CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 15
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

and depreciation afterwards.

E.g. Mr. X has income under the head business/profession ₹10,00,000 after debiting all expenditures except depreciation of ₹13,00,000, in this case, depreciation of only ₹10,00,000 can be debited to the profit and loss account and balance ₹3,00,000 shall be called unabsorbed depreciation and it can be set off from any income under any head except salary income and casual income and even in the subsequent years, it can be set off from any income under any head except salary income and casual income and such carry forward is allowed for unlimited periods.

The sequence of claiming losses and depreciation under the head business / profession shall be as given below:

1. Current year expenses
2. Current year depreciation
3. Brought forward business losses
4. Brought forward unabsorbed depreciation

Question 4 [V. Imp.]: Write a note on Set Off and Carry Forward of loss from Speculative Business.

Answer: As per section 28, income from speculative business shall be taxable under the head business/profession and such income shall be computed in the normal manner and shall be taxable at the normal rate i.e. it will not be considered to be causal income.

Meaning of speculative business Section 43(5)

"speculative transaction" means a transaction in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips:

e.g. Mr. X entered into a contact for purchase of one plot from Mr. A and same plot was sold by him to Mr. Y at a higher rate and he has directed Mr. Y to pay the amount directly to Mr. A and surplus amount to Mr. X and he directed Mr. A to transfer the plot directly in the name of Mr. Y, it will be called speculative transaction but if Mr. X has transferred the plot in his name and after that plot was transferred in the name of Mr. Y, it will be called normal business.

The following shall not be deemed to be a speculative transaction:

A contract in respect of raw materials or merchandise entered into by a person in the course of his manufacturing or merchanting business to guard against loss through future price fluctuations in respect of his contracts for actual delivery of goods manufactured by him or merchandise sold by him; or

Set Off and Carry forward of loss from Speculative Business Section 73

If any assessee has loss from speculative business, such loss can not be set off from any income under any head however, if the assessee has two or more similar business, loss of one such business can be set off from the income of other such business.

Unadjusted loss is allowed to be carried forward but for a maximum period of 4 years starting from the year subsequent to the year in which the loss was incurred. Even in the subsequent years, loss can be set off only from income of speculative business.

~~***Loss under the head house property.***~~ Loss from normal business, unabsorbed depreciation, loss under the head other sources can be set off from the income of speculative business.

e.g. Mr. X has loss from speculative business ₹5,00,000 and income from normal business ₹5,00,000, in this case, loss is not allowed to be set off however its carry forward is allowed but for a maximum period of 4 years and in the subsequent years its can be set off only from income of speculation business.

e.g. Mr. X has loss of speculative business ₹5,00,000 and income from some other speculative business ₹5,00,000, in this case, loss can be set off from income of such speculative business.

Question 5 [V. Imp.]: Write a note on Set Off and Carry Forward of losses under the head Capital Gains.

Answer: Set off and Carry forward of Loss under the head Capital Gain Section 70, 71 and 74

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 41
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Computation of Tax Liability

Tax on STCG ₹54,00,000 at slab rate	13,20,000.00
Add: Surcharge @ 10%	1,32,000.00
Tax before health & education cess	14,52,000.00
Add: HEC @ 4%	58,080.00
Tax liability	15,10,080.00

Question 4: Write a note on computation of Long term Capital Gains.

Answer: Computation of Long term Capital Gains Section 48

Long term capital Gain shall also be computed in the similar manner but instead of cost of acquisition and cost of improvement, indexed cost of acquisition and indexed cost of improvement shall be taken into consideration.

Long term capital Gain shall be computed in the manner given below:

Full Value of Consideration	xxx
Less:	
- Indexed Cost of Acquisition	xxx
- Indexed Cost of Improvement	xxx
- Selling Expenses	xxx
Long Term Capital Gain	xxx

❖ **"Indexed cost of acquisition"** means the cost adjusted as per cost inflation index i.e.

Indexed Cost of acquisition =

$$\textbf{Cost of acquisition} \times \frac{\textbf{Index of the year in which the asset was transferred}}{\textbf{Index of the year in which the asset was purchased}}$$

❖ **"Indexed cost of any improvement"** means the cost adjusted as per cost inflation index i.e.

Indexed Cost of improvement =

$$\textbf{Cost of improvement} \times \frac{\textbf{Index of the year in which the asset was transferred}}{\textbf{Index of the year in which cost was incurred}}$$

Provided *that the cost of acquisition of the asset or the cost of improvement thereto shall not include the deductions claimed on the amount of interest under clause (b) of section 24 or under the provisions of Chapter VIA.*

~~**Explanation 1.** — ***For the removal of doubt, it is hereby clarified that the cost of acquisition of a unit of a business trust shall be reduced and shall be deemed to have always been reduced by any sum received by a unit holder from the business trust with respect to such unit, which is not in the nature of income as referred to in clause (23FC) or clause (23FCA) of section 10 and which is not chargeable to tax under clause (xii) of sub-section (2) of section 56 and under sub-section (2) of section 115UA.***~~

~~**Explanation 2.** — ***For the purposes of* Explanation 1, *it is clarified that where transaction of transfer of a unit is not considered as transfer under section 47 and cost of acquisition of such unit is determined under section 49, sum received with respect to such unit before such transaction as well as after such transaction shall be reduced from the cost of acquisition under the said* Explanation;**~~

Example: Mr. X purchased one house 01-07-2017 ₹10,00,000 and constructed its first floor 01-07-2018 by incurring ₹6,00,000 and sold the house on 01-05-2023 ₹80,00,000 and invested ₹2,00,000 in NSC. Compute Income and Tax Liability.

Answer: House is sold after 2 years from the date of purchase hence asset is a Long term capital asset and capital gain shall be computed in the manner given below:

	₹
Full Value of Consideration	80,00,000.00
Less: Indexed cost of acquisition	
= 10,00,000 / Index of 17-18 x Index of 23-24	
= 10,00,000 / 272 x 348	(12,79,411.76)

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 56
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Previous year 2024-25

Long Term Capital Gain (1/2 of ₹6,89,000)	3,44,500
Business Income (₹7,50,000-₹5,50,000)	2,00,000
Total Income	5,44,500

Illustration 10: X converts his capital asset (acquired on June 10, 2008 for ₹ 60,000) into stock-in-trade on March 10, 2014. The fair market value on the date of the above conversion was ₹ 3,00,000. He subsequently sells the stock-in-trade so converted for ₹ 4,00,000 on June 10, 2023. Discuss the tax implication.

Solution: In this case capital gains shall be computed in the previous year 2013-14 as given below:

FVC	3,00,000.00
Less: Indexed cost of acquisition = 60,000 / Index of 2008-09 x Index of 2013-14 = 60,000 / 137 x 220	(96,350.36)
Long term capital gain	2,03,649.64

Computation of income for previous year 2023-24

Income under the head Business/Profession for previous year 2023-24 shall be ₹4,00,000 – ₹3,00,000 = ₹1,00,000

LTCG	2,03,649.64

Question 11: Write a note on computation of capital gains in case of transfer of capital asset by a Depository.

Answer: Capital gains in case of transfer of capital asset by a depository Section 45(2A)

If any person has a demat account with the depository, profits or gains from transfer of shares or securities shall be considered to be that of beneficiary i.e. the account holder and not that of depository. The cost of acquisition and the period of holding of any securities shall be determined on the basis of the **first-in-first-out method**.

Question 12 [V. Imp.]: Write a note on computation of capital gains on compulsory acquisition of a Capital Asset.

Answer:

Computation of capital gains on compulsory acquisition of a capital asset Section 45(5)

If any capital asset has been acquired compulsorily by the Government or other similar agency, capital gains shall be computed in the year in which the asset was acquired but capital gains so computed shall be taxable in the year in which the compensation or the part of compensation is first received.

Enhanced Compensation

If the compensation is enhanced by the Court, Tribunal etc., such enhanced compensation shall be the capital gains of the year in which the enhanced compensation is received. The cost of acquisition and the cost of improvement shall be taken to be nil.

Death of the transferor- It is possible that the transferor may die before he receives the enhanced compensation. In that case, the enhanced compensation will be chargeable to tax in the hands of the person who receives the same.

Illustration 11: Mr. X (Date of birth 01.10.1946) has purchased one house on 01.04.1995 for ₹4,00,000 and incurred ₹2,00,000 on its improvement on 01.10.1998. Its market value on 01.04.2001 was ₹3,00,000. This house was acquired by the Government on 01.10.2013 and the compensation fixed was ₹50,00,000 and the Government has paid half of the compensation on 01.10.2023 and balance half on 01.10.2024.

The assessee has filed an appeal for increasing the compensation and the court has given decision on 31.03.2025 directing the Government to pay additional compensation of ₹5,00,000.

The Government has paid half of the amount on ***01.04.2026*** and balance half on 01.04.2027.

He has invested ₹72,000 in NSC in previous year 2023-24.

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 66
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Indexed cost of building (3,50,000 / 200 x 348)	(6,09,000.00)
Long term capital gain	38,34,200.00
Less: Brought forward short term capital loss set off	(80,000.00)
Long term capital gain	37,54,200.00
Amount to be invested in 54EC bonds (37,54,200 – 3,00,000)	34,54,200.00

Since income upto ₹3,00,000 is exempt from income tax hence amount can be invested upto ₹34,54,200 instead of ₹37,54,200.

Illustration 20: Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹ 60 lakh and ₹ 15 lakh, respectively, to Mr. Y on 01.08.2023. He has purchased the house property and the land in the year 2023 for ₹ 40 lakh and ₹ 10 lakh, respectively. The stamp duty value on the date of transfer, i.e., 01.08.2023, is ₹ 85 lakh and ₹ 20 lakh for the house property and rural agricultural land, respectively. Determine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

Solution:

(i)	**Tax implications in the hands of Mr. X**
	As per section 50C, the stamp duty value of house property (i.e. ₹ 85 lakh) would be deemed to be the full value of consideration. Therefore, ₹ 45 lakh (i.e., ₹ 85 lakh – ₹ 40 lakh), would be taxable as short-term capital gains. Since rural agricultural land is not a capital asset, capital gains shall not be computed.
(ii)	**Tax implications in the hands of Mr. Y**
	In case immovable property is received for inadequate consideration, the difference between the stamp value and actual consideration would be taxable as gift and amount of gift shall be 85 lakh – 60 lakh = 25 lakh. Since agricultural land is not a capital asset, the provisions of section 56(2)(x) are not attracted in respect of receipt of agricultural land for inadequate consideration. The definition of "property" under section 56(2)(x) does not include agricultural land.
(iii)	**TDS implications in the hands of Mr. Y**
	Since the sale consideration of house property exceeds ₹ 50 lakh, Mr. Y is required to deduct tax at source under section 194-IA. The tax to be deducted under section 194-IA would be **₹ 85,000**, being 1% of **₹ 85 lakh**. TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land.

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 77
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Question 28 [V. Imp.]: Write a note on exemption under Section 54F.

Answer: Exemption from capital gains on transfer of any capital assets other than a Residential House Section 54F

1. **Assessee:** The assessee should be **individual** or **Hindu Undivided Family.**
2. **Asset:** Capital asset transferred can be any asset but it should **not be a residential house.**
3. **Type of capital gain:** Capital gain should be **long term.**
4. **Investment:** The assessee has within a period **of one year before or two years after** the date on which the transfer took place **purchased**, or has within a period of **three years after** that date **constructed**, **one residential house** and further the assessee should either **purchase** or **construct only one house** and also assessee should **not have more than one house in his name at the time of transfer of the asset** besides the house which is being purchased or constructed for availing exemption.

Provided further *that where the cost of new asset exceeds ten crore rupees, the amount exceeding ten crore rupees shall not be taken into account for the purposes of this sub-section*

5. **Amount of exemption:** Exemption allowed shall be that percentage of the capital gain as the amount invested bears to net consideration. i.e. **exemption = capital gain x investment / net consideration**.

Net consideration is equal to full value of consideration less selling expenses. i.e. **full value of consideration – selling expenses.**

~~***Provided further that the net consideration in excess of ten crore rupees shall not be taken into account for the purposes of this sub-section.***~~

6. **Withdrawal of exemption:** The house so **purchased** or **constructed** must not be transferred for a minimum period of **three years** otherwise exemption earlier allowed shall be considered to be the **long term capital gain** of the year in which the asset has been transferred (i.e. exemption shall be withdrawn in the similar manner as given under section 54EC).

Similarly if the assessee has purchased any other house within one year before or two years after or the assessee has constructed any other house within three years after the date of transfer of original asset, exemption given shall be withdrawn in that case also.

7. **Capital gains account Scheme 1988:** The assessee should invest the amount till the last date of furnishing of return of income otherwise amount should be deposited in capital gains account scheme 1988 and proof of such deposit should be enclosed with the return of income and subsequently the amount should be withdrawn from this scheme and should be utilised for the specified purpose otherwise exemption earlier allowed will be considered to be long term capital gain of the year in which the prescribed period has expired.
8. **Extension of time for acquiring new asset or depositing or investing amount of capital gain section 54H:** If the asset has been acquired compulsorily by the Government, period of investment shall be determined from the date of payment instead of the date of compulsory acquisition.

Illustration 34: Mr. X purchased gold on 01.04.1991 for ₹3,00,000 and its market value on 01.04.2001 is ₹2,00,000. This gold was sold by him on 01.01.2024 for ₹35,00,000 and selling expenses are ₹37,000. He has purchased one house on 01.05.2024 for ₹4,00,000 because he did not have any house in his name and he deposited ₹3,00,000 in capital gain account scheme on 30.09.2024.

Mr. X is also engaged in a business and he has turnover of his business ₹105,00,000 and cost of goods sold ₹100,00,000 and other expenses ₹5,10,000.

He has withdrawn ₹2,00,000 from capital gain account scheme on 01.01.2025 and constructed 1st floor of the house which was purchased by him on 01.05.2024.

Remaining amount in the capital gain account scheme was unutilized.

Compute assessee's tax liability for assessment year 2024-25 and capital gains for various years.

Solution: **₹**

Previous year 2023-24

Computation of capital gain

Full value of consideration	35,00,000.00
Less: Indexed cost of acquisition	
= 3,00,000 / 100 x 348	(10,44,000.00)
Less: Selling expenses	(37,000.00)
Long Term Capital Gain	24,19,000.00

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 109
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

DEC – 2021

Question 2(b) **(7 Marks)**

Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 in ₹15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2023. On such date, Stamp duty value of shopping mall was ₹4,14,00,000. Subsequently on 18.03.2024, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹65,00,000.

She has also purchased a house on 09.05.2023 in consideration of ₹46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2023 and disbursement was made on 01.06.2023. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹1,30,000 was paid during the financial year 2023-24.

Compute total income and tax liability of Ms. Mishika for the assessment year 2024-25.

Answer

Computation of total income of Ms. Mishika for the A.Y.2024 -25

Long-term capital gains on transfer of land under specified agreement

Capital gains on transfer of land handed would be taxable in the previous year 2023-24, being the year in which certificate of completion is issued.

Full value of consideration, being 20% share in shopping mall (₹ 4,14,00,000 x 20%)]	82,80,000.00
Less: Indexed of cost of acquisition [₹ 15,00,000 x 348/148]	(35,27,027.03)
Long-term capital gain	47,52,972.97
Less: Exemption under section 54F	
(₹ 47,52,972.97 x ₹46,00,000 / ₹ 82,80,000)	(26,40,540.50)
Long-term capital gains	21,12,432.47
Short-term capital gains	
Sale of 15% share in shopping mall	
Net Sales consideration	65,00,000.00
Less: Cost of acquisition, [₹ 4,14,00,000 x 15%]	(62,10,000.00)
Short-term capital gains	2,90,000.00
Income from house property [Self-occupied]	
Net Annual Value	Nil
~~***Less: Interest on housing loan of ₹ 3,55,000 [₹ 35,50,000 x 12% x 10/12 months] restricted to ₹2,00,000/-***~~	~~***(2,00,000)***~~
~~***Note: Loss is not allowed to set off***~~	
Gross Total Income	24,02,432.47
Less: Deductions under Chapter VI-A	Nil
Total Income	**24,02,432.47**
Total Income (rounded off u/s 288A)	**24,02,430.00**

Computation of Tax Liability

Tax on STCG ₹ 2,90,000	Nil
Tax on LTCG 21,02,430 (21,12,430 – 10,000) x 20%	4,20,486.00

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 122
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Illustration 2: ABC Ltd. an industrial undertaking has started manufacturing on 01.05.2023 and the company has purchased the following asset:

1. Plant and machinery for use in the factory ₹30 lakhs, purchased on 01.07.2023 and put to use on 15.07.2023.
2. Air-conditioner and generator for ₹2,00,000, purchased on 01.08.2023 and put to use on 10.08.2023 for use in office premises.
3. One motor car for ₹10 lakhs for use of business, purchased on 01.09.2023 and put to use on 10.09.2023.
4. One T.V. and one fridge for ₹50,000, purchased and put to use on 01.05.2023.
5. Furniture and fixture for use in factory ₹5,00,000, purchased and put to use on 01.06.2023.

Depreciation ~~**and additional depreciation**~~ shall be allowed in the manner given below:

Solution: ₹

Computation of Depreciation

Block –I

Plant and machinery, depreciation @ 15%

Plant and Machinery purchased on 01.07.2023, put to use on 15.07.2023	30,00,000
Air-conditioner and generator purchased on 01.08.2023, put to use on 10.08.2023	2,00,000
One T.V. and one fridge purchased and put to use on 01.05.2023	50,000
	32,50,000
Depreciation @ 15%	4,87,500
~~**Additional depreciation on plant and machinery for use in factory [30,00,000 x 20%]**~~	~~**6,00,000**~~

Block –II

Motor Car, depreciation @ 15%

Motor Car purchased on 01.09.2023 and put to use on 10.09.2023	10,00,000
Depreciation @ 15%	1,50,000

Block –III

Furniture and Fixtures, depreciation @ 10%

Furniture and fixture for use in factory, purchased and put to use on 01.06.2023	5,00,000
Depreciation @ 10%	50,000

Illustration 3: ABC Ltd. is engaged in manufacturing and company has purchased new plant and machinery during the previous year 2023-24

1. ₹ 20.00 crore (purchased and put to use on 01.07.2023)
2. ₹30.00 crore (purchased and put to use on 01.11.2023)

Compute depreciation and also w.d.v as on 01.04.2024.

Solution: **Crore (₹)**

Computation of depreciation / additional depreciation

Plant and machinery purchased and put to use on 01.07.2023	20.00
Plant and machinery purchased and put to use on 01.11.2023	30.00
Less: depreciation @ 15% on ₹20.00	(3.00)
Less: depreciation @ 7.5% on ₹30.00	(2.25)
w.d.v as on 01.04.2024	44.75

Illustration 4: ABC Ltd. is engaged in manufacturing and company has purchased plant and machinery during the previous year 2023-24 for ₹26 crores (purchased and put to use on 10.11.2023) and it includes second hand plant and machinery for ₹5 crores.

Compute depreciation and also w.d.v as on 01.04.2024.

Solution:

Computation of depreciation / additional depreciation

Plant and machinery purchased and put to use on 10.11.2023	26 crore
Less: depreciation @ 7.5% on ₹26 crore	(1.95 crore)
w.d.v as on 01.04.2024	24.05 crore

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 128
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

X Ltd.	4,00,000	-	-	Nil
Expenditure incurred on in-house research and development facility				
Revenue expenditure	3,00,000	35(2AB)	100%	3,00,000
Capital expenditure (excluding cost of acquisition of land ₹ 5,00,000)	2,50,000	35(2AB)	100%	2,50,000
Deduction allowable under section 35				~~**13,00,000**~~ **5,50,000**

Question 11 [Imp.]: Explain briefly the provisions of amortisation of Preliminary Expenses.
Answer: Amortisation of certain Preliminary Expenses Section 35D
Expenditure incurred before commencement of business shall be called preliminary expenses and shall be allowed to be debited in 5 annual equal installments after commencement of business and such expenses are allowed to an Indian company and also to resident assessee i.e. it is not allowed to non-residents and to foreign company.
Only the notified expenditure incurred before commencement of business shall be allowed and such expenses may be
1. Expenditure in connection with—
   (i) preparation of feasibility report.
   (ii) preparation of project report.
   (iii) conducting market survey or any other survey necessary for the business of the assessee.
   (iv) engineering services relating to the business of the assessee.

Provided *that the assessee shall furnish a statement containing the particulars of expenditure specified in this clause within such period, to such income-tax authority, in such form and manner, as may be prescribed;*
2. Legal charges for drafting any agreement between the assessee and any other person for purpose of the business of the assessee.
3. Where the assessee is a company, also expenditure—
   (i) by way of legal charges for drafting the Memorandum and Articles of Association of the company.
   (ii) on printing of the Memorandum and Articles of Association.
   (iii) by way of fees for registering the company under the provisions of the Companies Act.
   (iv) in connection with the issue of shares or debentures of the company, being underwriting commission, brokerage and charges for drafting, typing, printing and advertisement of the prospectus.

Maximum expenditure allowed shall be upto **5% of the project cost** but an Indian company has the option to take **5% of the capital employed.**
Example: ABC Ltd. has incurred expenditure of ₹30,00,000 and its project cost is ₹100,00,000 and capital employed is ₹120,00,000, instalment allowed to the company shall be
₹30,00,000 but subject to a maximum of (120,00,000 x 5%) i.e. ₹6,00,000
Instalment allowed shall be = 6,00,000 / 5 = ₹1,20,000
"Cost of the project" means
in a case of **new business**, the actual cost of the fixed assets, being land, buildings, plant, machinery, furniture, fittings etc. as on the last day of the year in which the assessee has commenced the business.
"Capital employed" means
in a case of **new business**, the aggregate of the issued share capital, debentures and long-term borrowings as on the last day of the previous year in which the business of the company commences.
In case of an existing business if there is extension of such business, expenses incurred in connection with such extension shall also be allowed in the similar manner as in case of new business and project cost and capital employed shall be taken into consideration relating to extension of business.
Illustration 9: ABC Ltd. an Indian company has incurred expenditure before the commencement of business asunder:
1. Expenditure on advertisements ₹3 lakhs.
2. Expenditure on preparation of project report and the report was prepared by a concern which is approved by the Board ₹85,000.

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 223
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

(iii) He received royalty of ₹2,88,000 from abroad for a book authored by him on the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹40,000. The amount remitted to India till 30th September, 2024 is ₹2,30,000
(iv) Received 40,000 as interest on saving bank deposits.
(v) Received 47,000 as share of profit from an AOP where all the members are individual and which had paid the tax by normal rates of income tax.
(vi) He also sold his vacant land on 10.11.2023 for ₹10 lakhs. **The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4 lakhs.** This land was acquired by him on 05.08.1995 for ₹1.80 lakhs. He had incurred registration expenses of ₹10,000 at that time.
The cost of inflation index for the year 2023-24 and 2001-02 are 348 and 100 respectively.
(vii) He paid the following amounts, out of his taxable income:
(a) Insurance premium of ₹39,000 paid on life insurance policy of son, who is not dependent on him.
(b) Insurance premium of ₹48,000 on policy of his dependent father,
(c) Tuition fees of ₹42,000 for his three children to a school. The fees being ₹14,000 p.a. per child.

Solution:

Income under the head house property

Let out House

Gross annual value (Rent Received is taken as GAV)	2,28,000
Less: Municipal Taxes (60,000/2)	(30,000)
Net Annual value	1,98,000
Less: standard deduction @ 30% u/s 24(a)	(59,400)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head house property	1,38,600

Self - occupied house

Gross annual value	Nil
Less: Municipal Taxes (not allowed in case of self-occupied house)	Nil
Net Annual value	Nil
Less: standard deduction @ 30% u/s 24(a)	Nil
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head house property	Nil

Income under the head Business/Profession

Profit from Industry	25,00,000

Income under the head capital gains

Full value of consideration (as per section 50C)	14,00,000
(Since stamp duty value is exceeding 5% of actual consideration hence Stamp duty value shall be actual consideration)	
Less: Indexed cost of Acquisition	(13,92,000)
(4,00,000/100 X 348) (higher of actual cost and FMV as on 01.04.2001 shall be taken as COA)	
Long term capital gains (held for more than 24 months)	8,000

Income under the head other sources

Royalty income	2,88,000
Less: Expense on royalty	(40,000)

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 224

(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Royalty income	2,48,000
Interest on saving bank	40,000
Income under the head other sources	2,88,000
Gross Total Income	29,34,600
Less: Deduction u/s Chapter VI-A	Nil
Total Income	29,34,600
Computation of Tax Liability	
Tax on 8,000 @ 20% u/s 112	1,600.00
Tax on balance 29,26,600 at slab rate	5,77,980.00
Tax before Health and education cess	5,79,580.00
Add: HEC @4%	23,183.20
Tax Liability	6,02,763.20
Rounded off u/s 288B	6,02,760.00

Notes:

1. Taxability of BOI/AOP is not covered in syllabus, hence student can give any treatment. The above solution is given without taking into consideration the share from AOP. The provisions of AOP/BOI are given under section 67A/86/110/167B

NOV – 2020

Question 3 (a) **(8 Marks)**

Ms. Pooja a resident individual provides the following information of her income / losses for the year ended on 31st March, 2024:

S. No.	Particulars	(₹)
1	Income from salary (computed)	2,20,000
2	Income from house property (let out) (Net Annual Value)	1,50,000
3	Share of loss from firm in which she is a partner	10,000
4	Loss from specified business covered under section 35AD	20,000
5	Income from textile business before adjusting the following items: (a) Current year depreciation (b) Unabsorbed depreciation of earlier year (c) Brought forward loss of textile business of the A.Y. 2022-23	3,00,000 60,000 2,25,000 90,000
6	Long term capital gains on sale of debentures	75,000
7	Long term capital **loss** on sale of equity shares (STT not paid)	1,00,000
8	Long term capital gains on sale of equity shares listed in a recognized stock exchange (STT paid at the time of acquisition and sale)	1,50,000
9	Dividend from units of UTI	5,000

During the previous year 2023-24, Ms. Pooja has repaid ₹5,25,000 towards housing loan from a scheduled bank. Out of this ₹3,16,000 was towards payment of interest and rest towards principal.

Compute Gross total income of Ms. Pooja and ascertain the amount of loss that can be carried forward. Ms. Pooja has always filed her return within the due date specified under section 139(1) of the Income tax Act,1961. **(Optional Regime)**

Solution:

Computation of Gross Total Income of Ms. Pooja

Income under the head salary

Income from salary (computed)	2,20,000

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 297

(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

(c) 12,000

(d) 7,000

30. which of the statement is not correct from the following

(a) If the population is upto **15 lakhs**, taxable amount shall be **5%** of rent free accommodation salary

(b) If the population is more than **15 lakhs** but upto **40 lakhs**, taxable amount shall be **7.5%** of rent free accommodation salary

(c) If the population is more than **40 lakhs**, taxable amount shall be **10%** of rent free accommodation salary

(d) If the population is more than **40 lakhs**, taxable amount shall be 15% of rent free accommodation salary

Answer

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

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 317

(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

01.07.2008 – 30.06.2009 =	35,900 p.m.
01.07.2009 – 30.06.2010 =	36,200 p.m.
01.07.2010 – 30.06.2011 =	36,500 p.m.
01.07.2011 – 30.06.2012 =	37,000 p.m.
01.07.2012 – 30.06.2013 =	37,500 p.m.
01.07.2013 – 30.06.2014 =	38,000 p.m.
01.07.2014 – 30.06.2015 =	38,500 p.m.
01.07.2015 – 30.06.2016 =	39,000 p.m.
01.07.2016 – 30.06.2017 =	39,500 p.m.
01.07.2017 – 30.06.2018 =	40,000 p.m.
01.07.2018 – 30.06.2019 =	40,750 p.m.
01.07.2019 – 30.06.2020 =	41,500 p.m.
01.07.2020 – 30.06.2021 =	42,250 p.m.
01.07.2021 – 30.06.2022 =	43,000 p.m.
01.07.2022 – 30.06.2023 =	43,750 p.m.
01.07.2023 – 30.06.2024 =	44,500 p.m.

Dearness Allowance {11% of Basic Pay}	58,492.50
House Rent Allowance	36,000.00
Entertainment Allowance (600 x 12)	7,200.00
Professional Tax	2,400.00
Conveyance Allowance (6,000 – 1,200)	**4,800.00**
Gross Salary	**6,40,642.50**
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	**5,90,642.50**
Gross Total Income	**5,90,642.50**
Less: Deduction under Chapter VI-A	Nil
Total Income	**5,90,642.50**
Rounded off u/s 288A	**5,90,640.00**
Computation of Tax Liability	
Tax on **₹5,90,640** at slab rate	**14,532.00**
Less: Rebate u/s 87A	**(14,532.00)**
Tax Liability	Nil

CORRECTION IN INCOME TAX VOLUME 2 (49th Edition) PAGE NO. 332
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

(d) Clinic equipment' details are:

Opening W.D.V. of clinic equipments as on 01-04-2023 was ₹1,00,000 and fresh purchase made on 28-08-2023 is ₹25,000 which was paid in cash.

(e) She also paid tuition fee of ₹40,000 for her grand-daughter, which has been debited to her Capital A/c.

(f) She availed a loan of ₹8,00,000 from bank for higher education of her son. She repaid principal of ₹50,000 and interest of ₹ 26,000 during P.Y. 2023-24.

You are required to compute her net taxable income and net tax liability for the Assessment Year 2024-25 **under default regime**

Solution:

Computation of taxable income and tax liability of Mrs. Mitul for the Assessment year 2024-25

Income under the head salary	
Basic (13,000 x 12)	1,56,000
Transportation allowance (2,000 x 12)	24,000
Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite (clause (i) of proviso to section 17(2))]	Nil
Gross salary	1,80,000
Less: standard deduction u/s 16(ia) [Actual salary or 50,000, whichever is less]	(50,000)
Taxable salary	1,30,000
Less: Loss under the head house property	(11,500)
Income under the head salary	1,18,500
Income under the head house property	
First floor (let out)	
Gross Annual Value [Rent received is taken as GAV = 10,000 p.m. x 6 months]	60,000
Less: Municipal taxes paid by her in the P.Y.2023- 24 pertaining to let out portion [(₹5,000 + ₹5,000)/2], allowable since it is paid during the year, even if it relates to earlier years	(5,000)
Net Annual Value (NAV)	55,000
Less: 30% of 55,000 standard deduction u/s 24(a)	(16,500)
Less: Interest u/s 24(b) (60,000 + 40,000/2)	(50,000)
Loss from first floor	(11,500)
Ground floor (Self occupied)	
Net Annual Value	Nil
Less: 30% standard deduction u/s 24(a)	Nil
Less: Interest on housing loan for reconstruction u/s 24(b) ~~**(1,00,000/2) but limited to 30,000 (Not allowed to set off from other head as per section 115BAC)**~~	**Nil**
Loss from first Floor	(11,500)
Loss under the head house property	**(11,500)**
Income under the business profession	
Net Profit	8,59,000