

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	17,90,000.00
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

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

(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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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
<i>Less: Marginal Relief</i>	<i>9,000.00</i>

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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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 1st December 2024, installment for 15th June and 15th 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 15th December and 15th 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

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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 1st November and shall come back on 31st 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:

Date of leaving India	Date of arriving in India
10.09.2021	30.09.2021
07.02.2022	08.05.2022
11.07.2022	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.

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- (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

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 31st, 2025.

	₹
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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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
Computation of Tax Liability	
<i>Tax on Long term capital gain ₹60,000 (1,20,000 – 60,000) @ 12.5% u/s 112</i>	<i>7,500</i>
Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
Tax on <i>₹2,40,000</i> at slab rate	Nil
Less: Rebate u/s 87A	(25,000)
<i>Tax before health & education cess</i>	<i>3,500</i>
<i>Add: HEC @ 4%</i>	<i>140</i>
<i>Tax Liability</i>	<i>3,640</i>

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