

**CORRECTION IN INCOME TAX VOLUME 1 (51st Edition) PAGE NO. 31**

**(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)**

- (vii) Mr. X has LTCG ₹51,00,000 and income under the head House Property ₹205,00,000. Compute income and tax A.Y. 2025-26.
- (viii) Mr. X has LTCG ₹101,00,000 and income under the head House Property ₹204,00,000. Compute income and tax A.Y. 2025-26.
- (ix) Mr. X has LTCG 112A ₹101,00,000. Compute income and tax A.Y. 2025-26.
- (x) Mr. X has STCG 111A ₹300,00,000. Compute income and tax A.Y. 2025-26.
- (xi) Mr. X has dividend income ₹100,00,000 and income under the head House Property ₹300,00,000.
- (xii) Mr. X has LTCG ₹300,00,000 and deduction allowed under chapter VI-A ₹1,00,000
- (xiii) Mr. X has LTCG 112A ₹300,00,000 and deduction allowed under chapter VI-A ₹1,00,000
- (xiv) Mr. X has STCG 111A ₹300,00,000 and deduction allowed under chapter VI-A ₹1,00,000
- Compute income and tax A.Y. 2025-26.

**Solution:**

(i)

Income under the House Property	70,00,000.00
Income under the Capital Gains (LTCG 112)	100,00,000.00
Income under the Capital Gains (LTCG 112A)	50,00,000.00
Income under the Capital Gains (STCG 111A)	150,00,000.00
Gross Total Income	370,00,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	370,00,000.00

**Computation of Tax Liability**

Tax on normal income at slab rate	<b>17,90,000.00</b>
Tax on LTCG 112 ₹100,00,000 @ 12.5%	12,50,000.00
Tax on LTCG 112A (₹50,00,000 – ₹1,25,000) @ 12.5%	6,09,375.00
Tax on STCG 111A ₹150,00,000 @ 20%	30,00,000.00
Tax before Surcharge	66,49,375.00
Add: Surcharge @ 15%	9,97,406.25
Tax before health & education cess	76,46,781.25
Add: HEC @ 4%	3,05,871.25
Tax Liability	79,52,652.50
Rounded off u/s 288B	79,52,650.00

(ii)

Income under the House Property	220,00,000.00
Income under the Capital Gains (LTCG 112)	100,00,000.00
Income under the Capital Gains (LTCG 112A)	50,00,000.00
Income under the Capital Gains (STCG 111A)	150,00,000.00
Gross Total Income	520,00,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	520,00,000.00

**Computation of Tax Liability**

Tax on normal income at slab rate	62,90,000.00
Tax on LTCG ₹100,00,000 @ 12.5%	12,50,000.00
Tax on STCG 111A ₹150,00,000 @ 20%	30,00,000.00
Tax on LTCG 112A ₹48,75,000 (50,00,000-1,25,000) @ 12.5%	6,09,375.00
Tax before surcharge	1,11,49,375.00
Add: Surcharge @ 25% on ₹62,90,000	15,72,500.00
Add: Surcharge @ 15% on ₹48,59,375	7,28,906.25
Tax before HEC	134,50,781.25
Add: HEC @ 4%	5,38,031.25
Tax Liability	139,88,812.50
Rounded off u/s 288B	139,88,810.00

**CORRECTION IN INCOME TAX VOLUME 1 (51st Edition) PAGE NO. 36****(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED**

shall be taxable in excess of 1,25,000 @ **12.5%** and casual income @ **30%** and other incomes are also taxable @ **30%**.

Surcharge shall be applicable

- @ **7%** provided total income is exceeding **₹100 lakhs but it is upto ₹1000 lakhs**
- @ **12%** provided total income is exceeding **₹1000 lakhs**.

Marginal relief shall be allowed if income has exceeded ₹100 lakhs / 1000 lakhs

Health & education cess is applicable @ **4%**

Deductions under chapter VI-A shall be allowed in the normal manner.

**Example**

Compute the tax liability of X Ltd., a domestic company, assuming that the total income of X Ltd. is ₹1,01,00,000 and the total income does not include any income in the nature of capital gains.

**Answer**

Total income	1,01,00,000
Tax on @ 30%	30,30,000
Add: Surcharge @ 7%	2,12,100
Tax before marginal relief	32,42,100
Less: Marginal Relief	(1,42,100)

**Working Note:**

Tax + surcharge on income of ₹101,00,000	32,42,100
Tax on income of ₹100,00,000	(30,00,000)
Increase in tax	2,42,100
Increase in income	1,00,000
Marginal Relief (2,42,100 – 1,00,000)	1,42,100

Tax after marginal relief	31,00,000
Add: HEC @ 4%	1,24,000
Tax Liability	32,24,000

**Example**

Compute the tax liability of X Ltd., a domestic company, assuming that the total income of X Ltd. is ₹10,01,00,000 and the total income does not include any income in the nature of capital gains.

**Answer:**

Total income	10,01,00,000
Tax on @ 30%	300,30,000
Add: Surcharge @ 12%	36,03,600
Tax before marginal relief	336,33,600
Less: Marginal Relief	(14,33,600)

**Working Note:**

Tax + surcharge @ 12% on income of ₹10,01,00,000	336,33,600
Tax + surcharge @ 7% on income of ₹1000,00,000	(321,00,000)
Increase in tax	15,33,600
Increase in income	1,00,000
Marginal Relief (15,33,600 – 1,00,000)	14,33,600

Tax after marginal relief	322,00,000
Add: HEC @ 4%	12,88,000
Tax Liability	334,88,000

**Question 12: Write a note on taxability of income of Foreign company.**

**Answer: Foreign Company**

Long term capital gains are taxable @ **12.5%**, STCG u/s 111A shall be taxable @ **20%**, LTCG u/s 112A shall be taxable in excess of 1,25,000 @ **12.5%** and casual income @ **30%** and other incomes are taxable @ **35%**.

Surcharge shall be applicable

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(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

**(ix) Computation of Tax Liability**

Income under the head Business/profession	11,00,00,000
Total Income	11,00,00,000
Tax on ₹11,00,00,000 @ 30%	330,00,000
Add: Surcharge @ 12%	39,60,000
Tax before health & education cess	369,60,000
Add: HEC @ 4%	14,78,400
Tax Liability	384,38,400

**Illustration 10:** Presume in all the above situations the assessee is a foreign company.**Solution:**

₹

**(i) Computation of Tax Liability**

Income under the head Business/Profession	50,000
Total Income	50,000
<b>Tax on ₹50,000 @ 35%</b>	<b>17,500</b>
<b>Add: HEC @ 4%</b>	<b>700</b>
<b>Tax Liability</b>	<b>18,200</b>

**(ii) Computation of Tax Liability**

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
<b>Tax on ₹1,00,000 @ 35%</b>	<b>35,000</b>
<b>Add: HEC @ 4%</b>	<b>1,400</b>
<b>Tax Liability</b>	<b>36,400</b>

**(iii) Computation of Tax Liability**

Income under the head Business/Profession	500,00,000
Total Income	500,00,000
<b>Tax on ₹500,00,000 @ 35%</b>	<b>175,00,000</b>
<b>Add: Surcharge @ 2%</b>	<b>3,50,000</b>
<b>Add: HEC @ 4%</b>	<b>7,14,000</b>
<b>Tax Liability</b>	<b>185,64,000</b>

**(iv) Computation of Tax Liability**

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
<b>Tax on ₹100,00,000 @ 35%</b>	<b>35,00,000</b>
<b>Add: HEC @ 4%</b>	<b>1,40,000</b>
<b>Tax Liability</b>	<b>36,40,000</b>

**(v) Computation of Tax Liability**

Income under the head Capital Gains (long term capital gains)	50,000
Total Income	50,000
Tax on ₹50,000 @ 12.5%	6,250
Add: HEC @ 4%	250
Tax Liability	6,500

**(vi) Computation of Tax Liability**

Income under the head Capital Gains (long term capital gains)	200,00,000
Total Income	200,00,000
Tax on ₹200,00,000 @ 12.5%	25,00,000
Add: Surcharge @ 2%	50,000
Add: HEC @ 4%	1,02,000

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Tax Liability	26,52,000
<b>(vii) Computation of Tax Liability</b>	
Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 12.5%	62,500
Add: HEC @ 4%	2,500
Tax Liability	65,000
<b>(viii) Computation of Tax Liability</b>	
Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 12.5%	1,27,500
Add: HEC @ 4%	5,100
Tax Liability	1,32,600
<b>(ix) Computation of Tax Liability</b>	
Income under the head Business/profession	11,00,00,000
Total Income	11,00,00,000
<b>Tax on ₹11,00,00,000 @ 35%</b>	<b>385,00,000</b>
<b>Add: Surcharge @ 5%</b>	<b>19,25,000</b>
<b>Tax before health &amp; education cess</b>	<b>404,25,000</b>
<b>Add: HEC @ 4%</b>	<b>16,17,000</b>
<b>Tax Liability</b>	<b>420,42,000</b>

**Problem 5:**

Compute tax liability of ABC Ltd. a domestic company in the following situations for assessment year 2025-26:

- (i) The company has income under the head Business/Profession ₹70,000.
- (ii) The company has income under the head Business/Profession ₹150,00,000.
- (iii) The company has income under the head Business/Profession ₹6,00,000.
- (iv) The company has income under the head Business/Profession ₹10,30,000.
- (v) The company has long term capital gains of ₹700,00,000.
- (vi) The company has long term capital gains of ₹1,50,000.
- (vii) The company has long term capital gains of ₹6,00,000.
- (viii) The company has long term capital gains of ₹10,30,000.
- (ix) The company has casual income ₹400,00,000.

**Answer =** (i) Tax Liability: ₹21,840; (ii) ₹50,07,600; (iii) ₹1,87,200; (iv) ₹3,21,360; (v) ₹97,37,200; (vi) ₹19,500; (vii) ₹78,000; (viii) ₹1,33,900; (ix) ₹133,53,600

(b) Presume all the above situations the company is a foreign company.

**Answer =** (i) **Tax Liability: ₹25,480; (ii) ₹55,69,200; (iii) ₹2,18,400; (iv) ₹3,74,920;** (v) ₹92,82,000; (vi) ₹19,500; (vii) ₹78,000; (viii) ₹1,33,900; (ix) ₹127,29,600

**Question 14: Write a note on Computation of Tax Liability of HUF.****Answer: Tax liability of Hindu undivided family**

Hindu undivided family means any family which is Hindu by religion and its senior most male member is called karta and karta is responsible for control and management of HUF. Parental property / business etc received by karta shall be considered to be common property and taxability shall be as given below: Normal income of Hindu undivided family shall be computed at the normal slab rate as given below:

Income shall be taxable at the slab rates given below:

If total Income upto ₹3,00,000	Nil
On next ₹4,00,000	5%

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**Note: Rebate u/s 87A is not allowed in case of non- resident.**

(x)	
Total income	5,20,000
On first ₹3,00,000	Nil
On next ₹2,20,000 @ 5%	11,000
Tax before Rebate	11,000
Less: Rebate u/s 87A	(Nil)
Tax before HEC	11,000
Add: HEC @ 4%	440
Tax Liability	11,440

**Note: Rebate u/s 87A is not allowed in case of non- resident.****Solution 4:**

(i)	
Income under the House Property	1,00,000.00
Income under the Capital Gains (LTCG)	2,00,000.00
Income under the Capital Gains (STCG 111A)	5,00,000.00
Gross Total Income	8,00,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	8,00,000.00

**Computation of Tax Liability**

Tax on normal income Nil at slab rate (1,00,000-1,00,000)	Nil
<b><i>Tax on STCG 111A 3,00,000 (5,00,000-2,00,000) @ 20%</i></b>	<b><i>60,000.00</i></b>
<b><i>Tax on LTCG 2,00,000 @ 12.5%</i></b>	<b><i>25,000.00</i></b>
<b><i>Less: Rebate u/s 87A</i></b>	<b><i>Nil</i></b>
<b><i>Tax before health &amp; education cess</i></b>	<b><i>85,000.00</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>3,400.00</i></b>
<b><i>Tax Liability</i></b>	<b><i>88,400.00</i></b>

(ii)	
Income under the House Property	50,000.00
Income under the Capital Gains (LTCG)	1,00,000.00
Income under the Capital Gains (STCG 111A)	50,000.00
Income under the Capital Gains (LTCG 112A)	8,00,000.00
Gross Total Income	10,00,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	10,00,000.00

**Computation of Tax Liability**

Tax on normal income Nil at slab rate (50,000-50,000)	Nil
Tax on LTCG Nil (1,00,000-1,00,000) @ 12.5%	Nil
Tax on STCG 111A Nil (50,000-50,000) @ 20%	Nil
Tax on LTCG 112A 5,75,000 (8,00,000-1,00,000-1,25,000) @ 12.5%	71,875.00
Less: Rebate u/s 87A	Nil
Tax before health & education cess	71,875.00
Add: HEC @ 4%	2,875.00
Tax Liability	74,750.00

(iii)	
Income under the House Property	50,000.00
Income under the Capital Gains (LTCG)	1,00,000.00
Income under the Capital Gains (STCG 111A)	50,000.00

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Total Income	700,00,000
Tax on ₹700,00,000 @ 12.5%	87,50,000
Add: Surcharge @ 7%	6,12,500
Add: HEC @ 4%	3,74,500
Tax Liability	97,37,000

***(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 @ 12.5%	18,750
Add: HEC @ 4%	750
Tax Liability	19,500

***(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 @ 12.5%	75,000
Add: HEC @ 4%	3,000
Tax Liability	78,000

***(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 @ 12.5%	1,28,750
Add: HEC @ 4%	5,150
Tax Liability	1,33,900

***(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 5(b):**

₹

***(i) Computation of Tax Liability***

Income under the head Business/Profession	70,000
Total Income	70,000
<b><i>Tax on ₹70,000 @ 35%</i></b>	<b><i>24,500</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>980</i></b>
<b><i>Tax Liability</i></b>	<b><i>25,480</i></b>

***(ii) Computation of Tax Liability***

Income under the head Business/Profession	150,00,000
Total Income	150,00,000
<b><i>Tax on ₹150,00,000 @ 35%</i></b>	<b><i>52,50,000</i></b>
<b><i>Add: Surcharge @ 2%</i></b>	<b><i>1,05,000</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>2,14,200</i></b>
<b><i>Tax Liability</i></b>	<b><i>55,69,200</i></b>

***(iii) Computation of Tax Liability***

Income under the head Business/Profession	6,00,000
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Total Income	6,00,000
<b><i>Tax on ₹6,00,000 @ 35%</i></b>	<b><i>2,10,000</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>8,400</i></b>
<b><i>Tax Liability</i></b>	<b><i>2,18,400</i></b>
<b><i>(iv) Computation of Tax Liability</i></b>	
Income under the head Business/Profession	10,30,000
Total Income	10,30,000
<b><i>Tax on ₹10,30,000 @ 35%</i></b>	<b><i>3,60,500</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>14,420</i></b>
<b><i>Tax Liability</i></b>	<b><i>3,74,920</i></b>
<b><i>(v) Computation of Tax Liability</i></b>	
Income under the head Capital Gains (long term capital gains)	700,00,000
Total Income	700,00,000
Tax on ₹700,00,000 @ 12.5%	87,50,000
Add: Surcharge @ 2%	1,75,000
Add: HEC @ 4%	3,57,000
Tax Liability	92,82,000
<b><i>(vi) Computation of Tax Liability</i></b>	
Income under the head Capital Gains (long term capital gains)	1,50,000
Total Income	1,50,000
Tax on ₹1,50,000 @ 12.5%	18,750
Add: HEC @ 4%	750
Tax Liability	19,500
<b><i>(vii) Computation of Tax Liability</i></b>	
Income under the head Capital Gains (long term capital gains)	6,00,000
Total Income	6,00,000
Tax on ₹6,00,000 @ 12.5%	75,000
Add: HEC @ 4%	3,000
Tax Liability	78,000
<b><i>(viii) Computation of Tax Liability</i></b>	
Income under the head Capital Gains (long term capital gains)	10,30,000
Total Income	10,30,000
Tax on ₹10,30,000 @ 12.5%	1,28,750
Add: HEC @ 4%	5,150
Tax Liability	1,33,900
<b><i>(ix) Computation of Tax Liability</i></b>	
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 6:****(i)*****Computation of Total Income***

Income under the head House Property	7,20,000.00
Gross Total Income	7,20,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	7,20,000.00
Agricultural Income	5,00,000.00

***Computation of Tax Liability***

Normal income 7,20,000	
Step 1. Tax on (7,20,000 + 5,00,000) at slab rate	84,000.00
Step 2. Tax on (₹3,00,000 + 5,00,000) at slab rates	(30,000.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	54,000.00
<b><i>Less: Marginal Relief</i></b>	<b><i>9,000.00</i></b>

***Step 1. Tax on (7,20,000 + 5,00,000) at slab rate***      ***84,000.00******Step 2. Tax on (₹3,00,000 + 5,00,000) at slab rates***      ***(30,000.00)******Step 3. Deduct Tax at Step 2 from Tax at Step 1***      ***54,000.00******Less: Rebate u/s 87A***      ***(25,000.00)******Balance amount of Tax***      ***29,000.00******Increase in Tax 54,000 – 25,000 = 29,000******Increase in income***      ***20,000******Marginal Relief***      ***9,000******Tax before health & education cess***      ***45,000.00******Add: HEC @ 4%***      ***1,800.00******Tax Liability***      ***46,800.00*****(ii)*****Computation of Total Income***

Income under the head House Property	15,00,000.00
Gross Total Income	15,00,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	15,00,000.00
Agricultural Income	10,00,000.00

***Computation of Tax Liability***

Normal income 15,00,000	
Step 1. Tax on (15,00,000 + 10,00,000) at slab rate	4,40,000.00
Step 2. Tax on (₹3,00,000 + 10,00,000) at slab rates	(1,00,000.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	3,40,000.00
Less: Rebate u/s 87A	(Nil)
Tax before health & education cess	3,40,000.00
Add: HEC @ 4%	13,600.00
Tax Liability	3,53,600.00

**(iii)*****Computation of Total Income***

Income under the head House Property	3,00,000.00
Gross Total Income	3,00,000.00
Less: Deduction under chapter VI-A	Nil
Total Income	3,00,000.00
Agricultural Income	5,00,000.00

There will be no partial Integration as normal income is upto the exemption limit and Tax Liability is Nil.



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**(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)**

**Illustration 6:** A partnership firm made the following payments of advance tax during the financial year 2025-26:

	₹
Upto June 15, 2024	4,15,000
Upto September 15, 2024	8,25,000
Upto December 15, 2024	16,64,000
Upto March 15, 2025	26,23,000

Return of income filed by the firm is ₹88,00,000 under the head “profits and gains of business or profession” and ₹9,50,000 by way of long term capital gains on sale of a property effected on December 1, 2024. What is the interest payable by the assessee under section 234B and section 234C for assessment year 2025-26? Assume that the return of income was filed on 31.10.2025 i.e. the due date and tax was fully paid on self assessment.

**Solution:**

**Computation of Tax Liability**

	₹
Business income	88,00,000
Long term capital gains	9,50,000
Total Income	97,50,000
Tax on ₹88,00,000 @ 30%	26,40,000
Tax on ₹9,50,000 @ 12.5%	1,18,750
Add: HEC @ 4%	1,10,350
Tax Liability	28,69,100
(Tax liability excluding capital gains ₹97,50,000 - ₹9,50,000 = ₹88,00,000 x 30% + HEC@ 4%)	27,45,600)

**Interest u/s 234C**

Since capital gains arises on 1<sup>st</sup> December 2024, installment for 15<sup>th</sup> June and 15<sup>th</sup> September shall be checked without including tax on capital gain and shall be as given below:

	Amount payable ₹	Amount actually paid ₹	Shortfall ₹
Upto 15.06 2024 (27,45,600 x 15%)	4,11,840	4,15,000	NIL
Interest u/s 234C = Nil			
Upto 15.09 2024 (27,45,600 x 45%)	12,35,520	8,25,000	4,10,520
Rounded off under rule 119A = 4,10,500			
Interest u/s 234C = 4,10,500 x 1% x 3 month = 12,315			

Installments for 15<sup>th</sup> December and 15<sup>th</sup> March shall be including tax on capital gains and is as given below:

Upto 15.12.2024 (28,69,100 x 75%)	21,51,825	16,64,000	4,87,825
Interest u/s 234C = 4,87,800 x 1% x 3 month = 14,634			
Upto 15.03.2025 (28,69,100 x 100%)	28,69,100	26,23,000	2,46,100
Interest u/s 234C = 2,46,100 x 1% x 1 month = 2,461			

Total Interest u/s 234C ₹29,410

~~***Interest u/s 234B (01-04-2025 to 31-10-2025)***~~

~~***2,46,100 x 1% x 7***~~ ~~***₹17,227***~~

**Section 234B is not applicable as advance tax paid is more than 90% of actual tax liability.**

**Rounding off for the purpose of calculating Interest Rule 119A**

As per rule 119A, the principal amount shall be rounded off in the multiples of ₹100 and for this purpose any fraction of ₹100 shall be ignored. E.g. ₹1,60,275 shall be rounded off as 1,60,200.

**Illustration 7:** ABC Ltd. has paid advance tax for the previous year 2024-25 as given below:

1. Upto 15.06.2024 ₹ 50,000

**CORRECTION IN INCOME TAX VOLUME 1 (51st Edition) PAGE NO. 98****(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)**

section 6(6)(a) and he is not able to comply second condition of section 6(6)(a) also i.e. non-resident in atleast 9 years out of 10 years preceding the relevant previous year. hence he is ROR.

**Illustration 4:** Mr. X an American citizen has come to India for the first time on 01.07.2021 as an executive of a multinational company. His employer has allowed him to visit USA every year and for this purpose he will be leaving India every year on 1<sup>st</sup> November and shall come back on 31<sup>st</sup> December, besides that he has visited Hong Kong on several occasions in connection with the official work, because he is looking after the employer's operations in Hong Kong also, with details asunder:

<b>Date of leaving India</b>	<b>Date of arriving in India</b>
10.09.2021	30.09.2021
07.02.2022	08.05.2022
<b>11.07.2022</b>	21.10.2022
10.02.2023	23.07.2023
11.02.2024	12.06.2024
01.02.2025	10.04.2025

Determine his residential status for the previous years 2021-22 to 2024-25.

**Solution:****Previous Year 2021-22**

{July – 31, August – 31, September – 11, October – 31, November – 1, December – 1, January – 31, February – 7}

Days of stay in India are 144

As per section 6(1), Stay in India is less than 182 days but more than 60 days during the relevant previous year but Stay in India is less than 365 days during 4 years preceding the relevant previous year, hence he is not complying even a single condition of section 6(1) hence he is Non – resident.

**Previous Year 2022-23**

{May – 24, June – 30, July – 11, October – 11, November – 1, December – 1, January – 31, February – 10}

Days of stay in India are 119.

As per section 6(1), Stay in India is less than 182 days but more than 60 days during the relevant previous year but Stay in India is less than 365 days during 4 years preceding the relevant previous year, hence he is not complying even a single condition of section 6(1) hence he is Non – resident.

**Previous Year 2023-24**

{July – 9, August – 31, September – 30, October – 31, November – 1, December – 1, January – 31, February – 11}

Days of stay in India are 145

As per section 6(1), Stay in India is less than 182 days but more than 60 days during the relevant previous year but Stay in India is less than 365 days during 4 years preceding the relevant previous year, hence he is not complying even a single condition of section 6(1) hence he is Non – resident.

**Previous Year 2024-25**

{June – 19, July – 31, August – 31, September – 30, October – 31, November – 1, December – 1, January – 31, February – 1}

Days of stay in India are 176. During the preceding 4 years, his stay is for 365 days or more so he is resident. His stay during 7 years is 729 days or less, hence he is resident but not ordinarily resident.

**Illustration 5:** Mr. X, the Australian cricketer comes to India for 105 days every year. Find out his residential status for the A.Y. 2025-26.

**Solution:** He has complied with condition of 60 + 365 days hence he is resident further stay in 7 years is more than 729 days and also condition of non-resident in 9 years out of 10 years is not complied with hence he is ROR.

**Illustration 6:** Mr. X, a Canadian citizen, comes to India for the first time during the P.Y.2020-21. During the financial years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25 he was in India for 55 days, 60 days, 90 days, 150 days and 70 days respectively. Determine his residential status for the A.Y.2025-26.

**CORRECTION IN INCOME TAX VOLUME 1 (51st Edition) PAGE NO. 144**  
**(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)**

**MAY – 2011 (3 Marks)**

Miss Vivitha paid a sum of 5000 USD to Mr. Kulasekhara, a management consultant practicing in Colombo, specializing in project financing. The payment was made in Colombo. Mr. Kulasekhara is a non-resident. The consultancy related to a project in India with possible Ceylonese collaboration. Is this payment chargeable to tax in India in the hands of Mr. Kulasekhara, since the services were used in India?

**Answer:** 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 instant case, since the services were utilized in India, the payment received by Mr. Kulasekhara, a non-resident, in Colombo is chargeable to tax in his hands in India, as it is deemed to accrue or arise in India.

**NOV – 2009 (4 Marks)**

Determine the taxability of income of US based company ABC Ltd., in India on entering following transactions during the financial year 2024-25:

- (i) ₹5 lacs received from an Indian domestic company for providing technical know how in India.
- (ii) ₹6 lacs from an Indian firm for conducting the feasibility study for the new project in Finland.
- (iii) ₹4 lacs from a non-resident for use of patent for a business in India.
- (iv) ₹8 lacs from a non-resident Indian for use of know how for a business in Singapore.
- (v) ₹10 lacs for supply of manuals and designs for the business to be established in Singapore.

Explain the rate of tax applicable on taxable income for US based company, ABC Ltd., in India.

**Answer:** A non resident is chargeable to tax in India in respect of following incomes:

- (i) Income received or deemed to be received in India.
- (ii) Income accruing or arising or deemed to accrue or arise in India.

In view of the above provisions, taxability of income is determined in following manner:

<b>S. No.</b>	<b>Transaction details</b>	<b>Amount (₹)</b>
(i)	Amount received from an Indian domestic company for providing technical know how in India is taxable in India	5 Lacs
(ii)	Conducting the feasibility study for the new project in Finland for the Indian firm is not taxable in India as it is for the business outside India.	Nil
(iii)	Money received from a non resident for use of patent for a business in India is taxable in India	4 Lacs
(iv)	Money received from a non resident Indian for use of know-how for a business in Singapore is for the business outside India, therefore not taxable in India.	Nil
(v)	Payment received for supply of manuals and designs for the business to be established in Singapore is not taxable in India.	Nil
	<b>Total Income in India</b>	<b>9 Lacs</b>

The basic normal rate applicable for the US based company who is a foreign company is **35%** In case the taxable income is more than 1 crore but upto ₹10 crore in the previous year, the surcharge @ 2% is applicable. The HEC is payable @ 4%.

**MAY – 1998 (4 Marks)**

Mr. Nixon, an American citizen, is appointed by a multi-national company to its branch in New Delhi in 2021. Mr. Nixon has never been to India before this appointment. He arrives in Bombay on 15<sup>th</sup> April, 2021 and joins the New Delhi office on 20<sup>th</sup> April, 2021. His wife and children join him in India on 20<sup>th</sup> October, 2021. The company allotted him a leased residence for purposes of his stay. This residence is occupied by him from the beginning of October, 2021.

On 10<sup>th</sup> February, 2022, he is transferred by his employer, on deputation basis, to be the Regional Chief of his employer's operations in South East Asia having headquarters in Hongkong. He leaves New Delhi on 11<sup>th</sup> February and arrives in Hongkong on 12<sup>th</sup> February, 2022. Mr. Nixon leaves behind his wife and children in India till 14<sup>th</sup> August, 2023, when they leave along with him for Hongkong. Mr. Nixon had come

**CORRECTION IN INCOME TAX VOLUME 1 (51st Edition) PAGE NO. 177****(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)**

- (b) ₹ 3,00,000
- (c) ₹ 2,50,000
- (d) ₹ 2,90,000

**10. A borrowed ₹5,00,000 @ 12% p.a. on 1-4-2020 for construction of house property which was completed on 15-3-2024. The amount is still unpaid. The deduction of interest for previous year 2024-25 shall be :**

- (a) ₹60,000
- (b) ₹96,000
- (c) ₹1,80,000
- (d) ₹2,40,000

**11. Ms. Padmaja let out a property for ₹20,000 per month during the year 2024-25. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid ₹60,000 as municipal tax which included arrears of municipal tax of ₹45,000. Her income from house property is —**

- (a) ₹1,80,000
- (b) ₹1,57,500
- (c) ₹1,26,000
- (d) ₹1,36,500

**12. The construction of a house was completed on 31st January, 2025. The owner of the house took a loan of ₹20,00,000 @ 6% p.a. on 1st May, ~~2023~~ 2024. In this case the deduction allowable for the previous year 2024-25 towards interest on borrowings is —**

- (a) 22,000
- (b) 24,000
- (c) 1,10,000
- (d) None of the above.

**13. Standard Deduction u/s 24(a) shall be**

- (a) 25% of NAV
- (b) 30% of NAV
- (c) 25% of GAV
- (d) 30% of GAV

**14. GAV shall be**

- (a) Higher of expected rent and rent received/receivable
- (b) Lower of expected rent and rent received/receivable
- (c) Higher of municipal value and fair rent
- (d) NAV minus municipal taxes

**15. Expected rent shall be**

- (a) Higher of municipal value and fair rent but restricted to Standard rent
- (a) Lower of municipal value and fair rent but maximum to Standard rent
- (c) Higher of municipal value and fair rent
- (d) Lower of municipal value and fair rent

**16. Prior Period Interest shall be allowed in**

- (a) 5 annual equal installments
- (a) 4 annual equal installments
- (c) 3 annual equal installments
- (d) 2 annual equal installments

**17. The Ceiling limit of deduction u/s 24(b) in respect of interest on loan taken for let out property shall be**

- (a) ₹ 30,000 p.a.
- (a) ₹ 1,50,000 p.a.
- (c) ₹ 2,00,000 p.a.
- (d) No limit

**18. Recovery of unrealized rent shall be taxable under the head**

- (a) House Property
- (b) Business/Profession

**CORRECTION IN INCOME TAX VOLUME 1 (51st Edition) PAGE NO. 262****(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)**

**Illustration 1:** ABC Ltd. an Indian company has agricultural income ₹350 lakhs and company has distributed dividend of ₹60 lakhs to its shareholders and one of the shareholder Mr. X has received dividend of ₹7,00,000. Compute tax liability of the company and tax liability of shareholder.

**Solution:**

Tax liability of ABC Ltd. Shall be nil as per section 10(1),

Tax liability of shareholder shall be as given below:

Tax on ₹7,00,000 at slab rate	20,000
Less: Rebate u/s 87A	(20,000)
Tax Liability	Nil

(b) Presume it is foreign company.

**Solution:**

It is a foreign company, its tax liability shall be nil and tax liability of shareholder shall be as given below:

Tax on ₹7,00,000 at slab rate	20,000
Less: Rebate u/s 87A	(20,000)
Tax Liability	Nil

(c) Presume it is Indian company and income is from business and not from agriculture.

**Solution:**

**Tax liability of the company shall be as given below:**

Profit before tax	350,00,000.00
Income tax on ₹350,00,000 @ 30%	105,00,000.00
Add: Surcharge @ 7%	7,35,000.00
Add: HEC @ 4%	4,49,400.00
Income tax liability	116,84,400.00

**Tax liability of the shareholder shall be as given below:**

Tax on ₹7,00,000 at slab rate	20,000
Less: Rebate u/s 87A	(20,000)
Tax Liability	Nil

(d) Presume it is foreign company and income is from business and not from agriculture

**Solution:**

**Tax liability of the company shall be as given below:**

Profit before tax	350,00,000.00
<b>Income tax on ₹350,00,000 @ 35%</b>	<b>122,50,000.00</b>
<b>Add: Surcharge @ 2%</b>	<b>2,45,000.00</b>
<b>Add: HEC @ 4%</b>	<b>4,99,800.00</b>
<b>Income tax liability</b>	<b>129,94,800.00</b>

**Tax liability of the shareholder shall be as given below:**

Dividend from foreign company	7,00,000
Tax on ₹7,00,000 at slab rate	20,000
Less: Rebate u/s 87A	(20,000)
Tax Liability	Nil

**Payments received by a partner from the partnership firm**

If any partnership firm has agricultural income, it will be exempt from income tax and if partnership firm has paid any salary or interest to the partners, it will be considered to be agricultural income to the partners as decided in **R.M. Chidambaram Pillai v CIT (SC)**

If any partner has received any share out of profits of partnership firm, it will be exempt under section 10(2A) and it do not matter whether partnership firm has agricultural income or non-agricultural income.

If partnership firm has non-agricultural income, salary or interest received by a partner from the partnership firm shall be considered to be their income under the head business/profession as per section 28 and shall be taxable in the hands of partner e.g. XY partnership firm has two partners Mr. X and Mr. Y and profit sharing ratio is 1:1 and the firm has agricultural income ₹300 lakhs without debiting salary or interest to the partners. The firm has paid salary of ₹8 lakh to each of the partner and interest of ₹4 lakh to each of the partner. Mr. X has income under the head house property ₹6 lakh and Mr. Y has income under the head house property ₹7 lakh. Compute tax liability of the firm and also that of partners.

## PRACTICE PROBLEMS

### *TOTAL PROBLEMS 6*

#### **Problem 1.**

Mr. X has income from business of owning and maintaining race camels ₹60,000, loss from owning and maintaining race horses ₹7,000 and income from horse races ₹7,000. He has brought forward business loss of ₹7,000 of the assessment year 2014-15 and brought forward business loss of ₹7,000 of the assessment year 2020-21.

Compute his tax liability for the assessment year 2025-26.

**Answer** = Total Income: ₹60,000; Tax Liability: Nil; Carry forward loss from owning and maintaining race horses: ₹7,000

#### **Problem 2.**

Mr. X has income from owning and maintaining of race horses ₹ 4 lakhs and loss from horse races ₹ 10 lakhs. Determine his tax liability for the assessment year 2025-26.

**Answer** = Tax Liability: Nil

#### **Problem 3.**

Mr. X has loss from owning and maintaining of race horses ₹4 lakhs and income from owning and maintaining of race camels ₹4 lakhs.

Determine his tax liability for the assessment year 2025-26.

**Answer** = Tax Nil; Carry forward loss from owning and maintaining of race horses: ₹4,00,000

#### **Problem 4.**

Find the tax liability of Mrs. X (age 40 years), a resident individual, for the assessment year 2025-26. From the following particulars of her incomes and spending for the previous year ending March 31<sup>st</sup>, 2025.

	<b>₹</b>
Income from house property (Computed)	90,000
Dividend from UTI	35,000
Family pension (gross)	90,000
Interest on bank FD (gross)	14,000
Dividend from foreign company	36,000
Gift received from her sister	26,000
Winnings from lotteries (gross)	70,000
Long-term capital gain	1,20,000
Payment for purchase of National Savings Certificates	35,000

***Answer = Tax Liability: ₹3,640***

#### **Problem 5.**

Mr. X has submitted information given below.

- i) Income from owning and maintaining of race horse ₹2,00,000.
- ii) Income from owning and maintaining of race camels ₹1,00,000.
- iii) He had winning of ₹1,60,000 from horse race on 01.12.2024 and winning from camel race ₹1,80,000 on 07.12.2024.
- iv) He purchased lottery tickets of ₹10,000 on 01.02.2025 and had winning of ₹2,00,000 on 12.02.2025.
- v) He has received Royalty of book of literary nature @ 50% of print price of ₹ 600 and total copies sold are 2,000
- vi) He has paid advance tax as given below:
 

Upto 15.06.2024	₹ 20,000
Upto 15.09.2024	₹ 35,000



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(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Exempt = 1/3 of pension or ₹25,000, whichever is less
Taxable = ₹65,000

Interest on bank FD	14,000
Dividend from foreign company	36,000
Winning from lottery	70,000
Income under the head Other Sources	2,20,000
Income under the head Capital Gains (LTCG)	1,20,000
Gross Total Income	4,30,000
Less: Deduction under Chapter VI-A	Nil
Total Income	4,30,000
<b>Computation of Tax Liability</b>	
<b><i>Tax on Long term capital gain ₹60,000 (1,20,000 – 60,000) @ 12.5% u/s 112</i></b>	<b><i>7,500</i></b>
Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
Tax on <b><i>₹2,40,000</i></b> at slab rate	Nil
Less: Rebate u/s 87A	(25,000)
<b><i>Tax before health &amp; education cess</i></b>	<b><i>3,500</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>140</i></b>
<b><i>Tax Liability</i></b>	<b><i>3,640</i></b>

**Solution 5:****Computation of Total Income for the A.Y 2025-26**

₹

**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 under Chapter VI-A	Nil
Total Income	14,40,000

**Computation of Tax Liability**

Tax on ₹9,00,000 at slab rate	40,000
Tax on casual income i.e. ₹5,40,000 @ 30%	1,62,000
Tax before health & education cess	2,02,000
Add: HEC @ 4%	8,080
Tax Liability	2,10,080

Tax Liability excluding amount of casual income

Tax on ₹ 9,00,000 at slab rate	40,000
Add: HEC @ 4%	1,600
Total	41,600

Tax Liability including amount of casual income upto 15.12.2024

Tax on ₹ 9,00,000 at slab rate	40,000
Tax on casual income i.e. ₹ 3,40,000 @ 30%	1,02,000
Tax before health & education cess	1,42,000
Add: HEC @ 4%	5,680
Total	1,47,680

**Interest u/s 234A**

Nil

**Interest u/s 234B**

2,10,080 – 1,30,000 = 80,080 = 80,000 x 1% x 3

2,400