

CORRECTION IN INCOME TAX VOLUME 2 (50th Edition) PAGE NO. 26
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

(ii)	Income from House Property	
	- House in Delhi	22,000
	- House in Chennai	(-) 2,60,000
	- House in Mumbai	(-) 20,000
(iii)	Profit and gains from business of profession	
	- Textile business	18,000
	- Cosmetics business	(-) 22,000
	- Speculative business – 1	(-) 74,000
	- Speculative business – 2	46,000
(iv)	Capital gains	
	Short term capital loss from sale of property	(-) 16,000
	Long term capital gains from sale of property	15,400
(v)	Income from other sources (Computed)	
	- Income from betting	34,000
	- Income from Card games	46,000
	- Loss on maintenance of race horses	(-) 14,600

Determine the gross total income of Mr. X for the assessment year 2024-25 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC

Solution:

Computation of Gross Total Income of Mr. X for A.Y. 2024-25

Particulars	Amount	Amount
Salaries		
Income from salary (computed)	2,22,000	
Less: Set-off of loss from house property of ₹ 2,58,000 to the extent of ₹ 2 lakhs under section 71(3A)	(2,00,000)	22,000
Income from house property		
- House in Delhi	22,000	
- House in Chennai	(2,60,000)	
- House in Mumbai	(20,000)	
	(2,58,000)	
Loss upto ₹ 2 lakhs can be set off against income from salary.		
Loss of ₹ 58,000 from house property has to be carried forward to A.Y.2025-26.		
Profits and gains from business or profession		
Profits from Speculative business – 2	46,000	
Less: Loss of ₹ 74,000 from speculation business - 1 set off to the extent of profits of ₹ 46,000 as per section 73 from another speculation business. Loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business.	(46,000)	
		-

CORRECTION IN INCOME TAX VOLUME 2 (50th Edition) PAGE NO. 27
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Hence, the balance loss of ₹ 28,000 from speculative business has to be carried forward to A.Y.2025-26.		
Profits from textile business	18,000	
Less: Loss from cosmetic business of ₹ 22,000 set off against profits from textile business to the extent of ₹ 18,000 as per section 70.	(18,000)	-
Balance loss of ₹ 4,000 from cosmetic business has to be carried forward to A.Y.2024-25, since the same cannot be set-off against salary income.		
Capital Gains	15,400	
Long term capital gain from sale of property		
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long- term capital gains to the extent of ₹ 15,400 as per section 74(1).	(15,400)	-
Balance short term capital loss of ₹ 600 has to be carry forward to A.Y.2025-26		
Income from Other Sources		
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	
Loss on activity of owning and maintenance of race horses [Loss incurred on activity of owning and maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss of ₹ 14,600 has to be carried forward to A.Y.2025-26]	<u>Nil</u>	
Gross Total Income		<u>80,000</u> <u>1,02,000</u>

NOV – 2019 (NEW COURSE)

Question.4. (b)

(5 Marks)

Following are the details of incomes/ losses of Mr. Rishi for the F.Y. 2023-24:

(Figures in brackets represents losses)	₹
Taxable salary income (computed)	3,60,000
Taxable income from house property (computed)	
- from rented house property X	1,20,000
- from rented house property Y	(3,40,000)
Taxable profit from business (computed)	
- business P	2,30,000
- business Q	(12,000)
- business R (speculative business)	15,000
- business T (speculative business)	(25,000)
Taxable Income from other sources:	

CORRECTION IN INCOME TAX VOLUME 2 (50th Edition) PAGE NO. 79

(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Compute his tax liability for assessment year 2024-25.

Solution:

₹

Computation of Capital Gains under section 45(5)

Capital gains shall be computed in the year of compulsory acquisition i.e. in the previous year 2014-15

Full value of consideration	25,00,000.00
Less: W.d.v of the building	(10,38,000.00)
Short Term Capital Gain	14,62,000.00

Computation of capital gains and tax liability for the assessment year 2024-25

Capital gain shall be taxed in the year in which payment has been given by the Government i.e. in the previous year 2023-24

Short Term Capital Gain	14,62,000.00
Less: Exemption u/s 54D	(6,00,000.00)
Short Term Capital Gain	8,62,000.00
Income under the head Capital Gain (STCG)	8,62,000.00
Gross Total Income	8,62,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	8,62,000.00

Computation of Tax Liability

Tax on ₹8,62,000 at slab rate	41,200.00
Add: HEC @ 4%	1,648.00
Tax Liability	42,848.00
Rounded off u/s 288B	42,850.00

Question 26 [V. Imp.]: Write a note on exemption under section 54EC.**Answer: Capital gain not to be charged on investment in certain bonds Section 54EC****1. Assessee:** Exemption is allowed to **all the assessee.****2. Asset:** The assessee can transfer **any land or building.****3. Type of capital gain:** It should be only **long term capital gain.****4. Investment:** The assessee has, at any time within a period of **six months after** the date of such transfer, invested the **whole or any part** of capital gains in the **long-term specified asset.****“Long-term specified asset”** means any **bond redeemable after five years,** issued by,—**(i) National Highways Authority of India**

(ii) Rural Electrification Corporation Limited

(iii) Power Finance Corporation Limited.

(iv) Indian Railway Finance Corporation Limited.

5. Amount of exemption: Maximum exemption allowed in a particular previous year shall be ₹50 lakh.**6. Withdrawal of exemption:** If the long term specified asset is transferred or converted into cash within a period of 5 years, exemption earlier allowed shall be considered to be long term capital gains of the year in which such asset was transferred or converted into cash.

Converting into cash means taking a loan on the security of the specified asset.

7. Capital gains account scheme 1988: Capital gain account scheme shall not apply.**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 32:** Mr. X purchased agricultural land in the urban area on 01.04.2001 for ₹2,00,000. It was being used for agricultural purposes since then and was sold by the assessee on 01.07.2023 for ₹123,00,000.

He made following investments:

(i) Bonds of National Bank for Agriculture and Rural Development on 01.06.2023 for ₹1,50,000 which are redeemable after 5 years.

(ii) He purchased agricultural land on 01.09.2023 for ₹2,00,000.

(iii) He has invested ₹75,000 on 01.10.2023 in the bonds of RECL redeemable after five years.

He sold the bonds of RECL on 15.04.2024 for ₹3,00,000.

Compute his capital gains for various years and also tax liability for assessment year 2024-25.

CORRECTION IN INCOME TAX VOLUME 2 (50th Edition) PAGE NO. 117
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

MAY – 2019

Question 3 (b)

(6 Marks)

Mr. Roy owned a residential house in Noida. It was acquired on 09.09.2009 for ₹ 30,00,000. He sold it for ₹1,57,00,000 on 07.01.2019.

Mr. Roy utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2019. The said house property was sold on 01.06.2023 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2024. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2019-20 and 2024-25. All workings should form part of your answer.

Cost inflation index for various financial years are as under:

2009-10	–	148
2018-19	–	280
2019-20	–	289
2023-24	–	348

Solution:

Computation of Capital Gains for the A.Y. 2019-2020 & 2024-25

A.Y 2019-2020

Computation of Capital Gains

Full value of consideration	1,57,00,000.00
Less: Indexed cost of acquisition = 30,00,000 / 148 x 280	(56,75,675.68)
Long Term Capital Gain	1,00,24,324.32
Less: Exemption u/s 54	(1,00,24,324.32)
Long Term Capital Gain	Nil

Note: Purchase of new residential house property at Panchkula for 2,05,00,000 on 20.7.2019 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain

A.Y 2024-2025

Computation of Capital Gains

Full value of consideration	3,25,00,000.00
<i>Less: Indexed cost of acquisition</i> <i>= 205,00,000 / 289 x 348</i>	<i>(246,85,121.11)</i>
Long Term Capital Gain [Since the residential house is held for more than 24 months]	<i>78,14,878.89</i>
Less: Exemption u/s 54	<i>(78,14,878.89)</i>
Long Term Capital Gain	Nil

Note:

1. As per section 54, if the new residential house purchased (i.e., on 20.7.2019, in this case) is transferred ***after 3 years of its purchase (i.e., on 01.06.2023, in this case), then, the cost of acquisition of such new residential house shall be 2,05,00,000.***

2. Purchase of new residential house property in Delhi for 2,57,00,000 on 2.3.2024 i.e., within two years from 01.06.2023, being the date of transfer of residential house at Panchkula; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gains.

CORRECTION IN INCOME TAX VOLUME 2 (50th Edition) PAGE NO. 181
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

EXAMINATION QUESTIONS

To Bonus payable to employees	5,000		
To Provision for GST	25,000		
To Municipal taxes for staff quarters	4,000		
To General reserve	5,000		
To Entertainment expenses	6,000		
To Net Profit	6,27,900		
	103,53,500		103,53,500

Mr. X has not opted for presumptive taxation of Income u/s 44AD. You are required to compute Tax Liability after taking the following into consideration:

- Purchases include a purchase of ₹ 20,100. Its payment was made by a bearer cheque and also includes a purchase from a relative of ₹23,000 and the payment was made in cash and market price of the purchases is ₹22,000.
- Factory rent, rates and taxes includes municipal tax of the factory building, which was paid on 31.07.2024.
- Assessee has always valued the stocks at cost price but since 2023-24 he has valued it at market price, which was in excess of the cost price by 10%.
- Office salaries paid include ₹12,400 to the proprietor of the business.
- Diwali expenses include gifts of ₹1,000 made to the relatives.
- The written down value of the block consisting of machinery as on 01.04.2023 is ₹ 59,000
- The written down value of the block consisting of factory building as on 01.04.2023 is ₹ 85,000. An addition was made to building on 01.08.2023 at a cost of ₹12,000.
- Service charge for air-conditioner were paid in two instalment of ₹10,000 and ₹1,000 on **10.01.2024** and 11.01.2024 in cash.
- Employer's contribution was made through an account payee cheque on 10.04.2024 **and the cheque realised on 20.04.2023** and the due date for the purpose of provident fund was 15.04.2024.
- Computer was purchased on 31.03.2024 and it was put to use on 31.03.2024.

Answer = Tax Liability: Nil

Problem 31: Mr. X, aged 75 years, has submitted his profit and loss account for the year ending 31.03.2024 as given below:

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	13,50,000	Sales	105,00,000
Purchases	75,00,000	Gift from friend	1,200
Franchises	1,00,000	Bad debts recovered	2,900
Advertisement	9,000	Rental income from House Property	1,40,000
Income Tax of previous year 2021-22	7,000	Income tax refund	700
Income tax (advance)	1,200	Dividends from a foreign company	3,000
Addition to the office building	45,000	Closing stock	1,80,000
Investment in public provident fund	70,000		
Net Profit	17,45,600		
	108,27,800		108,27,800

Additional information:

- Opening and closing stocks are undervalued by 10%.
- Franchises were purchased on 01.07.2023 and were put to use on 03.10.2023.
- Advertisement expenditure relates to a neon sign board which was purchased and put to use on 01.08.2023.
- Office building has written down value of ₹56,00,000 as on 01.04.2023 and addition was made to the building by constructing additional room on the roof. Construction was completed on 01.11.2023 and it was put to use on the same date. The expenditure of ₹45,000 includes cost of wiring and switches of