Valuation (₹52,000 x 12)	6,24,000
(c) Higher of (a) or (b)	6,60,000
(d) Standard Rent (₹60,000 x 12)	7,20,000
(e) Expected Rent {Lower of (c) or (d)}	6,60,000
(f) Rent received /receivable (60,000 x 9)	5,40,000
If there was no vacancy, in that case rent received/receivable would have been (60,000 x 12) ₹7,20,000 which is exceeding expected rent hence GAV shall be Rent received/receivable i.e. ₹5,40,000	
GAV	5,40,000

Less: Municipal Tax

(30,000.00)

Net Annual Value

5,10,000.00

Less: 30% of NAV u/s 24(a)

(1,53,000.00)

Less: Interest on capital borrowed u/s 24(b)

(20,000.00)

Income under the head House Property

3,37,000.00

Total Income

3,37,000.00

Computation of Tax Liability

Tax on Normal Income ₹3,37,000 at slab rate

4,350.00

Less: Rebate u/s 87A

(4,350.00)

Tax Liability

Nil

Solution 4(c): Computation of Total Income & Tax Liability of Mr. X

₹

Gross Annual Value

4,95,000.00

Working Note:

₹

(a) Fair Rent (₹55,000 x 12)	6,60,000
(b) Municipal Valuation (₹52,000 x 12)	6,24,000
(c) Higher of (a) or (b)	6,60,000
(d) Standard Rent (₹60,000 x 12)	7,20,000
(e) Expected Rent {Lower of (c) or (d)}	6,60,000
(f) Rent received /receivable (55,000 x 9)	4,95,000
If there was no vacancy, in that case rent received/receivable would have been (55,000 x 12) ₹6,60,000 which is equal to expected rent hence GAV shall be Rent Received/ receivable i.e. ₹4,95,000	
GAV	4,95,000

Less: Municipal Tax

(30,000.00)

Net Annual Value

4,65,000.00

Less: 30% of NAV u/s 24(a)

(1,39,500.00)

Less: Interest on capital borrowed u/s 24(b)

(20,000.00)

Income under the head House Property

3,05,500.00

Total Income

3,05,500.00

Computation of Tax Liability

Tax on Normal Income ₹3,05,500 at slab rate

2,775.00

Less: Rebate u/s 87A

(2,775.00)

Tax Liability

Nil

Solution 4(d): Computation of Total Income & Tax Liability of Mr. X

₹

Gross Annual Value

9,00,000.00

Working Note:	₹
(a) Fair Rent (₹55,000 x 12)	6,60,000
(b) Municipal Valuation (₹52,000 x 12)	6,24,000
(c) Higher of (a) or (b)	6,60,000
(d) Standard Rent (₹60,000 x 12)	7,20,000
(e) Expected Rent {Lower of (c) or (d)}	6,60,000
(f) Rent received /receivable (1,00,000 x 9)	9,00,000
If there was no vacancy, in that case rent received/receivable would have been (1,00,000 x 12) ₹12,00,000 which is exceeding expected rent hence GAV shall be Rent received/receivable i.e. ₹9,00,000	
GAV	9,00,000

Less: Municipal Tax

(30,000.00)

Net Annual Value

8,70,000.00

Less: 30% of NAV u/s 24(a)

(2,61,000.00)

Less: Interest on capital borrowed u/s 24(b)

(20,000.00)

Income under the head House Property

5,89,000.00

Total Income

5,89,000.00

Computation of Tax Liability

Tax on Normal Income ₹5,89,000 at slab rate

30,300.00

Add: HEC @ 4%

1,212.00

Tax Liability

31,512.00

Rounded off u/s 288B

31,510.00

Solution 5:

₹

Computation of Total Income & Tax Liability of Mr. X

Gross Annual Value

186,00,000.00

Working Note:	₹
(a) Fair Rent (₹15,50,000 x 12)	186,00,000
(b) Municipal Valuation (₹15,20,000 x 12)	182,40,000
(c) Higher of (a) or (b)	186,00,000
(d) Standard Rent (₹16,00,000 x 12)	192,00,000
(e) Expected Rent {Lower of (c) or (d)}	186,00,000
(f) Rent received /receivable (15,00,000 x 9)	135,00,000
If there was no vacancy, in that case rent received/receivable would have been (15,00,000 x 12) ₹180,00,000 which is not exceeding expected rent hence GAV shall be expected rent i.e. ₹186,00,000	
GAV	186,00,000

Less: Municipal Tax

(13,00,000.00)

Net Annual Value

173,00,000.00

Less: 30% of NAV u/s 24(a)

(51,90,000.00)

Less: Interest on capital borrowed u/s 24(b)

(12,00,000.00)

Income under the head House Property

109,10,000.00

Total Income

109,10,000.00

Computation of Tax Liability

Tax on Normal Income ₹109,10,000 at slab rate

30,85,500.00

Add: Surcharge @ 15%

4,62,825.00

Tax before health & education cess

35,48,325.00

Add: HEC @ 4%

1,41,933.00

Tax Liability

36,90,258.00

Rounded off u/s 288B

36,90,260.00

Solution 5(b):

₹

Computation of Total Income & Tax Liability of Mr. X

Gross Annual Value 144,00,000.00

Working Note:	₹
(a) Fair Rent (₹15,50,000 x 12)	186,00,000
(b) Municipal Valuation (₹15,20,000 x 12)	182,40,000
(c) Higher of (a) or (b)	186,00,000
(d) Standard Rent (₹16,00,000 x 12)	192,00,000
(e) Expected Rent {Lower of (c) or (d)}	186,00,000
(f) Rent received /receivable (16,00,000 x 9)	144,00,000
If there was no vacancy, in that case rent received/receivable would have been (16,00,000 x 12) ₹192,00,000 which is exceeding expected rent hence GAV shall be rent received/receivable i.e. ₹144,00,000	
GAV	144,00,000

Less: Municipal Tax	(13,00,000.00)
Net Annual Value	131,00,000.00
Less: 30% of NAV u/s 24(a)	(39,30,000.00)
Less: Interest on capital borrowed u/s 24(b)	(12,00,000.00)
Income under the head House Property	79,70,000.00
Total Income	79,70,000.00

Computation of Tax Liability

Tax on Normal Income ₹79,70,000 at slab rate	22,03,500.00
Add: Surcharge @ 10%	2,20,350.00
Tax before health & education cess	24,23,850.00
Add: HEC @ 4%	96,954.00
Tax Liability	25,20,804.00
Rounded off u/s 288B	25,20,800.00

Solution 5(c):

₹

Computation of Total Income & Tax Liability of Mr. X

Gross Annual Value 140,40,000.00

Working Note:	₹
(a) Fair Rent (₹15,50,000 x 12)	186,00,000
(b) Municipal Valuation (₹15,20,000 x 12)	182,40,000
(c) Higher of (a) or (b)	186,00,000
(d) Standard Rent (₹16,00,000 x 12)	192,00,000
(e) Expected Rent {Lower of (c) or (d)}	186,00,000
(f) Rent received /receivable (15,60,000 x 9)	140,40,000
If there was no vacancy, in that case rent received/receivable would have been (15,60,000 x 12) ₹187,20,000 which is exceeding expected rent hence GAV shall be rent received/ receivable i.e. ₹140,40,000	
GAV	140,40,000

Less: Municipal Tax	(13,00,000.00)
Net Annual Value	127,40,000.00
Less: 30% of NAV u/s 24(a)	(38,22,000.00)
Less: Interest on capital borrowed u/s 24(b)	(12,00,000.00)
Income under the head House Property	77,18,000.00
Total Income	77,18,000.00

Computation of Tax Liability

Tax on Normal Income ₹77,18,000 at slab rate	21,27,900.00
Add: Surcharge @ 10%	2,12,790.00
Tax before health & education cess	23,40,690.00

Add: HEC @ 4%	93,627.60
Tax Liability	24,34,317.60
Rounded off u/s 288B	24,34,320.00

Solution 5(d):

₹

Computation of Total Income & Tax Liability of Mr. X

Gross Annual Value	180,00,000.00
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Working Note:	₹
(a) Fair Rent (₹15,50,000 x 12)	186,00,000
(b) Municipal Valuation (₹15,20,000 x 12)	182,40,000
(c) Higher of (a) or (b)	186,00,000
(d) Standard Rent (₹16,00,000 x 12)	192,00,000
(e) Expected Rent {Lower of (c) or (d)}	186,00,000
(f) Rent received /receivable (20,00,000 x 9)	180,00,000
If there was no vacancy, in that case rent received/receivable would have been (20,00,000 x 12) ₹240,00,000 which is exceeding expected rent hence GAV shall be rent received/ receivable i.e. ₹180,00,000	
GAV	180,00,000

Less: Municipal Tax	(13,00,000.00)
Net Annual Value	167,00,000.00
Less: 30% of NAV u/s 24(a)	(50,10,000.00)
Less: Interest on capital borrowed u/s 24(b)	(12,00,000.00)
Income under the head House Property	104,90,000.00
Total Income	104,90,000.00

Computation of Tax Liability

Tax on Normal Income ₹104,90,000 at slab rate	29,59,500.00
Add: Surcharge @ 15%	4,43,925.00
Tax before health & education cess	34,03,425.00
Add: HEC @ 4%	1,36,137.00
Tax Liability	35,39,562.00
Rounded off u/s 288B	35,39,560.00

Solution 6:**Computation of Total Income of Mr. X for A.Y. 2023-24****Income under the head Capital Gains**

Long Term Capital Gain	4,00,000
Less: Loss under the head House Property	(2,00,000)
Long Term Capital Gain	2,00,000
Income under the head other sources	
Casual Income	1,00,000
Gross Total Income	3,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,00,000

Computation of Tax Liability

Tax on LTCG Nil (₹2,00,000- ₹2,00,000) @ 20%	Nil
Tax on casual Income ₹1,00,000 @ 30%	30,000.00
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	17,500.00
Add: HEC @ 4%	700.00
Tax Liability	18,200.00

Note: As per section 71, Maximum loss of ₹2,00,000 is allowed to be set off from other heads.

Solution 7:

Computation of Total Income of Mr. X for A.Y. 2023-24

Income under the head House Property

Income under the head House Property	3,00,000
Less: Set off of Loss of P.Y. 2015-16	(3,00,000)
Income under the head House Property	Nil

Income under the head Capital Gains

Long Term Capital Gain	4,00,000
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Income under the head other sources

Casual Income	1,00,000
---------------	----------

Gross Total Income	5,00,000
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Less: Deduction u/s 80C to 80U	Nil
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Total Income	5,00,000
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Computation of Tax Liability

Tax on LTCG ₹ 1,50,000 (₹4,00,000 - ₹2,50,000) @ 20% u/s 112	30,000.00
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Tax on casual Income ₹1,00,000 @ 30%	30,000.00
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Less: Rebate u/s 87A	(12,500.00)
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Tax before health & education cess	47,500.00
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Add: HEC @ 4%	1,900.00
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Tax Liability	49,400.00
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Note : Brought forward loss cannot be set off from income of other heads hence remaining loss of ₹1,00,000 of House Property of P.Y. 2015-16 shall be carried forward.

Solution 8:

Computation of Total Income of Mr. X for A.Y. 2023-24

Income under the head House Property

Income under the head House Property	3,00,000
Less: Set off of Loss of P.Y. 2015-16	(3,00,000)
Income under the head House Property	Nil

Income under the head Business/Profession

5,00,000

Income under the head Capital Gains

Long Term Capital Gain	4,00,000
------------------------	----------

Income under the head other sources

Casual Income	1,00,000
---------------	----------

Gross Total Income	10,00,000
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Less: Deduction u/s 80C to 80U	Nil
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Total Income	10,00,000
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Computation of Tax Liability

Tax on Normal Income ₹5,00,000 at slab rate	12,500.00
---	-----------

Tax on LTCG ₹ 4,00,000 @ 20% u/s 112	80,000.00
--------------------------------------	-----------

Tax on casual Income ₹1,00,000 @ 30%	30,000.00
--------------------------------------	-----------

Tax before health & education cess	1,22,500.00
------------------------------------	-------------

Add: HEC @ 4%	4,900.00
Tax Liability	1,27,400.00

Note : Brought forward loss cannot be set off from income of other heads hence remaining loss of ₹1,00,000 of House Property of P.Y. 2015-16 shall be carried forward.

Solution 9:**Computation of Total Income of Mr. X for A.Y. 2023-24****Income under the head House Property**

Income from House -1	8,00,000
Less: Loss from House – 2	(3,00,000)
Less: Set off of Loss of P.Y. 2015-16	(4,00,000)
Income under the head House Property	1,00,000

Income under the head Capital Gains

Short Term Capital Gain 111A	1,50,000
------------------------------	----------

Income under the head other sources

Casual Income	1,00,000
Dividend Income	2,00,000
Income under the head other sources	3,00,000

Gross Total Income	5,50,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,50,000
Agriculture Income	2,00,000

Computation of Tax Liability

Tax on STCG 111A ₹1,50,000 @ 15% u/s 111A	22,500.00
Tax on casual Income ₹1,00,000 @ 30%	30,000.00
Tax on (3,00,000 + 2,00,000) at slab rate	12,500.00
Tax on (₹2,50,000 + 2,00,000) at slab rates	(10,000.00)
Tax before health & education cess	55,000.00
Add: HEC @ 4%	2,200.00
Tax Liability	57,200.00

Note : 1. Current year loss of house shall be fully allowed to set off from income of another house in the same year however such loss shall be allowed to set off from income of other heads maximum upto ₹2,00,000

Solution 10:**Situation 1**

₹

Computation of Gross Annual Value

(a) Fair Rent (10,000 x 12)	1,20,000
(b) Municipal Valuation (11,000 x 12)	1,32,000
(c) Higher of (a) or (b)	1,32,000
(d) Standard Rent (12,000 x 12)	1,44,000
(e) Expected Rent {Lower of (c) or (d)}	1,32,000
(f) Rent Received/Receivable (7,000 x 11)	77,000
GAV = Higher of (e) or (f)	1,32,000

Gross Annual Value 1,32,000

Situation 2**Computation of Gross Annual Value**

(a) Fair Rent (12,000 x 12)	1,44,000
(b) Municipal Valuation (10,000 x 12)	1,20,000
(c) Higher of (a) or (b)	1,44,000
(d) Standard Rent (11,000 x 12)	1,32,000
(e) Expected Rent {Lower of (c) or (d)}	1,32,000
(f) Rent Received/Receivable (11,500 x 10)	1,15,000

In this case, if there was no vacancy, rent received/receivable would have been ₹1,38,000 hence rent received/receivable is lower in this case due to vacancy, therefore GAV shall be the rent received/receivable.

Gross Annual Value 1,15,000

Situation 3**Computation of Gross Annual Value**

(a) Fair Rent (13,000 x 12)	1,56,000
(b) Municipal Valuation (8,000 x 12)	96,000
(c) Higher of (a) or (b)	1,56,000
(d) Standard Rent (7,000 x 12)	84,000
(e) Expected Rent {Lower of (c) or (d)}	84,000
(f) Rent Received/Receivable (20,000 x 8)	1,60,000

In this case, rent R/R is higher than the expected rent, GAV shall be Rent R/R

Gross Annual Value 1,60,000

Situation 4**Computation of Gross Annual Value**

(a) Fair Rent (15,000 x 12)	1,80,000
(b) Municipal Valuation (17,000 x 12)	2,04,000
(c) Higher of (a) or (b)	2,04,000
(d) Standard Rent (16,000 x 12)	1,92,000
(e) Expected Rent {Lower of (c) or (d)}	1,92,000
(f) Rent Received/Receivable (16,000 x 8)	1,28,000

If there was no vacancy, in that case rent received/receivable would have been ₹1,76,000 and it was still less than expected rent, therefore GAV shall be expected rent.

Gross Annual Value 1,92,000

Solution 11:

₹

Income under the head House Property

Gross annual value 7,20,000.00

Working Note:

	₹
(a) Fair rent (60,000 x 12)	7,20,000
(b) Municipal valuation (55,000 x 12)	6,60,000

(c) Higher of (a) or (b)	7,20,000
(d) Standard Rent (80,000 x 12)	9,60,000
(e) Expected Rent {Lower of (c) or (d)}	7,20,000
(f) Rent Received (70,000 x 7)	4,90,000
If there was no vacancy, then Rent Receivable shall be 70,000 x 10 = 7,00,000, which is lower than the expected rent, hence the GAV shall be 7,20,000	

Less: Municipal taxes paid	(62,000.00)
Net Annual Value	6,58,000.00
Less: 30% of NAV u/s 24(a)	(1,97,400.00)
Less: Interest on capital borrowed u/s 24(b)	(75,000.00)
	3,85,600.00
Unrealised rent recovered of 2020-21 section 25A (1,50,000 – 45,000)	1,05,000.00
Income under the head House Property	4,90,600.00
Income from other sources	18,000.00
Gross Total Income	5,08,600.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,08,600.00
Computation of Tax Liability	
Tax on ₹5,08,600 at slab rate	14,220.00
Add: HEC @ 4%	568.80
Tax Liability	14,788.80
Rounded off u/s 288B	14,790.00

Solution 12:

Gross Annual Value

₹
2,16,000.00

Working Note:		₹
(a) Fair Rent (20,000 x 12)		2,40,000
(b) Municipal Valuation (10,000 x 12)		1,20,000
(c) Higher of (a) or (b)		2,40,000
(d) Standard Rent (18,000 x 12)		2,16,000
(e) Expected Rent {Lower of (c) or (d)}		2,16,000
(f) Rent Receivable = (12,000 x 8.5)		1,02,000
If there was no vacancy, in that case rent received/receivable would have been ₹1,20,000 and it was still less than expected rent, therefore GAV shall be expected rent.		
GAV		2,16,000

Less: Municipal Tax	(11,000.00)
Net Annual Value	2,05,000.00
Less: 30% of NAV u/s 24(a)	(61,500.00)
Less: Interest on capital borrowed u/s 24(b)	(3,00,000.00)
Loss under the head House Property	(1,56,500.00)
Income under the head Other Sources	7,00,000.00
Gross Total Income	5,43,500.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,43,500.00
Computation of Tax Liability	
Tax on ₹5,43,500 at slab rate	21,200.00
Add: HEC @ 4%	848.00
Tax Liability	22,048.00
Rounded off u/s 288B	22,050.00

Solution 13:

₹

Income under the head House Property

Gross annual value 12,00,000.00

Working Note:		₹
Fair rent (1,00,000 x 12)		12,00,000
Rent received (80,000 x 12)		9,60,000
Higher shall be the GAV i.e.		12,00,000

Less: Municipal taxes paid (30,000.00)

Net Annual Value 11,70,000.00

Less: 30% of NAV u/s 24(a) (3,51,000.00)

Less: Interest on capital borrowed u/s 24(b) (1,21,000.00)

Working Note:		Nil
Prior period interest		Nil
Current year interest $11,00,000 \times 11\% = 1,21,000$		

Income under the head House Property 6,98,000.00

Gross Total Income 6,98,000.00

Less: Deduction u/s 80C to 80U Nil

Total Income 6,98,000.00

Computation of Tax Liability

Tax on ₹6,98,000 at slab rate 52,100.00

Add: HEC @ 4% 2,084.00

Tax Liability 54,184.00

Rounded off u/s 288B 54,180.00

Note: For repayment of housing loan, deduction u/s 80C is allowed or not is controversial.**Solution 14:**

₹

Gross Annual Value 1,00,000.00

Working Note:		₹
(a) Fair Rent (10,000 x 10)		1,00,000
(b) Expected Rent		1,00,000
(c) Received/Receivable = $9,000 \times 8.5 = 76,500 - 1,000 =$		75,500
If there was no vacancy, in that case rent received/receivable would have been ₹89,000 and it was still less than expected rent, therefore GAV shall be expected rent.		
GAV		1,00,000

Less: Municipal taxes (3,000.00)

Net Annual Value 97,000.00

Less: 30% of NAV u/s 24(a) (29,100.00)

Less: Interest on capital borrowed u/s 24(b) (36,680.88)

Working Note:	
Current Period interest	
From 01.04.2022 to 31.01.2023	
$= 3,05,250 \times 7\% \times 10/12 = ₹17,806.25$	
Prior period interest	
From 01.09.2019 to 31.03.2022	
From 01.09.2019 to 30.06.2021	
$= 6,10,500 \times 7\% \times 22/12 = ₹78,347.5$	
From 01.07.2021 to 31.03.2022	
$= 3,05,250 \times 7\% \times 9/12 = ₹16,025.63$	
Total = ₹94,373.13	
Instalment = $₹94,373.13/5 = ₹18,874.63$	

Total interest = ₹17,806.25 + ₹18,874.63 = ₹36,680.88

Income under the head House Property	31,219.12
Income under the head Salary	2,65,000.00
Gross Total Income	2,96,219.12
Less: Deductions u/s 80C	Nil
Total Income (rounded off u/s 288A)	2,96,220.00
Computation of Tax Liability	
Tax on ₹2,96,220 at slab rate	2,311.00
Less: Rebate u/s 87A	(2,311.00)
Tax Liability	Nil

Solution 15:

₹

Income under the head House Property

Gross Annual Value	NIL
Less: Municipal taxes paid	NIL
Net Annual Value	NIL
Less: 30% of NAV u/s 24(a)	NIL
Less: Interest on capital borrowed u/s 24(b)	(2,00,000.00)

Working Note:

₹

Prior period interest**01.07.2019 to 31.03.2021**

15,00,000 x 11% x 21/12 = 2,88,750

Installment 2,88,750/5 =

57,750

Current year interest

15,00,000 x 11% x 9/12 = 1,23,750

14,30,000 x 11% x 3/12 = 39,325

1,63,075

2,20,825

Subject to maximum of 2,00,000.

Loss under the head House Property	(2,00,000.00)
Income under the head Salary	6,00,000.00
Gross Total Income	4,00,000.00
Less: Deduction u/s 80C	(70,000.00)
Total Income	3,30,000.00
Computation of Tax Liability	
Tax on ₹3,30,000 at slab rate	4,000.00
Less: Rebate u/s 87A	(4,000.00)
Tax Liability	Nil

Solution 16:

₹

Income under the head House Property

Gross Annual Value	NIL
Less: Municipal taxes paid	NIL
Net Annual Value	NIL
Less: 30% of NAV u/s 24(a)	NIL
Less : Interest on capital borrowed u/s 24(b)	(83,750.00)

Working Note:

₹

Prior period interest

Nil

Current year interest

From 01.04.2022 to 31.03.2023

8,50,000 x 10% x 9/12 = 63,750

8,00,000 x 10% x 3/12 = 20,000

83,750

Loss under the head House Property	(83,750.00)
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Income under the head capital gains (STCG u/s 111A)	10,00,000.00
Gross Total Income	9,16,250.00
Less: Deduction u/s 80C	Nil
Total Income	9,16,250.00
Computation of Tax Liability	
Tax on ₹6,66,250 (₹9,16,250 – 2,50,000) @ 15%	99,937.50
Add: HEC @ 4%	3,997.50
Tax Liability	1,03,935.00
Rounded off u/s 288B	1,03,940.00

Solution 17:**Computation of income under the head House Property**

Gross Annual Value	9,90,000.00
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Working Note:	₹
(a) Fair Rent (90,000 x 11)	9,90,000
(b) Expected Rent	9,90,000
(c) Rent Received/Receivable (80,000 x 10)	8,00,000
If there was no vacancy, in that case rent received/receivable would have been ₹8,80,000 and it was still less than expected rent, therefore GAV shall be expected rent.	
GAV	9,90,000

Less: Municipal Tax	Nil
Net Annual Value	9,90,000.00
Less: 30% of NAV u/s 24(a)	(2,97,000.00)
Less: Interest on capital borrowed u/s 24(b)	(1,83,750.00)

Working Note:
Prior period interest
From 01.07.2020 to 31.03.2022
= (15,00,000 x 10% x 1) + (15,00,000 x 10% x 9/12)
= ₹1,50,000 + ₹1,12,500 = ₹2,62,500
Installment = ₹2,62,500/5 = ₹52,500
Current period interest
From 01.04.2022 to 31.03.2023
= (15,00,000 x 10% x 9/12) + (7,50,000 x 10% x 3/12)
= ₹1,12,500 + ₹18,750 = ₹1,31,250
Total interest on capital borrowed
= ₹52,500 + ₹1,31,250 = ₹1,83,750

Income under the head House Property	5,09,250.00
Gross Total Income	5,09,250.00
Less: Deduction u/s 80C {Repayment of housing loan}	(1,50,000.00)
Total Income	3,59,250.00
Computation of Tax Liability	
Tax on ₹3,59,250 at slab rate	5,462.50
Less: Rebate u/s 87A	(5,462.50)
Tax Liability	Nil

Solution 18:**Computation of income under the head House Property**

Net Annual Value	Nil
Less: Interest on capital borrowed u/s 24(b)	(1,48,500.00)

Working Note:	₹
Current period interest	
01.04.2022 to 31.03.2023	

11,00,000 x 10% =	1,10,000
Prior period interest	
From 01.07.2019 to 31.03.2021	
11,00,000 x 10% x 21/12 =	1,92,500
Instalment = 1,92,500/5 =	38,500
Total interest = 1,10,000 + 38,500 =	1,48,500

Loss under the head House Property	(1,48,500.00)
Income under the head capital gains	
Short term capital gains u/s 111A	120,00,000.00
Gross Total Income	118,51,500.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	118,51,500.00
Computation of Tax Liability	
Tax on ₹116,01,500 (₹118,51,500 – 2,50,000) @ 15%	17,40,225.00
Add: Surcharge @ 15%	2,61,033.75
Tax before health & education cess	20,01,258.75
Add: HEC @ 4%	80,050.35
Tax liability	20,81,309.10
Rounded off u/s 288B	20,81,310.00

Solution 19:

₹

As per the amendments now two house shall be treated as self-occupied.

House I & II is self-occupied

Income from house I & II	(30,000.00)
Income under the head House Property	(30,000.00)
Add: Unrealised rent received (2,000 – 600)	1,400.00
Loss under the head House Property	(28,600.00)
Income under the head Capital Gains (LTCG)	20,00,000.00
Gross Total Income	19,71,400.00
Less: Deduction u/s 80C	Nil
Total Income	19,71,400.00
Computation of Tax Liability	
Tax on ₹17,21,400 (₹19,71,400 – ₹2,50,000) @ 20%	3,44,280.00
Add: HEC @ 4%	13,771.20
Tax Liability	3,58,051.20
Rounded off u/s 288B	3,58,050.00

Solution 20:

₹

Gross Annual Value	5,76,000.00
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Working Note:	₹
(a) Fair Rent (50,000 x 12)	6,00,000
(b) Municipal Valuation (47,000 x 12)	5,64,000
(c) Higher of (a) or (b)	6,00,000
(d) Standard Rent (48,000 x 12)	5,76,000
(e) Expected rent {Lower of (c) or (d)}	5,76,000
(f) Rent Receivable (45,000 x 7)	3,15,000
If there was no vacancy, in that case rent received/receivable would have been ₹4,05,000 and it was still less than expected rent, therefore GAV shall be expected rent	
GAV	5,76,000

Less: Municipal Tax	(56,400.00)
Net Annual Value	5,19,600.00
Less: 30% of NAV u/s 24(a)	(1,55,880.00)

Less: Interest on capital borrowed u/s 24(b)	(42,000.00)
Income under the head House Property	3,21,720.00
Gross Total Income	3,21,720.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,21,720.00

Computation of Tax Liability

Tax on ₹3,21,720 at slab rate	3,586.00
Less: Rebate u/s 87A	(3,586.00)
Tax Liability	Nil

Solution 21:

Income from self occupied house	
Net Annual Value	Nil
Less: 30% of NAV u/s 24(a)	Nil
Less: Interest on capital borrowed u/s 24(b)	(30,000)
Income from self occupied house	(30,000)
Income from partly self occupied and partly let out house	
Gross Annual Value	3,60,000

Working Note:

	₹
(a) Fair Rent (20,000 x 12)	2,40,000
(b) Municipal Valuation (18,000 x 12)	2,16,000
(c) Higher of (a) or (b)	2,40,000
(d) Standard Rent (15,000 x 12)	1,80,000
(e) Expected Rent	1,80,000
(f) Rent Receivable (45,000 x 8)	3,60,000
GAV = Higher of (e) or (f)	3,60,000

Less: Municipal taxes	(20,000)
Net Annual Value	3,40,000
Less: 30% of NAV u/s 24(a)	(1,02,000)
Less: Interest on capital borrowed u/s 24(b)	(45,000)
Income from House Property	1,93,000
Income under the head House Property	1,63,000
[₹1,93,000 + ₹(30,000)]	

Solution 22:

Gross Annual Value	₹	₹
		12,00,000.00

Working Note:

	₹
(a) Fair rent (98,000 x 12)	11,76,000
(b) Rent receivable (1,00,000 x 12)	12,00,000
GAV {Higher of (a) or (b)}	12,00,000

Less: Municipal Taxes	(85,000.00)
Net Annual Value	11,15,000.00
Less: 30% of NAV u/s 24(a)	(3,34,500.00)
Less: Interest on capital borrowed u/s 24(b)	Nil
	7,80,500.00
Add: Arrears of rent (Sec 25A)	3,00,000
Less: 30% of ₹3,00,000	(90,000)
	2,10,000.00
	9,90,500.00
Add: Unrealised Rent (4,00,000 – 1,20,000)	2,80,000.00
Income under the head House Property	12,70,500.00
Income under the head Other Sources	20,000.00
Gross Total Income	12,90,500.00
Less: Deduction u/s 80C to 80U	Nil

Total Income	12,90,500.00
Computation of Tax Liability	
Tax on ₹12,90,500 at slab rate	1,99,650.00
Add: HEC @ 4%	7,986.00
Tax Liability	2,07,636.00
Rounded off u/s 288B	2,07,640.00

Solution 23:

₹

As per the amendments now two house shall be treated as self-occupied.

Flat I & II is self-occupied

Income	(30,000.00)
Computation of Total Income	
Income under the head House Property	(30,000.00)
Income under the head Business Profession	7,00,000.00
Gross Total Income	6,70,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	6,70,000.00
Computation of Tax Liability	
Tax on ₹6,70,000 at slab rate	34,000.00
Add: HEC @ 4%	1,360.00
Tax Liability	35,360.00

Solution 24:

₹

Computation of income from House Property of Mr. X

Net annual value is Nil	Nil
(Since house is self – occupied)	
Less: Deduction u/s 24(b)	(2,00,000)
Interest paid on borrowed capital	
25,00,000 @ 12% = ₹3,00,000	
As per second proviso to section 24(b)	
interest deduction restricted to ₹2,00,000	
Loss under the head “House Property”	(2,00,000)

Computation of income from house property of Mr. Y**Ground Floor (Self Occupied)**

Net Annual Value	Nil
Less: 30% of NAV u/s 24(a)	Nil
Less: Interest on capital borrowed u/s 24(b)	(86,250)

Working Note:

Current period interest

From 01.04.2022 to 31.03.2023

= 15,00,000 x 10% x 1/2 = ₹75,000

Prior period interest

From 01.07.2021 to 31.03.2022

= 15,00,000 x 10% x 9 / 12 = 1,12,500

1,12,500 allowed in 5 equal instalments

= 1,12,500 / 5 = ₹ 22,500 per annum

= 22,500 / 2 = ₹11,250

Total interest = ₹75,000 + ₹ 11,250 = ₹86,250

Loss from house property	(86,250)
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First Floor (Let Out)

Gross Annual Value	1,20,000
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Working Note:

₹

(a) Fair Rent (1,20,000 x 9/12)

90,000

(b) Municipal Value (92,000 x 9/12)	69,000
(c) Higher of (a) or (b)	90,000
(d) Expected Rent	90,000
(e) Rent Received/Receivable = 20,000 x 6	1,20,000
GAV = Higher of (d) or (e)	1,20,000

Less: Municipal taxes	(5,000)
Net Annual Value	1,15,000
Less: 30% of NAV u/s 24(a)	(34,500)
Less: Interest on capital borrowed u/s 24(b)	(86,250)

Working Note:

Current period interest

From 01.04.2022 to 31.03.2023

= 15,00,000 x 10% x 1/2 = ₹75,000

Prior period interest

From 01.07.2021 to 31.03.2022

= 15,00,000 x 10% x 9 / 12 = 1,12,500

1,12,500 allowed in 5 equal instalments

= 1,12,500 / 5 = ₹ 22,500 per annum

= 22,500 / 2 = ₹11,250

Total Interest = ₹75,000 + ₹11,250 = ₹86,250

Loss from house property	(5,750)
Loss under the head “income from house property” of Mr. Y (Both ground floor and first floor)	(92,000)

Solution 25:**Computation of income under the head House Property**

Gross Annual Value	₹ 27,000
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Working Note:

(a) Municipal Valuation	22,000
(b) Expected Rent	22,000
(c) Rent Received/Receivable (3,000 x 2) + (3,500 x 6)	27,000
GAV = Higher of (b) or (c)	27,000

Less: Municipal taxes	Nil
Net Annual Value	27,000
Less: 30% of NAV u/s 24(a)	(8,100)
Less: Interest on capital borrowed u/s 24(b)	(7,875)

Working Note:

= [(60,000 x 15% x 6/12) + (45,000 x 15% x 6/12)] = ₹7,875

Income under the head House Property	11,025
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Solution 26:**Computation of income of Unit-I**

Since the unit is self-occupied throughout the year. Hence its income shall be computed under section 23(2), accordingly there will be loss ₹30,000.

Computation of income of Unit-II

It will be considered to be partially self-occupied and partially let out and income shall be computed under section 23(3) in the manner given below:

Gross Annual Value	₹ 82,500.00
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Working Note:

(a) Fair Rental Value	₹ 76,500
(b) Municipal Valuation	65,000
(c) Higher of (a) or (b)	76,500

(d) Standard Rent	70,000	
Expected Rent {Lower of (c) or (d)}	70,000	
(e) Expected Rent	70,000	
(f) Rent Received/Receivable (7,500 x 11)	82,500	
GAV = Higher of (e) or (f)	82,500	
Less: Municipal taxes		(7,800.00)
Net Annual Value		74,700.00
Less: 30% of NAV u/s 24(a)		(22,410.00)
Less: Interest on capital borrowed u/s 24(b)		(72,900.00)

Working note:

Current period interest

From 01.04.2022 to 31.03.2023

= 9,00,000 x 12% = ₹1,08,000

Prior period interest

From 01.07.2019 to 31.03.2021

= 9,00,000 x 12% x 21 / 12 = 1,89,000

Installment = 1,89,000 / 5 = 37,800

Total interest = 1,08,000 + 37,800 = 1,45,800

Interest allowed for one unit = 1,45,800 / 2 = ₹72,900

Loss from house property		(20,610.00)
Loss under the head House Property is (₹20,610) + (₹30,000)		(50,610.00)
Income under the head Other Sources		3,90,000.00
Gross Total Income		3,39,390.00
Less: Deductions u/s 80C to 80U		Nil
Total Income		3,39,390.00
Computation of Tax Liability		
Tax on ₹3,39,390 at slab rate		4,469.50
Less: Rebate u/s 87A		(4,469.50)
Tax Liability		Nil

Note: Since condition regarding certificate has not been complied with hence interest has been allowed maximum to the extent of ₹30,000.

Solution 27:

₹

Unit I

Gross Annual Value 1,36,500

Working Note:	₹	
(a) Fair Rental Value (1,75,000 x 70%)	1,22,500	
(b) Municipal Valuation (1,55,000 x 70%)	1,08,500	
(c) Higher of (a) or (b)	1,22,500	
(d) Standard Rent (1,65,000 x 70%)	1,15,500	
(e) Expected Rent {Lower of (c) or (d)}	1,15,500	
(f) Rent Received/Receivable (13,000 x 10.5)	1,36,500	
In this case, rent R/R is higher than the expected rent, GAV shall be Rent R/R		
GAV	1,36,500	
Less: Municipal taxes (35,000 x 70%)		(24,500)
Net Annual Value		1,12,000
Less: 30% of NAV u/s 24(a)		(33,600)
Less: Interest on capital borrowed u/s 24(b)		Nil
Income under the head House Property		78,400

Unit II

Gross Annual Value	55,000
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Working Note:	₹
(a) Fair Rental Value (1,75,000 x 30%)	52,500
(b) Municipal Valuation (1,55,000 x 30%)	46,500
(c) Higher of (a) or (b)	52,500
(d) Standard Rent (1,65,000 x 30%)	49,500
(e) Expected Rent {Lower of (c) or (d)}	49,500
(f) Rent Received/Receivable (5,000 x 11)	55,000
In this case, rent R/R is higher than the expected rent, GAV shall be Rent R/R	
GAV	55,000

Less: Municipal taxes (35,000 x 30%)	(10,500)
Net Annual Value	44,500
Less: 30% of NAV u/s 24(a)	(13,350)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head house property	31,150
Total income from house property (78,400 + 31,150)	1,09,550

Solution 28:

Gross Annual Value	86,400
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Working Note:	₹
(a) Fair Rental Value	75,000
(b) Municipal Valuation	68,000
(c) Higher of (a) or (b)	75,000
(d) Standard Rent (7,200 x 12)	86,400
(e) Expected Rent {Lower of (c) or (d)}	75,000
(f) Rent Received/Receivable (7,200 x 12)	86,400
GAV = Higher of (e) or (f)	86,400

Less: Municipal taxes	(14,000)
Net Annual Value	72,400
Less: 30% of NAV u/s 24(a)	(21,720)
Less: Interest on capital borrowed u/s 24(b)	Nil
Interest paid to non-resident without deducting tax at source is not deductible	
Income from house property	50,680
Add: Recovery of unrealised rent sec 25A (22,000 – 6,600)	15,400
Income under the head House property	66,080

Solution 29:**Option I****House I self-occupied**

Income from house property I	(30,000.00)
------------------------------	-------------

Interest on the capital borrowed = ₹59,583.33

(5,00,000 x 13% x 11/12 = 59,583.33).

But subject to maximum of ₹30,000

Interest upto ₹2,00,000 is allowed only if the loan is taken for purchase or construction of the house i.e. if the loan is taken for reconstruction, higher amount is not allowed.

House II Self Occupied

Income from house II	Nil
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House III

Gross Annual Value	7,20,000
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Working Note:	₹
(a) Fair rent (60,000 x 12)	7,20,000
(b) Expected Rent	7,20,000

(c) Rent Received/Receivable (50,000 x 12)	6,00,000	
GAV = Expected Rent	7,20,000	
Less: Municipal Taxes		(11,000.00)
Net Annual Value		7,09,000.00
Less: 30% of NAV u/s 24(a)		(2,12,700.00)
Less: Interest on capital borrowed u/s 24(b)		(55,000.00)
Income from house III		4,41,300.00
Income under the head House Property		
House I and II		(30,000.00)
House III		4,41,300.00
Recovery of unrealised rent (house I)		1,400.00
(2,000 – 600)		
Income under the head House Property		4,12,700.00
Computation of Total Income		
Income under the head House Property		4,12,700.00
Income under the head Capital Gains (long term capital gain)		3,50,000.00
Income from Other Sources		250.00
Gross Total Income		7,62,950.00
Less: Deduction u/s 80C to 80U		Nil
Total Income		7,62,950.00
Computation of Tax Liability		
Tax on ₹4,12,950 at slab rate		8,147.50
Tax on ₹3,50,000 @ 20% u/s 112		70,000.00
Tax before health & education cess		78,147.50
Add: HEC @ 4%		3,125.90
Tax Liability		81,273.40
Rounded off u/s 288B		81,270.00

Solution 30:

- (i) Income under the head House Property.
- (ii) Income under the head Capital Gains.
- (iii) Income under the head Business/Profession.
- (iv) Income under the head Other Sources.
- (v) Income under the head Business/Profession.
- (vi) Income under the head Business/Profession.
- (vii) Income under the head Business/Profession.
- (viii) Income under the head Business/Profession.
- (ix) Income under the head Other Sources.
- (x) Income under the head House Property.

SOLUTIONS OF EXAMINATION QUESTIONS

JULY – 2021 (NEW COURSE)

Question 3(a)

(6 Marks)

Solution:

**Computation of Taxable Income of Mr. Ramesh for A.Y. 2023-24 under
the regular provisions of the Act**

Particulars	Amount (₹)	Amount (₹)
Income from house property		
<u>Unit - 1 [50% of floor area - Let out]</u>		
Gross Annual Value, higher of		
- Expected rent ₹ 1,14,000 [Higher of Municipal Value of ₹ 94,000 p.a. and Fair Rent of ₹ 1,24,000 p.a., but restricted to Standard Rent of ₹1,14,000 p.a.]		
- Actual rent ₹ 1,47,000 [₹ 15,000 x 10] less unrealized rent of ₹ 3,000		
Gross Annual Value	1,47,000	
(Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)		
Less: Municipal taxes [50% of ₹20,000]	<u>10,000</u>	
Net annual value	1,37,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	(41,100)	
(b) Interest on loan [50% of ₹ 60,000]	<u>(30,000)</u>	65,900
<u>Unit – 3 [25% of floor area – Self occupied]</u>		
Net Annual Value	-	
Less: Interest on loan [25% of ₹ 60,000]	<u>(15,000)</u>	<u>(15,000)</u>
Income from house property		50,900
Profits and gains from business or profession		
Business Income [without deducting expenditure on Unit - 2 25% floor area used for business purposes]	1,40,000	
Less: Expenditure in respect of Unit -2		
- Municipal taxes [25% of ₹ 20,000]	5,000	
- Repairs [25% of ₹ 5,000]	1,250	
- Interest on loan [25% of ₹ 60,000]	15,000	
- Ground rent [25% of ₹ 6,000]	1,500	

- Fire Insurance premium [25% of ₹ 60,000]	15,000	(37,750)	1,02,250
Taxable Income			1,53,150

Note: (i) Since the conditions laid down under Rule 4 of Income-tax Rules, 1962, are satisfied

(ii) Assumed to have been paid during the year by Mr. Ramesh

(iii) Assumed to have been paid on or before the due date u/s 139(1)

NOV – 2018 (NEW COURSE)

Question 3(a)

Marks 7

Solution: Computation of Income under the head House Property

Gross Annual Value

7,20,000.00

Working Note:

	₹
(a) Fair rent	6,30,000
(b) Municipal Valuation	7,50,000
(c) Higher of (a) or (b)	7,50,000
(d) Standard Rent	7,20,000
(e) Expected Rent {Lower of (c) or (d)}	7,20,000
(f) Rent Received/Receivable (75,000 x 9)	6,75,000
GAV = Higher of (e) or (f)	7,20,000

Less: Municipal taxes

(90,000.00)

Net Annual Value

6,30,000.00

Less: 30% of NAV u/s 24(a)

(1,89,000.00)

Less: Interest on capital borrowed u/s 24(b)

(35,000.00)

Income from house property

4,06,000.00

Note: As per explanation to section 23(1)/Rule 4, in case of unrealised rent expected rent shall be computed for full year and while computing rent received/receivable, such unrealised rent shall be excluded and GAV shall be higher of expected rent and rent received or receivable.

In the given case conditions of rule 4 has not been complied hence rent shall not be treated as unrealised and shall not be excluded.

NOV – 2018 (OLD COURSE)

Question 2(b)

Marks 5

Solution:

As per the amendments now two house shall be treated as self-occupied and after two house all house shall be treated as deemed to be let out.

House I is Self-Occupied

Loss

Nil

House II is Self-Occupied

Loss

(2,00,000)

Working Note:

Prior period interest

From 01.04.2019 to 31.03.2021

= 18,00,000 x 10% x 2 = 3,60,000

3,60,000 allowed in 5 equal instalments

= 3,60,000 / 5 = ₹ 72,000 per annum

Current period interest

From 01.04.2022 to 31.03.2023

= 18,00,000 x 10% x 1 = ₹1,80,000

Total Interest = ₹72,000 + ₹ 1,80,000 = ₹2,52,000 but restricted to 2,00,000

Loss under the head house property

(2,00,000)

MAY – 2018 (OLD COURSE)**Question 3 (b)****Marks 5****Solution:****More than two house which are self-occupied (deemed to be let out property) Section 23(4)**

If any assessee has more than two house which are self-occupied, in such cases only two of these houses shall be considered to be self-occupied and income shall be computed under section 23(2) and all other houses shall be deemed to be let out and income shall be computed in the similar manner as in case of let out house. Expected rent shall be considered to be GAV of the house.

As per section 23(1)(c), if any House Property is lying vacant throughout the year, it will be considered to be deemed to be let out and income shall be computed in the similar manner as in case of a let out house. Expected Rent shall be considered to be Gross annual value.

As per section 23 (5), Where the property consisting of any building or land appurtenant thereto is held as stock-in trade and the property or any part of the property is not let during the whole of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil

NOV – 2017**Question 4(a)****(Marks 5)****Solution:**

In the given Mr. Aditya is NOR Hence Income received in India is taxable in India.

Computation of Income from House Property of Mr. Aditya for the Assessment Year 2023-24

₹

GAV of the house in Dubai	
(20,000 p.m. x ₹18 per DHS x 12 months)	43,20,000.00
Less: Municipal taxes paid (1500 +2500) x ₹18 per DHS	<u>(72,000.00)</u>
Net Annual Value	42,48,000.00
Less: Statutory deduction under section 24(a) @ 30% of NAV	<u>(12,74,400.00)</u>
Income from House property	29,73,600.00

GAV of house at Mumbai (self occupied)

Gross Annual Value	Nil
Less: Municipal taxes paid	<u>Nil</u>
Net Annual Value (NAV)	Nil
Less: Statutory deduction under section 24(a) @ 30% of NAV	Nil
Less: Interest on capital borrowed u/s 24(b)	(2,00,000)

Working Note:

Prior period interest

From 01.06.2019 to 31.03.2021

= 25,00,000 x 12% x 22 / 12 = 5,50,000

5,50,000 allowed in 5 equal instalments

= 5,50,000 / 5 = 1,10,000 per annum

Current period interest

From 01.04.2022 to 31.03.2023

= 25,00,000 x 12% x 1 = 3,00,000

Total Interest = 1,10,000 + 3,00,000 = 4,10,000 but maximum upto ₹ 2,00,000

(assuming all the conditions for higher Interest is satisfied.)

Loss from House property	(2,00,000.00)
Income from House property	27,73,600.00

MAY – 2017

Question 4(a) (ii) **(4 Marks)**

Solution:

Computation of Income under the head House Property	₹
Gross Annual Value (40,000 x 12)	4,80,000
Less: Municipal Taxes	(18,000)
Net Annual Value	4,62,000
Less: 30% of NAV u/s 24(a)	(1,38,600)
Less: Interest on capital borrowed u/s 24(b)	(2,55,000)

Working Note:

Prior period interest

From 01.08.2020 to 31.03.2021

= 15,00,000 x 15% x 8 / 12 = 1,50,000

1,50,000 allowed in 5 equal instalments

= 1,50,000 / 5 = 30,000 per annum

Current period interest

From 01.04.2022 to 31.03.2023

= 15,00,000 x 15% x 1 = 2,25,000

Total Interest = 30,000 + 2,25,000 = 2,55,000

Income under the head House Property 68,400

Note: As per proviso to section 23(1), Municipal Taxes actually paid by the owner during the previous year is allowed to be deducted from GAV.

NOV – 2015

Question 6(a). **(8 Marks)**

Solution 6(a):

Income under the head House Property

Income from shopping Complex

Gross Annual Value	3,60,000.00
Less: Municipal taxes paid	(8,000.00)
Net Annual Value	3,52,000.00
Less: 30% of NAV u/s 24(a)	(1,05,600.00)
Less: Interest on capital borrowed u/s 24(b)	(2,83,333.33)

Working Note:

Prior period interest

From 01.08.2020 to 31.03.2021

25,00,000 x 10% x 8/12 = 1,66,666.67

Installment allowed = 1,66,666.67/5 = 33,333.33 33,333.33

Current year interest

From 01.04.2022 to 31.03.2023

25,00,000 x 10% x 1 = 2,50,000 2,50,000.00

Total 2,83,333.33

Loss from shopping complex (36,933.33)

Add: Arrear of Rent Received Section 25A 1,20,000

Less: Deduction @ 30% (36,000) 84,000.00

Income from shopping complex **47,066.67**

Income from self-occupied property

Gross Annual Value	NIL
Less: Municipal taxes paid	NIL
Net Annual Value	NIL
Less: 30% of NAV u/s 24(a)	NIL
Less: Interest on capital borrowed u/s 24(b)	(2,00,000.00)
Loss from self-occupied property	(2,00,000.00)
Loss under the head House Property (47,066.67-(2,00,000))	(1,52,933.33)

DEDUCTION FROM GROSS TOTAL INCOME

CHAPTER VI-A SECTION 80C TO 80U

SOLUTIONS OF MCQS

Answer

1.(c); 2.(c); 3.(d); 4.(b); 5 (b); 6.(d); 7.(d); 8.(c); 9. (d); 10.(c); 11.(a); 12.(c); 13.(b); 14.(b); 15. (d); 16. (d); 17. (c); 18. (e); 19. (e); 20. (e); 21.(a); 22.(c); 23.(d); 24.(a); 25.(d); 26.(a); 27.(b); 28.(c); 29.(a); 30.(b); 31.(a); 32.(d); 33.(d); 34.(b); 35.(d)

Hint for Answer 10:

Least of the following:

1. ₹4,80,000 – 46,000 = 4,34,000

2. 60,000

3. 25% x 4,60,000 = 1,15,000

$$\begin{aligned} \text{AGTI} &= \text{GTI} - \text{LTCG} - \text{STCG 111A} - \text{Deduction u/s 80C to 80U} \\ &\quad (\text{except 80GG}) \\ &= 4,60,000 - 0 - 0 - 0 \\ &= 4,60,000 \end{aligned}$$

Hint for Answer 11:

Least of the following:

1. ₹1,08,000 – 59,500 = 48,500

2. 60,000

3. 25% x 5,95,000 = 1,15,000

$$\begin{aligned} \text{AGTI} &= \text{GTI} - \text{LTCG} - \text{STCG 111A} - \text{Deduction u/s 80C to 80U} \\ &\quad (\text{except 80GG}) \\ &= 5,95,000 - 0 - 0 - 0 \\ &= 5,95,000 \end{aligned}$$

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:**Computation of income under the head House Property**

Gross Annual Value	9,60,000.00
Less: Municipal Tax	(20,000.00)
Net Annual Value	9,40,000.00
Less: 30% of NAV u/s 24(a)	(2,82,000.00)
Less: Interest on capital borrowed u/s 24(b)	(1,29,750.00)

Working Note:

Prior period interest

From 01.07.2018 to 31.03.2020

$$= (10,00,000 \times 10\% \times 9/12) + (10,00,000 \times 10\% \times 1)$$

$$= ₹75,000 + ₹1,00,000 = ₹1,75,000$$

$$\text{Installment} = ₹1,75,000/5 = ₹35,000$$

Current period interest

From 01.04.2022 to 31.03.2023

$$= (10,00,000 \times 10\% \times 3/12) + (9,30,000 \times 10\% \times 9/12)$$

$$= ₹25,000 + ₹69,750 = ₹94,750$$

Total interest on capital borrowed

$$= ₹35,000 + ₹94,750 = ₹1,29,750$$

Income under the head House Property	5,28,250.00
Less: Brought forward Loss of P.Y.2014-15	(21,000.00)
Income under the head House Property	5,07,250.00
Gross Total Income	5,07,250.00
Less: Deduction u/s 80C	
Repayment of Housing loan	(70,000.00)
NSC	(10,000.00)
PPF	(5,000.00)
Post Office Time Deposit	(5,000.00)
Total Income	4,17,250.00
Agricultural Income	3,00,000.00
Computation of Tax Liability	
Step 1 Tax on (4,17,250 + 3,00,000) at slab rates	55,950.00
Step 2 Tax on (2,50,000 + 3,00,000) at slab rates	(22,500.00)
Deduct Tax at Step 2 from Step 1	33,450.00
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	20,950.00
Add: HEC @ 4%	838.00
Tax Liability	21,788.00
Rounded off u/s 288B	21,790.00

Solution 2:

₹

Computation of income under the head House Property

Gross Annual Value	2,40,000
Less: Municipal Tax	Nil
Net Annual Value	2,40,000
Less: 30% of NAV u/s 24(a)	(72,000)
Less: Interest on capital borrowed u/s 24(b)	(1,94,000)

Working Note:

Prior period interest

From 01.07.2018 to 31.03.2022

$$= (12,00,000 \times 10\% \times 6/12) + (12,00,000 \times 10\% \times 1) + (11,60,000 \times 10\% \times 1) + (11,20,000 \times 10\% \times 1) + (10,80,000 \times 10\% \times 3/12)$$

$$= ₹60,000 + ₹1,20,000 + ₹1,16,000 + ₹1,12,000 + ₹27,000 = ₹4,35,000$$

$$\text{Installment} = ₹4,35,000/5 = ₹87,000$$

Current period interest

From 01.04.2022 to 31.03.2023

$$= (10,80,000 \times 10\% \times 9/12) + (10,40,000 \times 10\% \times 3/12)$$

$$= ₹81,000 + ₹26,000 = ₹1,07,000$$

Total interest on capital borrowed

$$= ₹87,000 + ₹1,07,000 = ₹1,94,000$$

Loss under the head House Property	(26,000)
Income under the head Capital Gains (STCG u/s 111A)	10,00,000
Gross Total Income	9,74,000
Less: Deduction u/s 80C to 80U	NIL
Total Income	9,74,000

Computation of Tax Liability

Tax on STCG ₹ 7,24,000 (9,74,000-2,50,000) u/s 111A @ 15 % 1,08,600

Add: HEC @ 4% 4,344

Tax Liability 1,12,944

Rounded off u/s 288B 1,12,940

Note: Deduction under section 80C to 80U is not allowed from STCG u/s 111A.**Solution 3:**

₹

Income under the head Business/Profession 4,10,000

Income under the head Other Sources

Income from subletting 3,80,000

Income under the head Other Sources 3,80,000

Gross Total Income 7,90,000

Less: Deduction u/s 80D (25,000)

Total Income 7,65,000

Computation of Tax Liability

Tax on ₹7,65,000 at slab rate 65,500.00

Add: HEC @ 4% 2,620.00

Tax Liability 68,120.00

Solution 4:

₹

Income under the head Business/Profession 7,00,000

Gross Total Income 7,00,000

Less: Deduction u/s 80DDB (40,000 – 35,000) (5,000)

Total Income 6,95,000

Computation of Tax Liability

Tax on ₹6,95,000 at slab rate 51,500

Add: HEC @ 4% 2,060

Tax Liability	53,560
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Solution 4(b):

₹

Income under the head Business/Profession	7,00,000
Gross Total Income	7,00,000
Less: Deduction u/s 80DDB	Nil
Total Income	7,00,000

Computation of Tax Liability

Tax on ₹7,00,000 at slab rate	52,500
Add: HEC @ 4%	2,100
Tax Liability	54,600

Note: Deduction under section 80DDB is not allowed in case assessee incurred expenditure on treatment of his independent brother.

Solution 5:

₹

Computation of income under the head House Property

Gross Annual Value	12,00,000
Less: Municipal Tax	(1,00,000)
Net Annual Value	11,00,000
Less: 30% of NAV u/s 24(a)	(3,30,000)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	7,70,000
Income under the head other sources	30,000
Gross Total Income	8,00,000
Less: Deductions	
Deduction u/s 80C for NSC	(30,000)
Deduction u/s 80CCC for Jeevan Suraksha Policy	Nil
Deduction u/s 80D for Mediclaim Policy	(18,000)
Deduction u/s 80DD for Severe Disability	(1,25,000)
Deduction u/s 80E for Education Loan Interest	(10,000)
Total Income	6,17,000
Agricultural Income	1,00,000

Computation of Tax Liability

Step 1 Tax on (6,17,000 + 1,00,000) at slab rates	55,900
Step 2 Tax on (2,50,000 + 1,00,000) at slab rates	(5,000)
Deduct Tax at Step 2 from Step 1	50,900
Tax before HEC	50,900
Add: HEC @ 4%	2,036
Tax Liability	52,936
Rounded off u/s 288B	52,940

Solution 6:

₹

Computation of income under the head House Property

Gross Annual Value	3,00,000
Less: Municipal taxes	Nil
Net Annual Value	3,00,000
Less: 30% of NAV u/s 24(a)	(90,000)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	2,10,000

Computation of Total Income

Income under the head House Property	2,10,000
Income under the head Capital Gains (LTCG)	2,00,000
Gross Total Income	4,10,000

Less: Deduction u/s 80C {NSC}	(6,000)
Less: Deduction u/s 80G	
(i) National Children Fund {100% of ₹2,000}	(2,000)
(ii) Other Donations u/s 80G	(4,500)

Working Note:	₹
MCD	5,000
Family planning	<u>2,000</u>
	<u>7,000</u>
AGTI = GTI – LTCG – STCG u/s 111A – 80C to 80U (Except 80G)	
= 4,10,000 – 2,00,000 – 6,000 = 2,04,000	
Qualifying amount = 10% of AGTI or donation whichever is less	
= 20,400 or 7,000	
= 7,000	
Deduction = 50% of ₹5,000 + ₹2,000	
= ₹4,500	

Total Income 3,97,500

Computation of Tax Liability

Tax on LTCG ₹97,500 (2,00,000 – 1,02,500) @ 20% u/s 112	19,500
Tax on ₹1,97,500 at slab rate	Nil
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	7,000
Add: HEC @ 4%	280
Tax Liability	7,280

Solution 7 (a):

Income under the head business / profession	₹ 8,00,000.00
Income under the head Other Sources	
Casual income	2,00,000.00
Income under the head other sources	2,00,000.00
Income under the head Capital Gain	
Long term capital gain	3,00,000.00
Short term capital gain 111A	1,00,000.00
Income under the head capital gain	4,00,000.00
Gross Total Income	14,00,000.00
Less: Deductions	
Deduction u/s 80C for NSC	(10,000.00)
Deduction u/s 80D for Mediclaim policy	(15,000.00)
Deduction u/s 80G	
Prime Minister National Relief Fund	(10,000.00)
Rajiv Gandhi Foundation (50% of ₹8,000)	(4,000.00)
Donations	(48,750.00)

Working Note:
AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)
= 14,00,000 – 3,00,000 – 1,00,000 – 25,000
= 9,75,000
Qualifying amount = 10% of AGTI or donation whichever is less
= 97,500 or 2,30,000 whichever is less
= 97,500
50% of qualifying amount = 48,750

Total Income 13,12,250.00

Computation of Tax Liability

Tax on casual income ₹2,00,000 @ 30% u/s 115BB	60,000.00
Tax on LTCG ₹3,00,000 @ 20%	60,000.00
Tax on STCG 111A ₹1,00,000 @ 15%	15,000.00
Tax on normal income ₹7,12,250 at slab rate	54,950.00
Tax before health & education cess	1,89,950.00
Add: HEC @ 4%	7,598.00
Tax Liability	1,97,548.00
Rounded off u/s 288B	1,97,550.00

Solution 7(b):

Gross Total Income	₹ 14,00,000.00
Less: Deductions	
Deduction u/s 80C for NSC	(10,000.00)
Deduction u/s 80D for Mediclaim policy	(15,000.00)
Deduction u/s 80G	
Prime minister national relief fund	(10,000.00)
Rajiv Gandhi Foundation	(4,000.00)
Donations	(58,750.00)

Working Note:

$$\begin{aligned}
 \text{AGTI} &= \text{GTI} - \text{LTCG} - \text{STCG u/s 111A} - \text{Deduction u/s 80C to 80U} \\
 &\quad (\text{except 80G}) \\
 &= 14,00,000 - 3,00,000 - 1,00,000 - 25,000 \\
 &= 9,75,000 \\
 \text{Qualifying amount} &= 10\% \text{ of AGTI or donation whichever is less} \\
 &= 97,500 \text{ or } 2,50,000 \text{ whichever is less} \\
 &= 97,500 \\
 50\% \text{ of qualifying amount} &= 77,500 \times 50\% + 20,000 \\
 &= 58,750
 \end{aligned}$$

Total Income	13,02,250.00
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Computation of Tax Liability

Tax on casual income ₹2,00,000 @ 30% u/s 115BB	60,000.00
Tax on LTCG ₹3,00,000 @ 20%	60,000.00
Tax on STCG 111A ₹1,00,000 @ 15%	15,000.00
Tax on normal income ₹7,02,250 at slab rate	52,950.00
Tax before health & education cess	1,87,950.00
Add: HEC @ 4%	7,518.00
Tax Liability	1,95,468.00
Rounded off u/s 288B	1,95,470.00

Solution 7(c):

Gross Total Income	₹ 14,00,000.00
Less: Deductions	
Deduction u/s 80C for NSC	(10,000.00)
Deduction u/s 80D for Mediclaim policy	(15,000.00)
Deduction u/s 80G	
Prime minister national relief fund	(10,000.00)
Rajiv Gandhi Foundation	(4,000.00)
Donations	(97,500.00)

Working Note:

$$\begin{aligned}
 \text{AGTI} &= \text{GTI} - \text{LTCG} - \text{STCG u/s 111A} - \text{Deduction u/s 80C to 80U} \\
 &\quad (\text{except 80G}) \\
 &= 14,00,000 - 3,00,000 - 1,00,000 - 25,000
 \end{aligned}$$

= 9,75,000
Qualifying amount = 10% of AGTI or donation whichever is less
= 97,500 or 5,30,000 whichever is less
= 97,500
100% deduction is allowed 97,500

Total Income	12,63,500.00
Computation of Tax Liability	
Tax on casual income ₹2,00,000 @ 30% u/s 115BB	60,000.00
Tax on LTCG ₹ 3,00,000 @ 20%	60,000.00
Tax on STCG 111A ₹1,00,000 @ 15%	15,000.00
Tax on normal income ₹6,63,500 at slab rate	45,200.00
Tax before health & education cess	1,80,200.00
Add: HEC @ 4%	7,208.00
Tax Liability	1,87,408.00
Rounded off u/s 288B	1,87,410.00

Solution 8:

Income under the head Capital Gains (STCG)	₹ 6,00,000
Gross Total Income	6,00,000
Less: Deduction u/s 80DD	(75,000)
Less: Deduction u/s 80G	(10,000)

Working Note:

AGTI = GTI – LTCG – STCG u/s 111A – 80C to 80U (Except 80G)
= 6,00,000 – 75,000 = 5,25,000
Qualifying amount = 10% of AGTI or donation, whichever is less
= 52,500 or 20,000
= 20,000
Deduction = 50% of ₹20,000
= ₹10,000

Total Income	5,15,000
Computation of Tax Liability	
Tax on ₹5,15,000 at slab rate	15,500
Add: HEC @ 4%	620
Tax Liability	16,120

Solution 9:**Income under the head Other Sources**

Income under the head Business/Profession	1,22,000.00
Income under the head Capital Gains {LTCG}	2,00,000.00
Gross Total Income	3,22,000.00
Less: Deduction u/s 80G	(11,100.00)

Working Note:

MCD for family planning	₹ 10,000
Charitable institution	3,000
	<u>13,000</u>
Adjusted GTI = GTI – LTCG – STCG u/s 111A – 80C to 80U (Except 80G)	
= ₹3,22,000 – ₹2,00,000 = ₹1,22,000	
Qualifying amount = 12,200 or 13,000 whichever is less	
= ₹12,200	
Deduction = 50% of ₹2,200 + ₹10,000 = ₹11,100	

Total Income	3,10,900.00
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Computation of Tax Liability

Tax on Long term capital gain ₹60,900 (2,00,000 – 1,39,100) @ 20% u/s 112	12,180.00
Tax on ₹1,10,900 at slab rate	Nil
Less: Rebate u/s 87A	(12,180.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

Solution 10:

	₹
Income under the head Capital Gains {STCG}	5,00,000
Gross Total Income	5,00,000
Less: Deduction u/s 80G	
(i) Prime Minister's National Relief Fund	(7,000)
(ii) Other donations	(10,000)

Working Note:

AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)
= 5,00,000

Qualifying amount = 10% of AGTI or donation whichever is less
= 50,000 or 20,000 whichever is less
= 20,000

50 % of the qualifying amount (i.e. 10,000)

Total Income	4,83,000
--------------	----------

Computation of Tax Liability

Tax on ₹4,83,000 at slab rate	11,650.00
Less: Rebate u/s 87A	(11,650.00)
Add: HEC @ 4%	Nil
Tax Liability	Nil

Solution 11:**Income under the head Business/Profession**

Income under the head Business/Profession	1,00,000.00
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Income under the head Other Sources

Income under the head Other Sources	1,10,000.00
-------------------------------------	-------------

Income under the head Capital gains

Long term capital gains	2,50,000.00
Income under the head Capital Gains	2,50,000.00
Gross Total Income	4,60,000.00

Less: Deduction u/s 80G	
(i) National Defence Fund	(10,000.00)
(ii) Charitable institutions	(2,500.00)

Working Note:

AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)
= 4,60,000 – 2,50,000 = 2,10,000

Qualifying amount = 10% of AGTI or donation whichever is less
= 21,000 or 5,000
= 5,000

50% of the qualifying amount = 2,500

Total Income	4,47,500.00
--------------	-------------

Computation of Tax Liability

Tax on long term capital gains ₹1,97,500 (₹2,50,000 – ₹52,500) @ 20% u/s 112	39,500.00
Tax on normal income ₹1,97,500 at slab rate	Nil
Less: Rebate u/s 87A	(12,500.00)

Tax before health & education cess	27,000.00
Add: HEC @ 4%	1,080.00
Tax Liability	28,080.00

Solution 12:

₹

Computation of income under the head Capital Gains

Short term capital gains	2,55,000.00
Long term capital gains	1,00,000.00
Income under the head Capital Gains	3,55,000.00

Computation of income under the head Other Sources

Casual income	10,000.00
Income under the head Other Sources	10,000.00
Gross Total Income	3,65,000.00
Less: Deduction u/s 80G	(14,750.00)

Working Note:

₹

Charitable institutions	45,000
Family planning	<u>3,000</u>
	<u>48,000</u>

AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)
 = 3,65,000 – 1,00,000 = 2,65,000

Qualifying amount = 10% of AGTI or donation whichever is less
 = 26,500 or 48,000
 = 26,500

Deduction = 50% of 23,500 + 3,000
 = 11,750 + 3,000 = 14,750

Total Income	3,50,250.00
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Computation of Tax Liability

Tax on LTCG ₹90,250 (₹1,00,000 – 9,750) @ 20% u/s 112	18,050.00
Tax on casual income ₹10,000 @ 30% u/s 115BB	3,000.00
Tax on normal income ₹2,40,250 at slab rate	Nil
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	8,550.00
Add: HEC @ 4%	342.00
Tax Liability	8,892.00
Rounded off u/s 288B	8,890.00

Solution 13.

₹

Income under the head Business/Profession	5,00,000
Gross Total Income	5,00,000
Less: Deduction u/s 80C	(75,000)
Less: Deduction u/s 80GG	(60,000)

Working Note:**Least of the following:**

- (i) ₹1,20,000 – 10% of ₹4,25,000 = ₹77,500
 (ii) ₹60,000
 (iii) 25% of ₹4,25,000 = ₹1,06,250
 (AGTI = ₹5,00,000 – ₹75,000 = ₹4,25,000)

Total Income	3,65,000
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Computation of Tax Liability

Tax on ₹3,65,000 at slab rate	5,750.00
Less: Rebate u/s 87A	(5,750.00)
Add: HEC @ 4%	Nil

Tax Liability Nil

Solution 14:

Income under the head House Property	₹ 4,00,000
Gross Total Income	4,00,000
Less: Deductions u/s 80GGA	(12,000)
Total Income	3,88,000

Computation of Tax Liability

Tax on ₹3,88,000 at slab rate	6,900
Less: Rebate u/s 87A	(6,900)
Add: HEC @ 4%	Nil
Tax Liability	Nil

Solution 15:**Computation of income under the head House Property****HOUSE I**

Gross Annual Value	₹ 78,000
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Working Note:

	₹
(a) Fair Rent	75,000
(b) Municipal valuation	76,000
(c) Higher of (a) or (b)	76,000
(d) Expected Rent	76,000
(e) Rent Received or Receivable	78,000
GAV = Higher of (d) or (e)	78,000

Less: Municipal taxes	Nil
Net Annual Value	78,000
Less: 30% of NAV u/s 24(a)	(23,400)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	54,600

HOUSE II

Gross Annual Value	₹ 85,000
--------------------	----------

Working Note:

	₹
(a) Fair Rent	82,000
(b) Municipal valuation	75,000
(c) Higher of (a) or (b)	82,000
(d) Expected Rent	82,000
(e) Rent Received or Receivable	85,000
GAV = Higher of (d) or (e)	85,000

Less: Municipal Taxes	Nil
Net Annual Value	85,000
Less: 30% of NAV u/s 24(a)	(25,500)
Less: Interest on capital borrowed u/s 24(b)	(14,000)
Income under the head House Property	45,500

HOUSE AT CHENNAI

Gross Annual Value (3,000 x 12)	₹ 36,000
Less: Municipal taxes	Nil
Net Annual Value	36,000
Less: 30% of NAV u/s 24(a)	(10,800)
Less: Interest on capital borrowed u/s 24(b)	(19,500)

Working Note:

Current period interest

From 01.04.2022 to 30.09.2022

$$= 2,00,000 \times 10\% \times 6/12 = ₹10,000$$

From 01.10.2022 to 31.03.2023

$$= 2,00,000 \times 9.5\% \times 6/12 = ₹ 9,500$$

$$\text{Total interest} = 10,000 + 9,500 = 19,500$$

Income under the head House Property		5,700
Brought forward house property loss of assessment year 2018-19		10,100
Income under the head house property after adjusting losses		95,700
Income under the head Other Sources		
Vacant site lease rent		4,12,000
Remunerations from Calcutta University		3,000
Remuneration from Delhi University		1,500
Income under the head Other Sources		4,16,500
Income under the head Business/Profession		9,800
Gross Total Income		5,22,000
Less: Deduction u/s 80C		(1,50,000)
Investment in bonds of NABARD	1,000	
Investment in master equity plan of UTI	1,000	
Repayment of housing loan	2,00,000	
(Whether deduction u/s 80C on repayment of the loan by taking a fresh loan is allowed or not is not clear in the act)		
(But maximum upto ₹1,50,000)		
Less: Deductions u/s 80D to 80U		(1,005)
Total Income (rounded off u/s 288A)		3,71,000
Computation of Tax Liability		
Tax on ₹3,71,000 at slab rate		6,050.00
Less: Rebate u/s 87A		(6,050.00)
Add: HEC @ 4%		Nil
Tax Liability		Nil

Explanations

1. Payments received from LIC on maturity of LIC policy is exempt under section 10(10D)
2. Investment under section 80C is allowed even from past savings and out of incomes exempt from tax.
3. Any award/reward of Central Government or State Government notified under section 10(17A) shall be exempt from income tax.

Solution 16:

₹

Computation of Total Income

Income under the head Business/Profession	6,00,000.00
Income under the head Other Sources (Patent right)	3,20,000.00
Gross Total Income	9,20,000.00
Less: Deduction u/s 80D	(18,000.00)
Less: Deduction u/s 80DD	(75,000.00)
Less: Deduction u/s 80RRB	(3,00,000.00)
Less: Deduction u/s 80GG	(60,000.00)

Working Note:

Least of the following:

1. ₹60,000
 2. $25\% \times 5,27,000 = ₹1,31,750$
 3. $₹3,60,000 - ₹52,700 = ₹3,07,300$
- (AGTI = ₹9,20,000 - 18,000 - 75,000 - 3,00,000 = ₹5,27,000)

Total Income	4,67,000.00
Computation of Tax Liability	
Tax on ₹4,67,000 at slab rate	10,850.00
Less: Rebate u/s 87A	(10,850.00)

Add: HEC @ 4%	Nil
Tax Liability	Nil

Solution 17:

₹

Income under the head Other Sources

Royalty received in connection with a patent right	8,00,000.00
Gross Total Income	8,00,000.00
Less: Deduction u/s 80C	
LIC premium (allowed 10% of sum assured)	(10,000.00)
Repayment of housing loan to Indian Bank	(50,000.00)
Less: Deduction u/s 80CCC	
LIC Pension Fund	(20,000.00)
Less: Deduction u/s 80D	
Premium of medi-claim policy by cheque in the name of his major married independent son.	Nil
Less: Deduction u/s 80G	
Donation to Delhi University	(10,000.00)
Family planning	(10,000.00)

Working Note:

Donation to Government for promoting family planning 10,000

AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (Except section 80G)

= 8,00,000 – 10,000 – 50,000 – 20,000 – 30,000 – 3,00,000

= 3,90,000

Qualifying amount = 10% of AGTI or donation whichever is less

= 39,000 or 10,000

100% of qualifying amount = ₹10,000

Less: Deduction u/s 80GGC	
Donation to a political party	(30,000.00)
Less: Deduction u/s 80RRB	(3,00,000.00)
Total Income	3,70,000.00

Computation of Tax Liability

Tax on ₹3,70,000 at slab rate	6,000.00
Less: Rebate u/s 87A	(6,000.00)
Add: HEC @ 4%	Nil
Tax Liability	Nil

AGRICULTURAL INCOME

SOLUTIONS OF MCQS

Answer

1.(d); 2.(b); 3.(c); 4.(d); 5.(a); 6.(d); 7.(a); 8.(d); 9.(d); 10.(b); 11.(e); 12.(c); 13.(b); 14.(a); 15.(f)

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:

	₹
Income under the head Salary	3,00,000
Income under the head House Property	1,20,000
Income under the head Capital Gains (LTCG)	50,000
Income under the head Other Sources (Casual Income)	30,000
Gross Total Income	5,00,000
Less: Deduction u/s 80C	(20,000)
Less: Deduction u/s 80D to 80U	(1,40,000)
Total Income	3,40,000
Agricultural income	60,000

Computation of Tax Liability

Tax on casual income ₹30,000 @ 30% u/s 115BB	9,000
Tax on Long term capital gain ₹50,000 @ 20% u/s 112	10,000
Normal income ₹2,60,000	
Tax on (2,60,000 + 60,000) at slab rate	3,500
Tax on (2,50,000 + 60,000) at slab rate	(3,000)
Tax on normal income (3,500 – 3,000)	500
Tax before health & education cess	19,500
Add: HEC @ 4%	780
Tax Liability	20,280

Note: 1. Benefit of the slab rate for senior citizen is not available to non-resident assessee.

2. Rebate u/s 87A is not allowed to non-resident.

Solution 2:

	Agricultural Income	Business Income
Income from growing and manufacturing of Rubber {Rule 7A}		
Agricultural income 65% and business income 35%	1,95,000	1,05,000
Income from Coffee grown and cured {Rule 7B}		
Agricultural income 75% and business income 25%	1,50,000	50,000
Total	3,45,000	1,55,000

Option I**House property loss can be set off from normal income**

	₹
Income under the head Salary	2,40,000
Loss under the head House Property	(1,00,000)
Income under the head salary after adjusting house property loss	1,40,000
Income under the head Business/Profession	1,55,000
Income under the head Capital Gains	
Short term capital gains	40,000
Long term capital gains	50,000
Income under the head Other Sources (Casual Income)	60,000
Gross Total Income	4,45,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	4,45,000

Agricultural income	3,45,000
Computation of Tax Liability	
Tax on casual income ₹60,000 @ 30% u/s 115BB	18,000
Tax on Long term capital gain ₹50,000 @ 20% u/s 112	10,000
Normal income ₹3,35,000	
Tax on (3,35,000 + 3,45,000) at slab rate	48,500
Tax on (2,50,000 + 3,45,000) at slab rate	(31,500)
Tax on normal income (48,500 – 31,500)	17,000
Tax before Rebate u/s 87A	45,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	32,500
Add: HEC @ 4%	1,300
Tax Liability	33,800

Option II**House property loss can be set off from LTCG**

	₹
Income under the head Capital Gains (LTCG)	50,000
Loss under the head House Property	50,000
Income under the head Capital Gains (LTCG) after adjusting house property loss	Nil
Income under the head Capital Gains (STCG)	40,000
Income under the head Salary	2,40,000
Loss under the head House Property	50,000
Income under the head salary after adjusting house property loss	1,90,000
Income under the head Business/Profession	1,55,000
Income under the head Other Sources (Casual income)	60,000
Gross Total Income	4,45,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	4,45,000
Agricultural Income	3,45,000

Computation of Tax Liability

Tax on casual income ₹60,000 @ 30% u/s 115BB	18,000
Normal income ₹3,85,000	
Tax on (3,85,000 + 3,45,000) at slab rate	58,500
Tax on (2,50,000 + 3,45,000) at slab rate	(31,500)
Tax on normal income (58,500 – 31,500)	27,000
Tax before Rebate u/s 87A	45,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	32,500
Add: HEC @ 4%	1,300
Tax Liability	33,800

Tax liability is same in both the options. Therefore, house property loss can be set off either from income of normal business or from income of long term capital gain.

Solution 3:

	Agricultural Income	Business Income
Income from growing and manufacturing of Tea {Rule 8}		
Agricultural income 60% and business income 40%	6,00,000	4,00,000
Total	6,00,000	4,00,000
		₹
Income under the head business/Profession		4,00,000
Income from agriculture in Nepal but received in India		1,50,000
Income under the head Other Sources		1,50,000
Gross Total Income		5,50,000
Less: Deductions u/s 80C to 80U		Nil
Total Income		5,50,000

Agricultural income	6,00,000
Computation of Tax Liability	
Tax on (5,50,000 + 6,00,000) at slab rate	1,57,500
Tax on (2,50,000 + 6,00,000) at slab rate	(82,500)
Tax on normal income (1,57,500 – 82,500)	75,000
Add: HEC @ 4%	3,000
Tax Liability	78,000

Solution 4:

	₹
Income from House II	1,00,000
Loss from House I	(80,000)
Income under the head House Property	20,000
Income under the head Business/Profession	2,20,000
Income under the head Capital Gains (LTCG)	1,00,000
Income under the head Other Sources {Income from agriculture in Indonesia, received in India}	50,000
Gross Total Income	3,90,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,90,000
Agricultural Income	2,00,000

Computation of Tax Liability

Tax on Long term capital gain ₹1,00,000 @ 20% u/s 112	20,000
Normal income ₹2,90,000	
Tax on (2,90,000 + 2,00,000) at slab rate	12,000
Tax on (2,50,000 + 2,00,000) at slab rate	(10,000)
Tax on normal income (12,000 – 10,000)	2,000
Tax before Rebate u/s 87A	22,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	9,500
Add: HEC @ 4%	380
Tax Liability	9,880

Solution 5:

	₹
Income under the head Business/Profession	1,00,000
Income under the head Capital Gains (LTCG)	10,000
Gross Total Income	1,10,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	1,10,000
Agricultural income	2,00,000

Computation of Tax Liability

Tax on ₹1,00,000 @ 30%	30,000
Tax on Long term capital gain ₹10,000 @ 20% u/s 112	2,000
Tax before health & education cess	32,000
Add: HEC @ 4%	1,280
Tax Liability	33,280

Note: Partial integration is not applicable in case of a partnership firm or a company.

Solution 6:**Computation of Tax Liability of Partnership firm**

	₹
Agricultural income	20,00,000
Tax liability	Nil

Computation of Tax Liability of Mr. Z

Share of profit from partnership firm {exempt u/s 10(2A)}	Nil
Income under the head House Property	2,75,000
Gross Total Income	2,75,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	2,75,000
Tax on ₹2,75,000 at slab rate	1,250
Less: Rebate u/s 87A	(1,250)
Tax Liability	Nil

CLUBBING OF INCOME

(INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME)

SECTION 60 TO 65

SOLUTIONS OF MCQS

Answer

1.(a); 2.(b); 3. (a); 4.(d); 5. (a); 6.(d); 7.(c); 8.(b); 9. (a); 10.(b); 11.(b); 12. (a); 13(b); 14. (c); 15. (c)

SOLUTIONS OF EXAMINATION QUESTIONS

JULY – 2021 (New Course)

Question 4(a).

(5 Marks)

Answer:

Computation of Total Income of Mr. Dharmesh and Mrs. Anandi for A.Y. 2023-24

Particulars	Mr. Dharmesh	Mrs. Anandi
	Amount (₹)	
Salary income (computed)		9,60,000
Income from garment trading business	17,50,000	
Total Income before including income of minor children	17,50,000	9,60,000
<u>Income of minor son “A”</u>		
Income of ₹ 3,08,000 of minor son A who suffers from disability specified in section 80U [Since minor child A is suffering from disability specified under section 80U, hence, his income would not be included in the income of the parent but would be taxable in the hands of the minor child]		
<u>Income of minor son “B”</u>		
Income of ₹ 1,00,000 from scholarship [Exempt u/s 10(16)]		
Income from fixed deposit with PNB 5,000		
[Since Mr. Dharmesh’s income is greater than that of Mrs. Anandi, income of minor son B from fixed deposit would be included in the hands of Mr. Dharmesh. Interest from bank deposit has to be included in Mr. Dharmesh’s income, even if deposit is made out of income earned from scholarship]		
Less: Exemption under section 10(32) 1,500	3,500	
<u>Income of minor daughter “C”</u>		
Income of ₹ 1,86,000 from script writing for television serials [Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of the parent]		Nil
Hence, clubbing provisions will not apply in this case/no adjustment is required.		

Cash gifts of ₹ 45,000 received from friend of Mrs. Anandi [Gift not exceeding ₹ 50,000 received from a non-relative is not taxable under section 56(2)(x)] Hence, clubbing provisions will not apply in this case / no adjustment is required.	Nil	
Gross Total Income/ Total Income	17,53,500	9,60,000

Note - As per section 10(16), scholarships granted to meet the cost of education is exempt from tax. The purpose of scholarship received by minor son B is explicitly not mentioned in the question. However, scholarships given by schools are generally in the form of financial assistance for meeting the cost of education. Hence, it is logical to assume that the scholarship to B has been granted to him to meet his cost of education. Based on this assumption, the same has been treated as exempt from tax u/s 10(16).

Alternate view - However, in absence of specific information, it is possible to assume that such scholarship has been granted on account of B's exceptional academic achievements i.e., involving application of his skill, talent, specialised knowledge and experience and hence would be covered under the proviso to section 64(1A) and thus should not be included in the income of parent.

NOV – 2018 (Old Course)

Question 3(b).

(5 Marks)

Solution:

Computation of Gross Total Income of Mr. Sharma

Income under the head Other Sources	₹
Royalty income (6,00,000-20,000)	5,80,000
Interest from bank fixed deposits clubbed u/s 64(1A) (₹5,000 -₹1,500)	3,500
Value of Statue of Lord Ganesh (55,000-1,500)	53,500
Income under the head Other Sources	6,37,000
Gross Total Income	6,37,000

Notes:

- The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds ₹50,000. It would be included in the hands of Mr. Sharma, assuming his income before considering clubbing provisions is higher than his wife.
- As per section 64(1A), Income of minor shall be clubbed with the income of parents having higher income and a deduction of ₹1,500 shall be allowed u/s 10(32).
- The Fair market value of ₹35,000 of gold chain received on occasion of his son's thread ceremony would be exempt, since it is received from a relative.

NOV – 2017

Question 6(b).

(5 Marks)

Answer:

As per section 64(1), If any person has transferred any asset to his or her spouse without adequate consideration in such case Income shall be clubbed in the income of the transferor, hence Interest income of ₹ 50,000 shall be clubbed in the income of Mr. Kamal.

If asset received by the spouse has been invested in the proprietor business, income from the business shall be clubbed in the income of transferor and if there is any loss, it will also be clubbed. In the given case there is a loss of ₹ 15,000 from business, such loss shall be clubbed in the income of Mr. Kamal.

If any person has transferred the asset to the spouse, income from the asset shall be clubbed but if same income is invested further, any subsequent income shall not be clubbed as decided in the case of M.P. BIRLA. In the given case, Mrs. Sulochana has invested interest income in the shares and there was capital gain on the sale of shares, such capital gain shall not be clubbed rather it will be taxable in the hands of Mrs.

Sulochana.

MAY – 2012**Question 5****(5 Marks)****Answer:**

- (a) As per Section 60 of the Income Tax Act, if any person has transferred any income without transferring the asset in such case clubbing provision shall be applicable.

In the given case, Mr. X transferred interest on fixed deposit to Mr. B (son of his brother) without transferring the fixed deposit, such income shall be clubbed in the hands of Mr. X as per section 60.

Amount to be clubbed = ₹5,00,000 x 9% = ₹45,000

- (b) As per Section 64(1) of the Income Tax Act, if any person is getting salary, commission etc. from a concern in which his or her spouse has substantial interest and further salary etc. is received without any professional or technical qualification, in such case, salary etc. so received shall be clubbed in the income of the spouse having substantial interest.

In the given case Mr. X is having substantial interest in the partnership firm and Mrs. X received a commission of ₹25,000 from the firm for promoting the sales of the firm without any technical or professional qualification. So the commission shall be clubbed in the hands of Mr. X

- (c) As per section 27, An individual who transfers otherwise than for adequate consideration any house property to his or her spouse, not being a transfer in connection with an agreement to live apart shall be deemed to be the owner of the house property so transferred.

In the given case Mr. X transfers flat to Mrs. X without adequate consideration on April 1, 2021.

So Mr. X shall be deemed to be the owner of the house property and income ₹52,000 shall be considered as income of Mr. X.

- (d) As per section 64(1A), if any income accrues or arises to a minor child, such income shall be clubbed in the income of mother or father whosoever has higher income before taking in to consideration the income to be clubbed. So in the given case, income of ₹ 20,000 shall be clubbed in the income of mother or father whosoever has higher income before taking in to consideration the income to be clubbed. Amount to be clubbed = 20,000 – 1500 = ₹18,500

- (e) As per section 64(1A), if any minor child has income from manual labour or through activity involving application of his skill, talent or specialized knowledge and experience, such income shall not be clubbed but if such income has been invested further, any new income shall be clubbed in the income of mother or father.

In the given case clubbing provision is not applicable as Mr. X's minor son derived an income of ₹20,000 through a business activity involving application of his skill and talent.

Computation of Total Income of Mr. X

₹

Income under the head Salary

Pension (10,000 x 12)	1,20,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	70,000.00

Income under the head House property

(Since asset is transferred to wife hence deeming provision shall apply)

Income under the head house property	52,000.00
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Income under the head other sources

Commission given to Mrs. X	25,000.00
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(Since Mr. X is having substantial interest in firm)

Interest on Fixed deposit transferred to Mr. B	45,000.00
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Income from investment made by Minor son	18,500.00
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Income under the head other sources	88,500.00
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Gross Total Income	2,10,500.00
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Less: Deduction u/s 80C to 80U	Nil
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Total Income	2,10,500.00
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Computation of Total Income of Mrs. X

Gross Salary	2,40,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head salary	1,90,000.00
Gross Total Income	1,90,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	1,90,000.00

Computation of Total Income of Minor Child

Income from Business	20,000.00
Gross Total Income	20,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	20,000.00

NOV – 2011

Question 1**(4 Marks)****Answer:****Computation of total income and income tax liability of Mr. X****₹****Income under the head Business Profession**

1,00,000.00

Income under the head Capital gains

LTCG

50,000.00

Income under the head House property

(Since asset is transferred to son's wife hence clubbing shall be done)

Gross Annual Value

1,20,000.00

Less: Municipal Taxes

(5,000.00)

Net Annual Value

1,15,000.00

Less: 30% of NAV u/s 24(a)

(34,500.00)

Less: Interest on capital borrowed u/s 24(b)

Nil

Income under the head house property

80,500.00

Income under the head other sources

1,50,000.00

Gross Total Income

3,80,500.00

Less: Deduction u/s 80C to 80U

Nil

Total Income

3,80,500.00

Computation of Tax Liability

Tax on ₹3,30,500 at slab rate

1,525.00

Tax on capital gains @ 20%

10,000.00

Less: Rebate u/s 87A

(11,525.00)

Tax Liability

Nil

Computation of total income and tax liability of Mrs. X

Income from house property

Nil

Loss from business profession

(75,000.00)

Income under the head Other Sources

50,000.00

Income under the head Capital Gains (STCG)

2,00,000.00

Gross Total Income

1,75,000.00

Less: Deduction u/s 80C to 80U

Nil

Total Income

1,75,000.00

Tax Liability

Nil

MAY – 2010

Question 5**(4 Marks)****Answer.**

As per section 61, all income arising to any person by virtue of a revocable transfer of assets is to be included in the total income of the transferor.

As per section 62 the clubbing provisions are not attracted, if there is a transfer of asset which is not revocable during the life time of the transferee, the income from the transferred asset is not includable in the total income of the transferor provided the transferor derives no direct or indirect benefit from such income.

INCOME UNDER THE HEAD OTHER SOURCES

SECTION 56 TO 59

SOLUTIONS OF MCQS

Answer

1.(c); 2.(a); 3.(c); 4.(b); 5.(d); 6.(c); 7.(d); 8.(c); 9.(b); 10. (b); 11. (d); 12. (d); 13. (e); 14. (c); 15. (d)

SOLUTIONS

TO

PRACTICE PROBLEMS

Solution 1:

	₹
Income under the head Business/Profession	60,000
Less: Brought forward business loss	(7,000)
Income under the head Business/Profession	53,000
Income under the head Other Sources (horse races)	7,000
Gross Total Income	60,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	60,000
Computation of tax liability	
Tax on ₹7,000 @ 30%	2,100
Tax on ₹53,000 at slab rate	Nil
Less: Rebate u/s 87A	(2,100)
Tax Liability	Nil
Carry forward loss from owning and maintaining race horses	7,000

Solution 2:

	₹
Income under the head Other Sources	4,00,000
Gross Total Income	4,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	4,00,000
Tax on ₹4,00,000 at slab rate	7,500
Less: Rebate u/s 87A	(7,500)
Tax Liability	Nil

Note: Loss from casual income has no tax treatment and hence it is dead loss.

Solution 3:

	₹
Income under the head Business/Profession	4,00,000
Gross Total Income	4,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	4,00,000
Tax on ₹4,00,000 at slab rate	7,500
Less: Rebate u/s 87A	(7,500)
Tax Liability	Nil
Carry forward loss from owning and maintaining race horses	4,00,000

Solution 4:

	₹
Income from House Property	90,000
Computation of income under the head Other Sources	
Dividend from UTI	35,000
Pension	75,000

Working Note:

Received = ₹90,000

Exempt = 1/3 of pension or ₹15,000, whichever is less
Taxable = ₹75,000

Interest on bank FD	14,000
Dividend from foreign company	36,000
Winning from lottery	70,000
Income under the head Other Sources	2,30,000
Income under the head Capital Gains (LTCG)	1,20,000
Gross Total Income	4,40,000
Less: Deduction u/s 80C	(35,000)
Total Income	4,05,000
Computation of Tax Liability	
Tax on Long term capital gain ₹85,000 (1,20,000 – 35,000) @ 20% u/s 112	17,000
Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
Tax on ₹2,15,000 at slab rate	Nil
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	25,500
Add: HEC @ 4%	1,020
Tax Liability	26,520

Solution 5:**Computation of Total Income for the A.Y 2023-24**

₹

Income under head Other Source

Income from owning and maintaining race horse	2,00,000
Income from Royalty	6,00,000
Income from winning horse race (casual income)	1,60,000
Income from winning camel race (casual income)	1,80,000
Income from lottery income (casual income)	2,00,000
Income under head Other Sources	13,40,000

Income under head Business/Profession

Income from owning and maintaining race camel	1,00,000
Gross Total Income	14,40,000
Less: Deduction u/s 80QQB (WN 1)	(1,80,000)
Total Income	12,60,000

Computation of Tax Liability

Tax on ₹7,20,000 at slab rate	56,500
Tax on casual income i.e. ₹5,40,000 @ 30%	1,62,000
Tax before health & education cess	2,18,500
Add: HEC @ 4%	8,740
Tax Liability	2,27,240

Tax Liability excluding amount of casual income

Tax on ₹ 7,20,000 at slab rate	56,500
Add: HEC @ 4%	2,260
Total	58,760

Tax Liability including amount of casual income upto 15.12.2022

Tax on ₹ 7,20,000 at slab rate	56,500
Tax on casual income i.e. ₹ 3,40,000 @ 30%	1,02,000
Tax before health & education cess	1,58,500
Add: HEC @ 4%	6,340
Total	1,64,840

Interest u/s 234A

Nil

Interest u/s 234B

2,27,240 – 1,30,000 = 97,240 = 97,200 x 1% x 3

2,916

Interest u/s 234C

Date	Advance tax paid	Amount payable	Shortfall
upto 15.06.2022 Interest = NIL	20,000	8,814 (58,760 x 15%)	NIL
upto 15.09.2022 Interest = NIL	35,000	26,442 (58,760 x 45%)	NIL
upto 15.12.2022 Rounded off 119A = 43,600 Interest = 43,600 x 1% x 3 = 1,308	80,000	1,23,360 (1,64,840 x 75%)	43,630
upto 15.03.2023 Rounded off 119A = 97,200 Interest = 97,200 x 1% x 1 = 972	1,30,000	2,27,240	97,240
<u>Interest u/s 234C</u>			2,280
Total Interest Payable			5,196
Rounded off u/s 288B			5,200

Working Notes:1. **Maximum deduction allowed u/s 80QOB**

15% of print price i.e. ₹ 600 x 15% x 2,000 = ₹1,80,000.

Solution 6:

Net Distributable Amount	₹	60,00,000
Share of Mr. X (10%)		6,00,000
Share of Mr. X out of accumulated profits which is considered dividend u/s 2(22)(c)		(2,00,000)
Balance to be considered full value of consideration		4,00,000
Less: Cost of acquisition of shares		(1,00,000)
Short term Capital Gain		3,00,000
Dividend u/s 2(22)(c)		2,00,000

Computation of Total Income of Mr. X for A.Y. 2023-24**Income under the head Capital Gains**

Short Term Capital Gains	3,00,000
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Income under the head Other Sources

Interest Income of Minor Son clubbed u/s 64(1A)	2,00,000
Less: Exempt u/s 10(32)	<u>1,500</u>
Dividend u/s 2(22)(c)	2,00,000
Income under the head Other Sources	3,98,500

Income under the head Business Profession

Income of Mrs. X clubbed u/s 64(1)	1,00,000
Gross Total Income	7,98,500
Less: Deduction u/s 80C to 80U	Nil
Total Income	7,98,500
Agricultural Income	7,00,000

Computation of Tax Liability

Normal income 7,98,500	
Step 1. Tax on (7,98,500 + 7,00,000) at slab rate	2,62,050.00
Step 2. Tax on (₹2,50,000 + 7,00,000) at slab rates	(1,02,500.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	1,59,550.00
Add: HEC @ 4%	6,382.00
Tax Liability	1,65,932.00
Rounded off u/s 288B	1,65,930.00

SOLUTIONS OF EXAMINATION QUESTIONS

NOV – 2019 (NEW COURSE)

Question.2. (a)

(7 Marks)

Solution:

Computation of total income of Mr. Jagdish for the A.Y. 2023-24

Stay in India for a minimum period of 182 days in the relevant previous year or, in the alternative, 60 days in the relevant previous year and 365 days in the four immediately preceding previous years is required to qualify as a resident. In this case, since Mr. Jagdish has not visited India at any time during the P.Y.2022-23, he would be a non - resident for that year.

Income under the head house property

Flat in pune

GAV (Rent received/receivable) (27,500 x 12)	3,30,000
Less: Municipal tax paid	(Nil)
NAV	3,30,000
Less: Standard deduction u/s 24(a) @ 30%	(99,000)
Less: interest on loan u/s 24(b)	(84,000)
Income from flat in pune	1,47,000
Arrears of rent (96,000-28,800)	67,200
Income from house property	2,14,200

Income from other sources

Interest on bonds (50% received in India)	22,500
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Gross total Income

Income under the head house property	2,14,200
Income under the head other sources	22,500
Gross Total income	2,36,700
Less: Deductions u/s 80C to 80U	Nil
Total Income	2,36,700

Notes:

1. Rent from Bangkok house property is assumed to be received in Bangkok.
2. Municipal tax paid in 20-21 and not paid in 21-22 hence not deducted from GAV.
3. Income from apple orchid is received in Nepal as deposited in Nepal hence not taxable in India in case of NR. Student can solve the answer by assuming received in India

Question.4. (a)

(5 Marks)

Solution:

Computation of Taxable income of Mr. Mahadev for the A.Y. 2023-24

Income under the head business profession

Professional income (computed)	5,65,000
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Income under the head other sources

Interest income of daughter Gudia	40,000
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Less: exemption u/s 10(32)	(1,500)
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Income under the head other sources	38,500
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Gross Total Income	6,03,500
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Less: Deduction u/s 80C to 80U	Nil
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Total Income	6,03,500
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Computation of Taxable income of Mrs. Dariya for the A.Y. 2023-24

Income under the head salary (computed)	3,80,000
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Gross Total Income	3,80,000
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Less: Deduction u/s 80C to 80U	Nil
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Total Income	3,80,000
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Notes:

1. Income of Minor shall be clubbed in the income of parents who have higher income before clubbing the income of minor. In the given case income of father is greater than mother's income hence amount shall be clubbed in the income of Father.
2. Loan amount would not be considered as deemed dividend u/s 2(22)(e) as company does not have accumulated profits.
3. Income from skill and talent shall not be clubbed in the income of the parents and shall be taxable in the hands of children itself.
4. As per section 56(2)(x), Gift shall be taxable if amount received during the year exceed 50,000 but in the given case, cash gift received is less than 50,000 hence nothing shall be clubbed in the hands of the parent.

MAY – 2018**Question 3(b)****(3 Marks)****Answer:****Tax Liability of Mr. A**

Dividend received	17,00,000
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Income under the head Other Sources	17,00,000
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Total Income	17,00,000
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Computation of Tax Liability

Tax on ₹ 17,00,000 at slab rate	3,22,500
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Add: HEC @ 4%	12,900
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Tax Liability	3,35,400
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Tax Liability of Mr. B

Dividend received	8,50,000
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Income under the head Other Sources	8,50,000
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Total Income	8,50,000
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Computation of Tax Liability

Tax on ₹ 8,50,000 at slab rate	82,500
Add: HEC @ 4%	3,300
Tax Liability	85,800

NOV – 2016**Question 4(a)** (2 Marks)**Answer:**

As per section 56, if any person has entered into an agreement to sell any capital asset and some advance money was received but the buyer refused to purchase the capital asset and advance money was forfeited, in such cases the amount so forfeited shall be considered to be income under the head Other Sources. So Forfeiture of advance money shall be considered as income from other source and shall not be deducted from cost of acquisition of the property.

MAY – 2016**Question 4(a)** (2 x 2 = 4 Marks)**Answer:**

- (i) **Taxable:** As per section 56(2)(viib), If any closely held company receives any consideration for issue of shares that exceeds the face value of shares then the aggregate consideration received as exceeds the fair market value of shares is considered as income under the other sources. In the given case, ABC Private Ltd. issued shares at a price which exceeds the face value of shares. So the taxable amount shall be ₹1,00,000 (10,000 shares x (₹130-₹120))
- (ii) **Taxable:** If any person has entered into an agreement to sell any capital asset and some advance money was received but the buyer refused to purchase the capital asset and advance money was forfeited, in such cases the amount so forfeited shall be considered to be income under the head Other Sources. In the given case, Mr. A forfeited ₹50,000 against sale of his house shall be considered as income under the head other sources.

Question 7(a)(iii) (2 Marks)**Answer:**

True: Dividend received by a dealer of shares is chargeable under the head “Income from Other Sources”.

NOV – 2010**Question 7** (4 Marks)**Answer.**

	Particulars	Head of Income
(i)	Rental income in case of a dealer engaged in business of letting out of house property	Profit and gains of business or profession
(ii)	Dividend on shares in case of a dealer in shares	Income from other sources
(iii)	Salary by partner from his partnership firm	Profit and gains of business or profession
(iv)	Rental income of machinery (See Note below)	Income from other sources/ Profits and gains of business or profession
(v)	Winnings from lotteries by a person having the same as business activity	Income from other sources
(vi)	Salaries payable to a Member of Parliament	Income from other sources
(vii)	Receipts without consideration	Income from other sources

Note: As per section 56, rental income of machinery would be chargeable to tax under the head “Income from Other Sources”, if the same is not chargeable to income-tax under the head “Profits and gains of business or profession”.

DEDUCTION OF TAX AT SOURCE

SECTION 190 TO 206AA

SOLUTIONS OF MCQS

Answer

1.(a); 2.(a); 3.(c); 4. (c); 5. (b); 6. (d); 7. (a); 8.(b); 9.(d); 10.(d); 11. (c); 12. (c); 13(a); 14. (c); 15. (b)

SOLUTIONS OF EXAMINATION QUESTIONS

JULY – 2021 (NEW COURSE)

Answer 2(b):

(i) Mr. Kale, being a pensioner, would not be liable to deduct tax at source under section 194C. However, he has to deduct tax at source @ 5% u/s 194M, since the aggregate amount of payment to the contractor for his personal purposes i.e., for reconstruction of his residential house in Arunachal Pradesh, exceeds the threshold limit of ₹ 50,00,000.

Therefore, TDS u/s 194M would be = ₹ 52,50,000 x 5% = ₹ 2,62,500.

(ii) Mr. Rahul is required to deduct tax at source u/s 194C, since his turnover from business in the financial year 2021-22, being the financial year immediately preceding F.Y.2022-23 in which such sum is paid, exceeds ₹ 1 crore. Tax is to be deducted at source at the rate 1% as the payment is made to an Individual.

Therefore, TDS u/s 194C would be = ₹ 50,00,000 x 1% = ₹ 50,000

(iii) Tax is required to be deducted u/s 194H, if the payer is an individual whose turnover from business carried on by him in the financial year immediately preceding the financial year in which commission is paid, exceeds ₹ 1 crore. However, where TDS u/s 194H is not applicable, tax is required to be deducted u/s 194M where payment of commission during the relevant previous year exceeds ₹ 50 lakhs.

In the present case, Mr. Golu is not required to deduct tax at source u/s 194H on the commission paid to Mr. Vinay in the P.Y.2022-23 since his turnover from his business does not exceed ₹ 1 crore during the P.Y. 2021-22.

Further, Mr. Golu is also not required to deduct tax at source u/s 194M on the said commission paid to Mr. Vinay since the commission paid does not exceed ₹ 50 lakhs during the P.Y. 2022-23.

(iv) A co-operative bank which is responsible for paying any sum, being the amount or aggregate of amounts, as the case may be, in cash exceeding ₹ 1 crore during the previous year, to any person from an account maintained by such person with it, has to deduct an amount equal to 2% of such sum, as income-tax at the time of payment. Accordingly, since XYZ Urban Co-operative is responsible for paying a sum exceeding ₹ 1 crore (₹ 1.2 crore, in this case) in cash to ABC & Co., a partnership firm, during the F.Y.2022-23, the bank is required deduct tax at source @ 2% of such sum.

Therefore, TDS u/s 194N would be = ₹ 20,00,000 x 2% = ₹ 40,000.

JAN – 2021 (NEW COURSE)

Answer 2(a)

(i) CBZ Bank has to deduct tax at source @10% under section 194A, since the aggregate interest on fixed deposit with the three branches of the bank is ₹ 60,750 [3,00,000 x 9% x 3 x 9/12], which exceeds the threshold limit of ₹ 40,000.

Since CBZ Bank has adopted core banking solution (CBS), the aggregate interest credited/paid by all branches has to be considered.

Tax to be deducted at source = ₹ 60,750 x 10% = ₹ 6,075

(ii) Tax @10% under section 193 is to be deducted on interest on 6½ Gold Bonds, 1977 and 7% Gold Bonds 1980, since the nominal value of the bonds held by Mr. Marwah i.e., ₹ 5,00,000 exceed ₹ 10,000.

Interest on 6½ Gold Bonds, 1977 = ₹ 2,00,000 x 6.5% = ₹ 13,000

Interest on 7% Gold Bonds 1980 = ₹ 3,00,000 x 7% = ₹ 21,000

Tax to be deducted at source = ₹ 34,000 x 10% = ₹ 3,400

(iii) M/s AG Pvt. Ltd. has to deduct tax at source @10% under section 194A, since the interest on loan payable is ₹ 79,000 which exceeds the threshold limit of ₹ 5,000.

M/s AG Pvt. Ltd., being a company, has to deduct tax at source irrespective of the fact that it is not liable to tax audit during P.Y. 2021-22 and 2022-23.

Tax to be deducted at source = ₹ 79,000 x 10% = ₹ 7,900

(iv) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 6 lakhs due on 31.3.2023 are not exempt under section 10(10D) in the hands of Mr. Prabhakar. Therefore, tax is required to be deducted @5% under section 194DA on the amount of income comprised therein i.e., on ₹ 40,000 [₹ 6,00,000, being maturity proceeds - ₹ 5,60,000, being the amount of insurance premium paid.

Tax to be deducted at source = ₹ 40,000 x 5% = ₹ 2,000

NOV – 2019 (NEW COURSE)

Question. 2. (b)

(7 Marks)

Answer:

(i) As per section 192A, If person responsible for making payment of recognized provident fund to any person shall deduct tax @ 10% if amount paid/payable is taxable and amount is exceeding ₹50,000 but if amount is withdrawn before continuous period of five years due to ill health then it is not taxable and TDS shall not be deducted.

In the given case amount is withdrawn from Employees provident fund before continuous period of 5 years due to ill health hence the amount is not taxable hence TDS shall not be deducted.

(ii) As per section 194A, Tax shall be deducted @ 10% if interest paid by banking company is exceeding ₹50,000 for senior citizens. In the given case, interest is paid to senior citizen and amount is not exceeding ₹50,000 hence banking company is not liable to deduct TDS.

(iii) As per section 194B, Every person responsible for paying resident any income by way of winning and amount paid or payable is exceeding ₹10,000 then tax shall be deducted @ 30%.

In the given case, amount paid is exceeding ₹10,000 hence liable to deduct tax @ 30% on ₹21,000 = ₹6,300.

(iv) As per section 2(28A), Interest means interest payable in any manner and includes service fee also.

As per section 194A, TDS is not deductible in case any payment is made to a banking company.

In the given case, Service fee is paid to banking company and interest includes service hence TDS is not deductible in case of payment to a banking company.

(v) As per section 194IB, any person responsible for paying rent to a resident exceeding ₹50,000 for a month shall deduct tax @ 5%, in the given case rent paid is exceeding ₹50,000 hence Mr. Ashok is liable to deduct tax @ 5% on ₹1,56,000 = ₹7,800

Question.4. (c)

(4 Marks)

Answer:

(i) No. As per section 206C, TCS shall be applicable on sale of motor vehicle of the value exceeding 10 lakhs.

(ii) TCS @ 1% is collected on sale consideration of motor vehicle exceeding 10,00,000. It is applicable to each sale and not on aggregate value of sale during the year.

(iii) An individual who is liable to tax audit during the financial year immediately preceding the financial year in which the motor vehicle is sold shall be liable for collection of tax at source.

(iv) TCS on sale of motor vehicle is applicable on all transactions of retail sales only and not applicable on sale by manufacturer to distributor or dealer.

MAY – 2019 (NEW COURSE)

Question 2 (b)

(7 Marks)

Answer:

(i) **As per section 194DA**, in general payment on maturity of Life policy is exempt from income tax under section 10(10D) however sometimes the amount is taxable (if premium paid has exceeded the prescribed percentage (i.e. 10% / 15% / 20%)) and in that case tax has to deducted at source @ **5% on the amount of income** provided the amount paid or payable to any resident during a particular financial year is ₹1,00,000 or more. In the given case, premium paid is more than 10% and the maturity proceeds is taxable but the amount is less than 1,00,000 hence TDS shall not be deducted.

(ii) **As per section 194-IA**, every person (including individual and HUF) making **payment to a resident** for purchase of **immovable property of ₹50 lakhs** or more shall deduct tax at source @ **1%** of such sum. In the given case, though the stamp duty value is exceeding **₹50 lakhs but payment is not exceeding ₹50 lakhs hence TDS is not applicable and Mr. Karan is not required to deduct TDS.**

(iii) **As per section 194J**, every person, who is responsible for paying to a **resident** any sum by way of –

(i) fees for Professional services

(ii) any Remuneration or fees or commission to a director of a company (in case salary is being paid to a director, tax shall be deducted at source under section 192).

(iii) Royalty

(iv) Non-compete fee referred to in section 28

shall deduct tax at source at the rate of 10% if amount paid or payable is more than ₹ 30,000 and limit shall be separately applicable for each of the above payments but there is no limit for payment to a director.

In the given case, amount paid is less than limit prescribed above hence no TDS shall be required to be deducted.

(iv) **As per section 194C**, every person responsible for making payment to a **resident contractor** in connection with any work shall deduct tax at source @ **2%** and in case of payment to individual or Hindu Undivided Family, the rate of TDS shall be **1%**. Tax shall be deducted at source only if the amount being paid is exceeding **₹30,000** or the amount paid or payable during a particular financial year to a particular person exceeds **₹1,00,000**.

If any person making payment for purchase of goods, no tax shall be deducted at source but if such person has supplied raw material etc. and contract is only for labour etc., tax shall be deducted at source.

In the given case, material is not supplied hence TDS is not required to be deducted.

(v) **As per section 194J**, TDS is required to be deducted if payment is made to a director and no limit of ₹30,000 is applicable in case of payment to director. In the given case, payment is made to director hence TDS is applicable and required to be deducted @ 10% on ₹12,000.

(vi) **As per section 194J**, TDS is required to be deducted @ 2% instead of 10% in case of person engaged in business of call centre . In the given case Radha Limited is engaged only in the business of operation of call centre. TDS is required to be deducted @ 2% on ₹ 70,000

MAY – 2019 (OLD COURSE)

Question 2 (b)

(3 Marks)

Answer:

(i) As per section 192, in respect of salary payments to employees of Government deduction of tax should be made after allowing relief under section 89. In the given case arrears of salary received in current year if the same was not taxed earlier year then same will be taxable and TDS is required to be deducted but if the same was considered earlier as part of salary then TDS is not required in the current year.

(ii) Every person (including individual and HUF even if limit prescribed has not exceeded in the preceding year) responsible for paying to any resident or non-resident, any income by way of **winnings from any lottery** or **crossword puzzle** or **card game** and **other game of any sort** shall deduct tax at source @ 30% provided the amount being paid or payable is exceeding ₹ 10,000.

In the given case a T.V. channel pays 10 lacs as prize hence TDS is required to be deducted @ 30%.

(iii) As per section 194I, TDS is required to be deducted in case of person responsible for paying to a resident any income by way of rent shall deduct tax @ 10% on renting of immovable property provided the amount paid or payable is more than ₹ 2,40,000 in a year.

In the given case Nationalized bank pays ₹ 50,000 per month which is more than ₹ 2,40,000 in a year hence TDS is required to be deducted @ 10% on ₹ 50,000 per month.

(iv) The television company is required to deduct tax at source @ 10% u/s 194J on the professional fees payable to the cameraman for shooting a documentary film, since such amount exceeds 30,000 during the year.

NOV – 2018 (NEW COURSE)

Question 2 (b)

(2 Marks)

Answer:

TDS in case of Payment for purchase of immovable property Section 194-IA

As per section 194IA, every person (including individual and HUF even if limit prescribed has not exceeded in the preceding year) making **payment to a resident** for purchase of **immovable property of ₹50 lakhs** or more shall deduct tax at source @ **1%** of such sum but no tax shall be deducted at source in case of payment for purchase of **agricultural land which is situated in the rural area.**

(i) As per the above provision TDS is required to be deducted on purchase of residential house situated in Chennai.

TDS = 1% of ₹60,00,000 = ₹60,000

(ii) As per the above provision TDS is not required to be deducted on purchase of agriculture land on rural area.

Question 2(c)

(2 Marks)

Answer:

As per section 206C, tax collection at source means the person receiving payment for selling of motor vehicle value exceeding ₹10 lakhs shall collect tax at source from the buyer however TCS on sale of motor vehicle shall be applicable in case of retail sale only accordingly it will not apply on sale of motor vehicle by manufacturer to distributors/dealers.

In the given case, TCS shall not be applicable in case of sale of car from manufacturer to dealers. So, XYZ Ltd. is not required to collect TCS on sale of motor vehicle to dealers.

In the given case, Rahil & Co. selling cars to individual buyers and value is exceeding ₹10 lakhs hence Rahil & Co. shall be required to collect TCS @ 1% on sale of car.

NOV – 2018 (OLD COURSE)

Question 6 (a)

(5 Marks)

Answer:

(i) As per section 194DA, In general payment on maturity of Life policy is exempt from income tax under section 10(10D) however sometimes the amount is taxable (if premium paid has exceeded the prescribed percentage (i.e. 10% / 15% / 20%)) and in that case tax has to deducted at source @ **5%** on the amount of income provided the amount paid or payable to any resident during a particular financial year is ₹1,00,000 or more.

In the given case premium paid is exceeding the prescribed limit hence it is taxable but the amount paid or payable is not exceeding ₹1,00,000 hence TDS is not required to be deducted.

(ii) The issue of whether fees/charges taken or retained by advertising companies from media companies for canvassing/booking advertisements (typically 15% of the billing) is 'commission' or 'discount' to attract the provisions of tax deduction at source has been clarified by the CBDT vide its *Circular No.5/2016 dated 29.2.2016*. The CBDT has clarified that no liability to deduct tax is attracted on payments made by television channels to the advertising agency for booking or procuring of or canvassing for advertisements. Accordingly, no tax is deductible at source on the amount of ₹15 lakhs retained by Mudra Ltd., the advertising company, from payment due to Cloud TV, a television channel.

(iii) As per section 194IB, any person, being an individual or a Hindu undivided family, **not exceeding the specified limit in the preceding year**, responsible for paying to a resident any income by way of rent exceeding **₹50,000** for a month or part of a month during the previous year, shall deduct tax @ 5% but if the person receiving payment of rent has not submitted PAN, tax shall be deducted @ 20% but maximum rent payable for the last month. Tax shall be deducted at the time of making payment of rent for the last month of

the previous year or the last month of tenancy whichever is earlier.

In the given case, TDS is required to be deducted as rent is exceeding ₹50,000 per month.

Total Rent from June to Dec 2022 = ₹55,000 x 7 months = ₹3,85,000

he should deduct tax at source ₹3,85,000 x 5% = ₹19,250 but if person receiving payment has not submitted PAN, amount of TDS shall be ₹3,85,000 x 20% = ₹77,000 but maximum ₹55,000.

6 (c).

Answer:

As per Section 208, if tax payable is ₹10,000 or more, in that case assessee shall be required to pay advance tax. Tax payable means total tax liability less tax deducted at source hence in the given case advance tax has to be paid with regard to ₹ 2,00,000 (2,00,000 – Nil (as estimated but not deducted))

As per section 211, all assessee has to pay advance tax in the manner given below:

Due date of installment	Amount payable
Upto 15 th June of P.Y.	₹30,000 (15% of ₹2,00,000)
Upto 15 th September of P.Y.	₹90,000 (45% of ₹2,00,000)
Upto 15 th December of P.Y.	₹1,50,000 (75% of ₹2,00,000)
Upto 15 th March of P.Y.	₹2,00,000 (100%)

MAY – 2018

Answer:

(A) As the turnover of Mr. Bobby for F.Y.2021-22, i.e. ₹205 lakh, has exceeded the monetary limit prescribed for deduction of tax by individual/HUF, he has to comply with the tax deduction provisions during the financial year 2022-23.

(i) As per Section 194-I TDS is required to be deducted @ 10% as the rent amount exceeds ₹2,40,000 per annum.

TDS per month = 25,000 x 10% = 2,500

(ii) As per section 194J, Limit of 30,000 per annum shall be considered separately for each services hence no TDS is required to be deducted as payment made for technical services and royalty both is not exceeding 30,000 separately.

(iii) Tax shall not be deducted at source in case of purchase of goods.

(iv) It is covered under section 194C but payment is not exceeding ₹30,000 hence no tax shall be deducted at source.

(B) As per section 194-IB, Any person, being an individual or a Hindu undivided family, *not exceeding the specified limit in the preceding year*, responsible for paying to a resident any income by way of rent exceeding **₹50,000** for a month or part of a month during the previous year, shall deduct tax @ 5%. In the given case rent is exceeding **₹50,000** hence TDS shall be deducted **5%**.

TDS = 60,000 x 12 x 5% = 36,000.

MAY – 2017

Question 7 (a)

(4 Marks)

Answer:

As per section 194A, Every person making payment of interest other than interest on securities to any resident shall deduct tax at source @ 10% provided the amount being paid or payable during a particular year to a particular person is exceeding ₹5,000 but if payment is being made by bank or post office, tax shall be deducted only if interest being paid or payable is exceeding **₹40,000**. Further TDS shall be only on time deposit including recurring deposit. Limit of **₹40,000** shall be per branch of the bank but if the bank has core banking solution, limit shall be per bank and not per branch.

In the first case there is no core banking services in the bank then the limit shall be per branch and amount has not exceeded ₹40,000 per branch hence no TDS shall be required to be deducted.

In the Second case, there is a core banking services and limit has exceeded including both the branch hence TDS shall be required to be deducted @ 10% on ₹57,000.

Question 7 (c)**(4 Marks)**

Solution: As per section 234B, if advance tax paid is less than 90% of actual tax liability, assessee shall be required to pay interest @ 1% per month or part of a month from 1st April of assessment year upto the date of payment. If advance tax paid is 90% or more of actual tax liability, no interest is payable.

	₹
Income from Business	8,10,000
Income from Other source	2,70,000
Gross Total Income	10,80,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	10,80,000
Computation of Tax Payable	
Tax on 10,80,000 at slab rate	1,36,500
Add: HEC @ 4%	5,460
Tax Liability	1,41,960
Less: TDS	(25,000)
Tax Payable before adjustment of advance tax	1,16,960
Less: Advance Tax	(1,03,000)
Tax Payable	13,960

Calculation of Interest u/s 234C

Interest under section 234C shall be computed in the manner given below:

	Tax Payable	Tax Paid	Shortfall
15.06.2022	17,544 (1,16,960 x 15%)	Nil	17,544
Rounded off Rule 119A = 17,500			
Interest u/s 234C = 17,500 x 1% x 3 = 525			
15.09.2022	52,632 (1,16,960 x 45%)	Nil	52,632
Rounded off Rule 119A = 52,600			
Interest u/s 234C = 52,600 x 1% x 3 = 1,578			
15.12.2022	87,720 (1,16,960 x 75%)	Nil	87,720
Interest u/s 234C = 87,700 x 1% x 3 = 2,631			
15.03.2023	1,16,960 (1,16,960 x 100%)	1,03,000	13,960
Interest u/s 234C = 13,900 x 1% x 1 = 139			
Total interest payable u/s 234C			4,873

Calculation of Interest u/s 234B (01-04-2023 to 11-12-2023)

Since Advance Tax paid i.e. ₹1,03,000 is less than 90% of the actual tax payable i.e. ₹1,16,960, hence Interest u/s 234B shall be payable and Interest shall be –

13,900 x 1% x 9 = 1,251	
Total Interest Payable (4,873 + 1,251)	6,124

NOV – 2016**Question 4(a)****(2 Marks)****Answer:**

False: As per Section 194A, every person making payment of interest other than interest on securities to any resident shall deduct tax at source @ 10% provided the amount being paid or payable during a particular year to a particular person is exceeding ₹40,000. Further TDS shall be only on time deposit including recurring deposit. Hence TDS shall be applicable in the given case.

Question 7(a) (ii)**(4 Marks)**

Answer: As per Section 208, if tax payable is ₹ 10,000 or more, in that case assessee shall be required to pay advance tax. Tax payable means total tax liability less tax deducted at source hence in the given case advance tax has to be paid with regard to ₹ 60,000 (65,000 – 5,000)

As per section 211, all assessee has to pay advance tax in the manner given below:

Due date of installment	Amount payable	
Upto 15 th June of P.Y.	₹9,000	(15% of ₹60,000)
Upto 15 th September of P.Y.	₹27,000	(45% of ₹60,000)
Upto 15 th December of P.Y.	₹45,000	(75% of ₹60,000)
Upto 15 th March of P.Y.	₹60,000	

MAY – 2016**Question 7(a)(i)****(4 Marks)****Answer.**

As the turnover of Mr. Ashwin for F.Y.2021-22, i.e. ₹120 lakh, has exceeded the monetary limit prescribed, he has to comply with the tax deduction provisions during the financial year 2022-23.

Commission paid to Babloo – Tax has to be deducted under section 194-H as the commission exceeds ₹15,000.

Tax shall be deducted at source u/s 194H and shall be = $18,500 \times 5\% = ₹925$

Contract payment of ₹23,000 to Mr. Vijay

TDS provisions under section 194C would not be attracted if the amount paid to a contractor does not exceed ₹30,000 in a single payment or ₹1,00,000 in the aggregate during the financial year. Therefore, TDS provisions under section 194C are not attracted in this case.

Payment of fees for Technical Services, to Vivek

Tax shall be deducted at source under section 194J @ 2% because the total amount payable is exceeding ₹30,000 and amount of TDS shall be = $35,000 \times 2\% = ₹700$

MAY – 2015**Question 7(a)(ii).****(4 Marks)****Solution:**

As per Section 194-IA every person making **payment to a resident** for purchase of **immovable property of ₹50 lakhs** or more shall deduct tax at source @ **1%** of such sum. No tax shall be deducted at source in case of payment for purchase of **agricultural land which is situated in the rural area.**

In the given case Mr. Raman is required to deduct tax at source @ 1% of ₹65 lakh = ₹ 65,000.

The person deducting tax at source shall not be required to obtain Tax deduction account number as per section 203A.

NOV – 2014**Question 7(a)****(4 Marks)****Solution:**

(1) TDS shall be deducted u/s 194E @ 20%+HEC. TDS shall be 20.8% of ₹27,000 = ₹5,616 .

(2) As per Section 194-I TDS is not required to be deducted as the Rent amount does not exceeds ₹2,40,000.

(3) TDS shall be deducted under section 194BB @ 30% as the amount exceeds ₹10,000. TDS shall be 30% of ₹1,50,000 = ₹45,000.

(4) As per Section 194LA No TDS is deductible by State of Uttar Pradesh as the amount paid does not exceeds ₹2,50,000.

MAY – 2014

Question 7(A).**(2 x 2 = 4 Marks)****Solution:**

(A) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of ₹ 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director. Therefore, tax @ 10% has to be deducted at source under section 194J in respect of the sum of ₹ 19,000 paid by ABC Ltd. to its director.

(B) Section 194-IA, tax shall be deducted at source if the amount paid or payable is ₹50,00,000 or more hence in the given case tax deducted at source amounting to ₹60,00,000 x 1% = 60,000.

NOV – 2012

Question No. 7(a)**(4 Marks)****Answer.**

As the turnover of Mr. X for F.Y.2021-22, i.e. ₹ 201 lakh, has exceeded the limit prescribed, he has to comply with the tax deduction provisions during the financial year 2022-23.

(i) TDS under section 194A is not attracted in respect of interest paid to a banking company.

(ii) Advertisement =TDS on ₹34,000 @ 1% = ₹340 (Sec 194C is applicable if single payment exceeds ₹30,000)

(iii) Tax has to be deducted under section 194-I as the rent amount exceeds ₹2,40,000.

TDS @ 10% on ₹ 2,85,000 = ₹28,500

(iv) Tax has to be deducted under section 194-H as the commission exceeds ₹15,000.

TDS @ 5% on ₹ 16,000 = ₹800

NOV – 2011

Question 7**(4 Marks)****Answer.**

(a) Since the rent paid for hire of machinery by ABC Ltd. to Mr. X exceeds ₹2,40,000, the provisions of section 194-I for deduction of tax at source are attracted.

The rate applicable for deduction of tax at source under section 194-I on rent paid for hire of plant and machinery is 2% assuming that Mr. X had furnished his permanent account number to ABC Ltd.

Therefore, the amount of tax to be deducted at source: = ₹3,10,000 x 2% = ₹6,200

(b) As per the provisions of section 194M, Any person, being an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C or section 194J) responsible for paying any sum to any resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract or by way of fees for professional services during the financial year, shall, at the time of credit of such sum or at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to five per cent. of such sum as income -tax thereon:

Provided that no such deduction under this section shall be made if such sum or, as the case may be, aggregate of such sums, credited or paid to a resident during a financial year does not exceed fifty lakh rupees.

Therefore, in the given case, fee paid to Dr. Y is ₹ 35,000, which is less than 50,00,000, the liability to deduct tax at source is not attracted.

NOV – 2011

Question 6**(6 Marks)****Answer.**

(i) No tax shall be deducted at source in case of payment to a transporter who has submitted his PAN.

(ii) Tax shall be deducted at source under section 194J @ 2% because the total amount payable is exceeding ₹30,000 and amount of TDS shall be = 45,000 x 2% = ₹900

- (iii) It is covered under section 194C but payment is not exceeding ₹30,000 hence no tax shall be deducted at source.
- (iv) Tax shall not be deducted at source in case of purchase of goods.
- (v) Since payment is not exceeding ₹2,50,000 hence no tax shall be deducted at source under section 194LA.
- (vi) Tax shall be deducted at source u/s 194H and shall be = $25,000 \times 5\% = ₹1,250$

MAY – 2011

Question 5

(2 Marks)

Answer.

The provisions of section 194A will not apply in the following cases where the –

- (1) Interest is paid by a firm to a partner of the firm;
- (2) Any interest being paid to Bank/LIC or other notified financial organizations
- (3) Interest on income tax refund or wealth tax refund etc.
- (4) Income paid in relation to a Zero Coupon Bond.
- (5) Interest paid in respect of deposits under any scheme notified by the government.

Question 7

(4 Marks)

Answer.

As the turnover of Mr. X for F.Y.2021-22, i.e. ₹215 lakh, has exceeded the monetary limit prescribed, he has to comply with the tax deduction provisions during the financial year 2022-23, subject to however the exemptions provided for under the relevant sections for applicability of TDS provisions.

Interest paid to UCO Bank

TDS under section 194A is not attracted in respect of interest paid to a banking company.

Contract payment of ₹24,000 to Mr. Y for 2 contracts of ₹12,000 each

TDS provisions under section 194C would not be attracted if the amount paid to a contractor does not exceed ₹ 30,000 in a single payment or ₹1,00,000 in the aggregate during the financial year. Therefore, TDS provisions under section 194C are not attracted in this case.

Shop Rent paid to one payee – Tax has to be deducted under section 194-I as the rental payment exceeds ₹2,40,000.

Commission paid to Balu – Tax has to be deducted under section 194-H as the commission exceeds ₹15,000.

MAY – 2010

Question 4

(2 Marks)

Answer. No deduction is required to be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor, during the course of the business of plying, hiring or leasing goods carriages, if the contractor furnishes his permanent account number (PAN) to the person paying or crediting such sum and submitted a declaration that he don't own more than 10 goods carriages at any time during the year.

MAY – 2010

Question 4

(4 Marks)

Answer.

(i) Section 194C provides for deduction of tax at source from the payment made to resident contractors and sub-contractors. Therefore, tax is deductible at source under section 194C for the contract payments made for the construction of godown building. The rate of TDS under section 194C on payments made to contractors who are individuals or HUF shall be @ 1%. Hence, X & Co. (firm) must deduct tax at source on the contract payments made to Mr. X.

(ii) In respect of lucky dip conducted by Y & Co., the provisions of Section 194B would apply. As per Section 194B, winning from lottery or crossword puzzle or card game or other game of any sort exceeding ₹10,000 payable by any person to any other person, subject to tax deduction at the rate of 30%. Since the value of prize i.e. Maruti car would exceed ₹10,000 tax is deductible at source @ 30%. As the winning is in kind, the winner must deposit 30% of the prize value to Y & Co. for remitting the same as tax. Only after such deduction / recovery, the Maruti car is to be delivered to the prize winner.

(iii) As per section 194D, any person paying insurance commission in excess of ₹15,000 to any resident person is liable to deduct tax at the rate of 5% in case of all assesses. Therefore, the insurance company must deduct tax at source @ 5% in respect of the insurance commission paid to Mr. Y.

(iv) Discount allowed to a customer for prompt payment is not covered by any of the tax deduction at source provisions of the Income tax Act, 1961. Therefore, AB Ltd. need not deduct any tax at source since no payment was involved in allowing discount to its customer viz. (namely) XY & Co.

NOV – 2009

Question 2

(6 Marks)

Answer.

Computation of income of Mr. X chargeable under the head “Income from other sources” for the A.Y. 2023-24

Particulars	₹
1. Directors’ fees	3,00,000.00
2. Interest on bank deposit	23,000.00
3. Royalty on books written (2,09,000 – 10,000)	1,99,000.00
4. Lectures in seminars	5,000.00
5. Interest on loan given to a relative	7,000.00
6. Interest on listed debentures 36,000/ 90% x 100%	40,000.00
7. Interest on Post Office Savings Bank [exempt under section 10(15)]	-
8. Interest on Government securities	2,200.00
9. Interest on Post Office Monthly Income Scheme	33,000.00
10. Winnings from lotteries 35,000 / 70% x 100%	50,000.00
Income from Other Sources	6,59,200.00
Gross Total Income	6,59,200.00
Less: Deduction u/s 80TTA	(10,000.00)
Total Income	6,49,200.00
Computation of Tax Liability	
Tax on casual income ₹50,000 @ 30% u/s 115BB	15,000.00
Tax on ₹5,99,200 at slab rate	32,340.00
Tax before health & education cess	47,340.00
Add: HEC @ 4%	1,893.60
Tax Liability	49,233.60
Rounded off u/s 288B	49,230.00

NOV – 2009

Question 1

(2 Marks)

Answer.

False: An individual whose total sales/gross receipts/turnover from the business or profession exceeds the monetary limits specified during the financial year immediately preceding the financial year in which such sum is credited or paid to the account of the contractor shall be required to deduct tax at source.

Question 3

(4 Marks)

Answer.

(1) Tax deducted at source under section 194-I would be required to be made on the amount of rent i.e. on ₹12,00,000.

(2) TDS shall be applicable @ 10%.

(3) Hence, in the given case, TDS under section 194-I @ 10% on ₹12,00,000 comes to ₹1,20,000 i.e. ₹10,000 will be deducted every month and cheque for net amount of (₹1,00,000 – ₹10,000 = ₹90,000) will be issued by M/s. ABC Corporation Ltd. to Mrs. X.

(4) Tax deducted will be deposited within one week from the last day of the month in which deduction is made but if the tax has been deducted in the month of March, tax should be deposited on or before 30th April.

(5) Form No. 16-A has to be issued by M/s. ABC Corporation Ltd. to Mrs. X within 15 days from the last date of submitting the quarterly return under section 200.

(6) Assessee should file quarterly statement upto 31st of the month succeeding the relevant quarter but for the last quarter ending March, return can be submitted upto 31st May.

JUNE – 2009

Question 1**(2 Marks)**

Answer. As per section 193 of the Act, no tax is required to be deducted at source on any interest payable to a resident on any bond or security issued by a company, where the following conditions are satisfied –

- (i) where such security is in dematerialised form and
- (ii) is listed on a recognised stock exchange in India.

MAY – 2008

Question 1**(2 Marks)**

Answer. In the case of an individual, the provisions of section 194C shall apply, where the turnover from business has exceeded the prescribed limit during the financial year immediately preceding the financial year in which such payment is made and payment is made for a purpose other than the personal purpose. In the given case, since the turnover of Mrs. X has exceeded the prescribed limit for the year ended 31st March 2022 and the payment is relating to business activities, she shall be liable to deduct tax at source in respect of payment made to a contractor at the applicable rate.

MISCELLANEOUS TOPICS**SOLUTIONS OF MCQS****Answer**

1.(d); 2.(d); 3.(d); 4.(c); 5.(a); 6.(a); 7.(d); 8. (d); 9.(b)