

**CORRECTION IN INCOME TAX VOLUME 2 (48th Edition) PAGE NO. 80**

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

= 4,00,000 / Index of 05-06 x Index of 22-23	
= 4,00,000 / 117 x 331	(11,31,623.94)
Long term capital gains	362,20,376.06
Gross Total Income	362,20,376.06
Less: Deduction u/s 80C to 80U	Nil
Total Income	362,20,376.06
Rounded off u/s 288A	362,20,380.00

***Computation of Tax Liability***

Tax on LTCG ₹359,70,380 (₹362,20,380 – ₹2,50,000) @ 20%	71,94,076.00
<b><i>Add: Surcharge @ 15%</i></b>	<b><i>10,79,111.40</i></b>
<b><i>Tax before health &amp; education cess</i></b>	<b><i>82,73,187.40</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>3,30,927.50</i></b>
<b><i>Tax liability</i></b>	<b><i>86,04,114.90</i></b>
<b><i>Rounded off u/s 288B</i></b>	<b><i>86,04,110.00</i></b>

**Illustration 3:** Mr. X purchased one house property on 01.07.1992 for ₹3,00,000 and incurred ₹1,00,000 on its improvement in 1995-96 and its market value as on 01.04.2001 was ₹32,00,000 and he incurred ₹5,00,000 on its improvement in 2014-15 and sold the house on 01.11.2022 for ₹200,00,000.

He purchased one commercial building on 01.04.2020 for ₹50,00,000 and it was let out @ ₹2,00,000 p.m. to XYZ Ltd. and XYZ Ltd. has deducted tax at source.

Mr. X has paid Municipal Tax of ₹20,000 p.m.

Compute Income Tax Liability/Payable for Assessment Year 2023-24 and also amount of tax deducted at source by XYZ Ltd. and also tax deducted at source by the person who has purchased the house property.

**Solution:**

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**Computation of income from Capital Gain**

Full value of consideration	200,00,000.00
Less: Indexed Cost of acquisition	
= 32,00,000/Index of 01-02 x Index of 22-23	
= 32,00,000/100 x 331	(105,92,000.00)
Less: Indexed cost of Improvement	
= 5,00,000/Index of 14-15 x Index of 22-23	
= 5,00,000/240 x 331	(6,89,583.33)
Long Term Capital Gain	87,18,416.67

**Computation of income under head House Property**

Gross Annual Value (2,00,000 x 12)	24,00,000.00
Less: Municipal Tax (20,000 x 12)	(2,40,000.00)
Net Annual Value	21,60,000.00
Less: 30% of NAV u/s 24(a)	(6,48,000.00)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	15,12,000.00

**Computation of Gross Total Income**

Income under the head House Property	15,12,000.00
Income from Long Term Capital Gain	87,18,416.67
Gross Total Income	102,30,416.67
Less: Deduction u/s 80C to 80U	Nil
Total Income (Rounded off u/s 288A)	102,30,420.00

Normal Income	15,12,000.00
LTCG	87,18,420.00

**Computation of Tax Liability**

Tax on LTCG ₹87,18,420 @ 20%	17,43,684.00
Tax on normal income ₹15,12,000 at slab rate	2,66,100.00

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## PRACTICE PROBLEMS

### TOTAL PROBLEMS 18

**Problem 1.**

Mr. X acquired a residential house in January, 1999 for ₹2,00,000 and its market value on 01.04.2001 is ₹1,80,000 and he constructed its 1<sup>st</sup> floor in September' 2007 by incurring ₹3,00,000 and constructed second floor in October' 2011 by incurring ₹4,00,000 and constructed its third floor in February' 2013 by incurring ₹5,00,000 and sold the house on 01.01.2023 for ₹100,00,000 and paid brokerage @ 1% and he invested ₹20,000 in equity shares of infrastructure development company notified under section 80C.

Compute his tax liability for assessment year 2023-24.

**Answer = Tax Liability: ₹15,26,360**

**Problem 2.**

Compute capital gains and tax liability of Mr. X in the following Independent situations for the assessment year 2023-24:

Asset	Gold	Land	Residential house
Date of purchase	01.07.1998	01.04.1996	01.07.1993
Cost price	3,00,000	5,00,000	7,00,000
Cost of improvement	20,000	1,00,000	3,00,000
Year of improvement	1999-00	2000-01	2016-17
Fair market value on 01.04.2001	35,00,000	45,00,000	55,00,000
Date of Sale	01.01.2023	01.01.2023	01.01.2023
Full value of consideration	150,00,000	320,00,000	400,00,000

**Answer = Tax Liability: Gold: ₹6,58,320; Land: ₹40,31,720; Residential House: ₹50,63,590**

**Problem 3.**

Mr. X purchased 100 equity shares in ABC Ltd. (listed) on 01.10.1996 @ ₹10 per share. The company had issued 100 bonus shares on 01.10.2000 and market value of the share as on 01.04.2001 is ₹8 per share. Company has again issued 100 bonus shares on 01.10.2006.

The company has further offered 100 right shares on 01.05.2022 @ ₹150 per share and Mr. X has purchased half of the shares and balance half was renounced in favour of Mr. Y by charging ₹5 per share.

Mr. X and Mr. Y both have transferred all the shares on 01.01.2023 @ ₹200 per share and securities transaction tax has been paid. Market value as on 31-01-2018 ₹100 per share

Mr. X has income under the head business/profession ₹20,00,000 and he has invested ₹70,000 in public provident fund.

Mr. Y has income under the head business/profession ₹10,00,000 and he has invested ₹50,000 in public provident fund.

Compute tax liability of Mr. X and Mr. Y.

**Answer = Mr. X: Tax Liability: ₹4,07,630; Mr. Y: Tax Liability: ₹1,06,950**

**Problem 4.**

Mr. X purchased one house on 01.10.2002 for ₹5,00,000 and this house was acquired compulsorily by the Government on 01.07.2014. Compensation fixed by the Government was ₹55,00,000. Government has paid half of the amount on 01.10.2021 and balance half on 01.10.2023.

The assessee was not satisfied with the compensation and he has filed an appeal in the High Court. The High Court has given decision on 31.03.2025 directing the Government to pay additional compensation of ₹5,00,000 and the Government has paid ₹3,00,000 on 10.04.2025 and balance ₹2,00,000 on 10.04.2026.

Compute capital gains for the various years and tax liability for assessment year 2023-24.

**Answer = Assessment Year 2023-24: Long term capital gains: ₹43,57,140; Tax Liability: ₹8,54,290;**  
Assessment Year 2026-27: Long term capital gains: ₹3,00,000;  
Assessment Year 2027-28: Long term capital gains: ₹2,00,000

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**Problem 5.**

Discuss whether the following are capital assets or not:

- (i) Household furniture
- (ii) Personal Motor car
- (iii) Residential house
- (iv) Urban land
- (v) Agricultural land in rural area in India
- (vi) Agricultural land in rural area in Nepal
- (vii) Stock in trade
- (viii) Gold ornaments
- (ix) Music system for personal use
- (x) Music system in business use
- (xi) Motor car in business use
- (xii) Plant and machinery in business use
- (xiii) Silver utensils for personal use
- (xiv) Precious stones in personal use

**Answer** = (i) Not a capital asset; (ii) Not a capital asset; (iii) Capital asset; (iv) Capital asset; (v) Not a capital asset; (vi) Capital asset; (vii) Not a capital asset; (viii) Capital asset; (ix) Not a capital asset; (x) Capital asset; (xi) Capital asset; (xii) Capital asset; (xiii) Not a capital asset; (xiv) Capital asset

**Problem 6.**

Mr. X (aged 55 years) sold the following assets during the previous year 2022-23:

1. He purchased one house in rural area on 01.10.1991 for ₹2,00,000 and incurred ₹50,000 on its improvement on 01.07.2000. Its market value on 01.04.2001 is ₹2,30,000. It was sold on 01.04.2022 for ₹5,00,000.
2. He purchased agricultural land in the rural area for ₹2,00,000 on 01.07.2002 and sold it on 01.07.2022 for ₹3,00,000.
3. He purchased one T.V. for his personal use on 01.01.2003 for ₹25,000 and sold it on 30.12.2022 for ₹20,000.
4. He purchased gold on **01.07.2019** for ₹3,00,000 and sold it on 01.04.2022 for ₹4,50,000.
5. He has one motor car in his business with written down value as on 01.04.2022 ₹2,00,000 and it was sold by him on 01.07.2022 for ₹2,50,000.
6. He purchased one house on 01.10.2002 for ₹7,00,000 and incurred ₹4,50,000 on 01.10.2012 to construct its first floor and subsequently the house was sold on 01.01.2023 for ₹90,00,000 and selling expenses were 2% of the sale price.

Compute tax liability of Mr. X for the assessment year 2023-24.

**Answer** = Tax Liability: ₹12,78,870

**Problem 7.**

Mr. X purchased one residential house on 01.10.2002 for ₹5,00,000 and sold the house on 01.07.2022 for ₹100,00,000 and purchased one house on 01.01.2023 for ₹20,00,000 and this house was sold by him on 01.01.2024 for ₹25,00,000.

Compute his income tax liability for assessment year 2023-24 and also capital gains for all the years.

**Answer** = Income Tax Liability : ₹14,12,570

Assessment Year 2024-25: Short term capital gains: ₹25,00,000

(b) Presume the house purchased on 01.01.2023 was sold on 31.01.2023

**Answer** = Income Tax Liability : ₹19,41,670

(c) Presume the house purchased on 01.01.2023 was purchased on 01.10.2023 and was not sold upto 01.09.2026.

**Answer** = Income Tax Liability : ₹18,70,170

(d) Presume no house was purchased but the amount was deposited in capital gains account scheme on 31.07.2023 and the amount remained unutilized.

**Answer** = Income Tax Liability : ₹14,12,570

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Less: Deduction u/s 80C	Nil
Total Income	34,15,000
<b>Computation of Tax Liability</b>	
Tax on ₹31,65,000 (₹34,15,000 – 2,50,000) @ 20% u/s 112	6,33,000.00
Add: HEC @ 4%	25,320.00
Tax Liability	6,58,320.00

**Land**

Full value of consideration	320,00,000.00
Less: Indexed cost of acquisition	
= 45,00,000 / Index of 01-02 x Index of 22-23	
= 45,00,000 / 100 x 331	(148,95,000.00)
Long term capital gain	171,05,000.00
Gross Total Income	171,05,000.00
Less: Deduction u/s 80C	Nil
Total Income	171,05,000.00
<b>Computation of Tax Liability</b>	
Tax on ₹168,55,000 (₹171,05,000 – 2,50,000) @ 20% u/s 112	33,71,000.00
Add: Surcharge @ 15%	5,05,650.00
Tax before health & education cess	38,76,650.00
Add: HEC @ 4%	1,55,066.00
Tax Liability	40,31,716.00
Rounded off u/s 288B	40,31,720.00

**Residential House**

Full value of consideration	400,00,000
Less: Indexed cost of acquisition	
= 55,00,000 / Index of 01-02 x Index of 22-23	
= 55,00,000 / 100 x 331	(182,05,000)
Less: Indexed cost of improvement	
= 3,00,000 / Index of 16-17 x Index of 22-23	
= 3,00,000 / 264 x 331	(3,76,136.36)
Long term capital gain	214,18,863.64
Gross Total Income	214,18,863.64
Less: Deduction u/s 80C	Nil
Total Income	214,18,863.64
Rounded off u/s 288A	214,18,860.00
<b>Computation of Tax Liability</b>	
Tax on ₹211,68,860 (₹214,18,860 – 2,50,000) @ 20% u/s 112	42,33,772.00
<b>Add: Surcharge @ 15%</b>	<b>6,35,065.80</b>
<b>Tax before health &amp; education cess</b>	<b>48,68,837.80</b>
<b>Add: HEC @ 4%</b>	<b>1,94,753.12</b>
<b>Tax Liability</b>	<b>50,63,591.32</b>
<b>Rounded off u/s 288B</b>	<b>50,63,590.00</b>

**Solution 3:****Computation of Capital Gains in the hands of Mr. X****Original shares**

Full value of consideration	20,000
(100 x 200)	
Less: Cost of acquisition	(10,000)

Higher of (i) COA = 100 x 10 = 1,000
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8. The company has incurred expenditure of ₹ 34,000 in respect of exempt income. This forms part of administrative expenses.

You are requested to briefly state with reasons as to how the above are to be dealt with in computing the total income of the company for the assessment year 2023-24. The total income need not be computed.

**Problem 39:** State with reasons, the deductibility or otherwise of the following expenses/payments under the Income-tax Act, 1961, while computing income under the head “Profits and gains of business or profession” for the Assessment Year 2023-24:

(i) Mr. M paid ₹ 75,000 as commodity transaction tax in respect of sale of commodity during the previous year 2022-23.

(ii) D & Co. has set up a warehousing facility for storage of food grains. It commenced operations on 01.04.2022. For this purpose, D & Co. incurred capital expenditure of ₹ 50 lakhs on purchase of building in March 2021. (Through an account payee cheque.)

**Problem 40: Compute tax liability for A.Y. 2023-24 in the following cases:**

- (i) Mr. A has LTCG 112A ₹300,00,000
- (ii) Mr. B has STCG 111A ₹300,00,000
- (iii) Mr. C has Dividend Income ₹300,00,000
- (iv) Mr. D has LTCG ₹300,00,000
- (v) Mr. E has casual income ₹300,00,000
- (vi) Mr. F has business income ₹300,00,000

**Answer** = (i) Tax Liability: ₹35,46,140; (ii) Tax Liability: ₹53,37,150; (iii) Tax Liability: ₹105,39,750; (iv) Tax Liability: **₹71,16,200**; (v) Tax Liability: 117,00,000; (vi) Tax Liability: ₹114,56,250

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Add: HEC @ 4%	2,05,275.00
Tax Liability	53,37,150.00

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

Total Income (Dividend Income)	300,00,000.00
Tax on ₹300,00,000 at slab rate	88,12,500.00
Add: Surcharge @ 15%	13,21,875.00
Tax before HEC	101,34,375.00
Add: HEC @ 4%	4,05,375.00
Tax Liability	105,39,750.00

**(iv)*****Computation of Tax Liability***

Total Income (LTCG)	300,00,000.00
Tax on ₹297,50,000 (300,00,000-2,50,000) @ 20% u/s 112	59,50,000.00
<b><i>Add: Surcharge @ 15%</i></b>	<b><i>8,92,500.00</i></b>
<b><i>Tax before HEC</i></b>	<b><i>68,42,500.00</i></b>
<b><i>Add: HEC @ 4%</i></b>	<b><i>2,73,700.00</i></b>
<b><i>Tax Liability</i></b>	<b><i>71,16,200.00</i></b>

**(v)*****Computation of Tax Liability***

Total Income (casual income)	300,00,000.00
Tax on ₹300,00,000 @ 30% u/s 115BB	90,00,000.00
Add: Surcharge @ 25%	22,50,000.00
Tax before HEC	112,50,000.00
Add: HEC @ 4%	4,50,000.00
Tax Liability	117,00,000.00

**(vi)*****Computation of Tax Liability***

Total Income (Business Income)	300,00,000.00
Tax on ₹300,00,000 at slab rate	88,12,500.00
Add: Surcharge @ 25%	22,03,125.00
Tax before HEC	110,15,625.00
Add: HEC @ 4%	4,40,625.00
Tax Liability	114,56,250.00

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Total Income	3,62,500.00
<b>Computation of Tax Liability</b>	
Tax on ₹3,62,500 at slab rate	5,625.00
Less: Rebate u/s 87A	(5,625.00)
Tax Liability	Nil

**Illustration 47:** Mr. X is employed in ABC Ltd. and is getting Basic Pay (BP) ₹80,000 p.m. Employer Contribution ₹10,000 p.m. to Unrecognised Provident Fund (URPF) and employee also contributed equal amount and interest of ₹ 80,000 was credited to URPF in P.Y. 2022-23 at a rate of 10% p.a. He has taken a medi claim insurance in his name and paid ₹ 25,000 by cheque. He has taken a loan of ₹ 20 lakh from SBI on 01.07.2022 at a rate of 15% p.a. for purchase of one house and at the time of taking the loan, the assessee do not have any house in his name. Value of house is ₹30 lakh.

He has submitted a certificate confirming the amount of interest and house is self-occupied. He has repaid ₹1,50,000 on 01.03.2023.

Compute his tax liability for A.Y. 2023-2024.

**Solution:****Income under the head Salary**

Basic Pay (80,000 x 12)	₹ 9,60,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	₹ 9,10,000.00

**Income under the head House property**

Gross Annual Value	Nil
Less: Municipal Tax	Nil
Net Annual Value	Nil
Less: Deduction of 30% u/s 24 (a)	Nil
Less: Interest on capital borrowed u/s 24(b)	(2,00,000.00)

**Working Note:**

Current period interest

**From 01.07.2022 to 28.02.2023**

= 20,00,000 x 15% x 8/12 = ₹2,00,000

**From 01.03.2023 to 31.03.2023**

18,50,000 x 15% x 1/12 = ₹23,125

Total interest = ₹2,23,125 but limited to ₹2,00,000

Income from house property	(2,00,000.00)
Gross Total Income	7,10,000.00
Less: Deductions u/s 80C	(1,50,000.00)
Less: Deductions u/s 80D	(25,000.00)

**Less: Deductions u/s 80EEA (not allowed since loan taken after 31.03.2022)** Nil

**Total Income** 5,35,000.00

**Computation of Tax Liability**

**Tax on ₹5,35,000 at slab rate** 19,500.00

**Add: HEC @ 4%** 780.00

**Tax Liability** 20,280.00

**Illustration 48:** Mr. X is employed in ABC Ltd. getting basic pay ₹12,000 p.m. and dearness allowance ₹5,000 p.m. forming part of salary. He has contributed ₹3,000 p.m. to the recognised provident fund and employer has also contributed an equal amount. During the year interest of ₹25,000 was credited @ 8.5% p.a. Employer has provided rent free accommodation to the employee for which rent paid by the employer is ₹5,000 p.m.

The employee has encashed one month leave and was allowed leave salary of ₹17,000.