

M.K.G

CA EDUCATION

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INCOME TAX

(Volume – 1)

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Including EXAMINATION QUESTIONS/RTP/MTP

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PAPER – 4: TAXATION

(One paper — Three hours –100 Marks)

Objective: To develop an understanding of the provisions of income-tax law and goods and services tax law and to acquire the ability to apply such knowledge to make computations and address basic application oriented issues.

SECTION A: INCOME TAX LAW (60 MARKS)

Contents:

1. Basic Concepts

- (i) Income-tax law: An introduction
- (ii) Important definitions in the Income-tax Act, 1961
- (iii) Concept of previous year and assessment year
- (iv) Basis of Charge and Rates of Tax

2. Residential status and scope of total income

- (i) Residential status
- (ii) Scope of total income

3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)

- (i) Incomes not included in total income
- (ii) Tax holiday for newly established units in Special Economic Zones

4. Heads of income and the provisions governing computation of income under different heads

- (i) Salaries
- (ii) Income from house property
- (iii) Profits and gains of business or profession
- (iv) Capital gains
- (v) Income from other sources

5. Income of other persons included in assessee's total income

- (i) Clubbing of income: An introduction
- (ii) Transfer of income without transfer of assets
- (iii) Income arising from revocable transfer of assets
- (iv) Clubbing of income of income arising to spouse, minor child and son's wife in certain cases
- (v) Conversion of self-acquired property into property of HUF

6. Aggregation of income; Set-off, or carry forward and set-off of losses

- (i) Aggregation of income
- (ii) Concept of set-off and carry forward and set-off of losses
- (iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income
- (iv) Order of set-off of losses

7. Deductions from gross total income

- (i) General provisions
- (ii) Deductions in respect of certain payments
- (iii) Specific deductions in respect of certain income
- (iv) Deductions in respect of other income
- (v) Other deductions

8. Computation of total income and tax liability of individuals

- (i) Income to be considered while computing total income of individuals
- (ii) Procedure for computation of total income and tax liability of individuals

9. Advance tax, tax deduction at source and introduction to tax collection at source

- (i) Introduction
- (ii) Direct Payment
- (iii) Provisions concerning deduction of tax at source
- (iv) Advance payment of tax

- (v) Interest for defaults in payment of advance tax and deferment of advance tax
- (vi) Tax collection at source – Basic concept
- (vii) Tax deduction and collection account number

10. Provisions for filing return of income and self-assessment

- (i) Return of Income
- (ii) Compulsory filing of return of income
- (iii) Fee and Interest for default in furnishing return of income
- (iv) Return of loss
- (v) Provisions relating to belated return, revised return etc.
- (vi) Permanent account number
- (vii) Persons authorized to verify return of income
- (viii) Self-assessment

SECTION B – INDIRECT TAXES (40 MARKS)

Contents:

1. Concept of indirect taxes

- (i) Concept and features of indirect taxes
- (ii) Principal indirect taxes

2. Goods and Services Tax (GST) Laws

- (i) GST Laws: An introduction including Constitutional aspects
- (ii) Levy and collection of CGST and IGST
 - a) Application of CGST/IGST law
 - b) Concept of supply including composite and mixed supplies
 - c) Charge of tax
 - d) Exemption from tax
 - e) Composition levy
- (iii) Basic concepts of time and value of supply
 - (iv) Input tax credit
 - (v) Computation of GST liability
 - (vi) Registration
 - (vii) Tax invoice; Credit and Debit Notes; Electronic way bill
 - (viii) Returns
 - (ix) Payment of tax including reverse charge

Note – If any new legislation(s) is enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State GST Law.

Consequential/corresponding amendments made in the provisions of the Income-tax law and Goods and Services Tax laws covered in the syllabus of this paper which arise out of the amendments made in the provisions not covered in the syllabus will not form part of the syllabus. Further, the specific inclusions/exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines.

WEIGHTAGE

Intermediate Course Paper 4: Taxation (100 Marks) Section A: Income-tax Law (60 Marks)

I. (5%-10%)

1. Basic Concepts

- (i) Income-tax law: An introduction
- (ii) Important definitions in the Income-tax Act, 1961
- (iii) Concept of previous year and assessment year
- (iv) Basis of Charge and Rates of Tax

II. (10%-15%)

2. Residential status and scope of total income

- (i) Residential status
- (ii) Scope of total income

III. (25%-30%)

3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)

- (i) Incomes not included in total income
- (ii) Tax holiday for newly established units in Special Economic Zones

4. Heads of income and the provisions governing computation of income under different heads

- (i) Salaries
- (ii) Income from house property
- (iii) Profits and gains of business or profession
- (iv) Capital gains
- (v) Income from other sources

IV (15%-20%)

5. Income of other persons included in assessee's total income

- (i) Clubbing of income: An introduction
- (ii) Transfer of income without transfer of assets
- (iii) Income arising from revocable transfer of assets
- (iv) Clubbing of income of income arising to spouse, minor child and son's wife in certain cases
- (v) Conversion of self-acquired property into property of HUF

6. Aggregation of income; Set-off, or carry forward and set-off of losses

- (i) Aggregation of income
- (ii) Concept of set-off and carry forward and set-off of losses
- (iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income
- (iv) Order of set-off of losses

7. Deductions from gross total income

- (i) General provisions
- (ii) Deductions in respect of certain payments
- (iii) Specific deductions in respect of certain income
- (iv) Deductions in respect of other incomes
- (v) Other deductions

V. (20%-25%)

8. Computation of total income and tax liability of individuals

- (i) Income to be considered while computing total income of individuals
- (ii) Procedure for computation of total income and tax liability of individuals

VI. (10%-15%)**9. Advance tax, tax deduction at source**

- (i) Introduction
- (ii) Direct Payment
- (iii) Provisions concerning deduction of tax at source
- (iv) Advance payment of tax
- (v) Interest for defaults in payment of advance tax and deferment of advance tax

10 Introduction to tax collection at source

- (i) Tax collection at source – Basic concept
- (ii) Tax deduction and collection account number

11. Provisions for filing return of income and self-assessment

- (i) Return of Income
- (ii) Compulsory filing of return of income
- (iii) Fee and Interest for default in furnishing return of income
- (iv) Return of loss
- (v) Provisions relating to belated return, revised return etc.
- (vi) Permanent account number
- (vii) Persons authorized to verify return of income
- (viii) Self-assessment

Section B: Indirect Taxes (40 Marks)**I (30%-50%)****1. Levy and collection of CGST and IGST**

- (a) Application of CGST/IGST law
- (b) Concept of supply including composite and mixed supplies
- (c) Charge of tax (including reverse charge)
- (d) Exemption from tax
- (e) Composition levy

2. Basic concepts of time and value of supply**3. Input tax credit****II (20%-30%)****1. Computation of GST liability****III (25%-40%)****1. Registration****2. Tax invoice; Credit and Debit Notes; Electronic way bill****3. Returns****4. Payment of tax****IV (0 - 5%)****1. Concept of indirect taxes - Concept and features of indirect taxes; Principal indirect taxes****2. GST Laws: An introduction including Constitutional aspects**

ETI AGARWAL

ALL INDIA TOPPER OF CA-IPC (NOV-13)

ROLL NO. - 366539

MARKS IN TAXATION:89%
(HIGHEST MARKS IN TAXATION ALL OVER INDIA)
(AGGREGATE MARKS 79.71%)

(FEEDBACK)

A man for whom teaching is neither a business nor a profession, rather a passion for doing good, great and unique in the field of teaching is none other than MK Gupta Sir.

Sir's unmatched style of teaching coupled with his patience and calmness in dealing with students is simply excellent.

The structure of learning pattern, regular mock tests, motivational cash prizes and student friendly study material covering practical illustrations, past year questions and bare act.. all contributed to making this journey easy and building up the confidence needed for IPCC.

Moreover, the vast knowledge and experience of the faculty assisted in making the concepts crystal clear and handling each n every doubt of students.

The administration and management stands second to none.

MK GUPTA classes is a place which can change the word impossible 2 I M POSSIBLE. It made me a better person both personally n professionally.

I think 4 success 4 elements are necessary-desire, dedication, direction and discipline...and all the 4 i got from Sir..

THANK YOU so much Sir..

In the end i would just like to say MK GUPTA SIR NOT ONLY MAKES CA. HE MAKES HUMANS!!

ETI AGARWAL

AKSHAY JAIN

ALL INDIA TOPPER OF CA-IPC (NOV-13)

ROLL NO.- 368162

MARKS IN TAXATION : 87%

(SECOND HIGHEST MARKS IN TAXATION ALL OVER INDIA)

(AGGREGATE MARKS 79.71%)

(FEEDBACK)

Experience of those four months with M.K. GUPTA SIR was out of the world.

As a teacher, M.K. GUPTA SIR is just like a sea of knowledge & you get each and everything from very beginning to end from him.

Sir is really a nice person. He is very motivational and his words of motivation can influence anybody to work hard & make their parents proud.

M.K. GUPTA CA EDUCATION is the only place where the provisions of tax laws are combined with the practical knowledge. Study material provided is excellent and it contains numerous problems covering all aspects and such type of problems are not available anywhere. Sir is not giving any home work rather home work is done in the class itself and students are invited to solve the problem before the entire class.

Be honest towards your studies & Sir will show you the way of success. The way, Sir is making students ready for the professional world is praiseworthy. Exposure given by sir to face interview of Big four CA Firms is excellent.

The test Series conducted by the Sir in all the subjects of IPC is very nice Scheme to score such good marks and exam are conducted in the similar manner as it is conducted by ICAI.

I would like to express my gratitude to Sir because it was only his efforts that helped me reach this position.

Sir its your Success.

A Message to all : -

“COME & HAVE A TIME THAT YOU WILL CHERISH THROUGHOUT YOUR LIFE”.

AKSHAY JAIN

VIJENDER AGGARWAL
ALL INDIA TOPPER OF CA-IPCC (NOV-10)
ROLL NO. - 174639

MARKS IN TAXATION:92%
(HIGHEST MARKS IN TAXATION ALL OVER INDIA)
(AGGREGATE MARKS 83.71%)

(FEEDBACK)

A person who possesses such vast knowledge in the field of taxation, that we people can only dream of, is none other than M. K. Gupta Sir.

He possesses the rare ability to teach this procedural subject with utmost ease, enabling his students to grasp all the provisions without any confusion.

The quality of study material provided is such that a good study of it helped me score 92 marks. The variety and complexity of practical problems covered in the books are not available anywhere else.

One can find many places where taxation is being taught but it is hardly possible to find a better place where tax laws are combined with their practical applicability to ensure that all concepts are crystal clear.

Sir is extremely generous. Money-making doesn't appear to be his priority and it is clearly reflected in his classes, where the infrastructure and administration stands second to none and students are awarded handsome cash-prizes not only in classes but also in tests, which are regularly conducted.

Thanking Sir for all what he has done would be an insult since it was only his efforts that helped me reach this position. Sir, its your success. The relationship between us started in CPT only and continued in IPCC and I hope it will continue forever.

VIJENDER AGGARWAL

PRACHI JAIN

ALL INDIA TOPPER OF CA-PCC (MAY-10)

ROLL NO. - 66312

MARKS IN TAXATION:88%

(HIGHEST MARKS IN TAXATION ALL OVER INDIA)

(AGGREGATE MARKS 77.67%)

(FEEDBACK)

M. K. Gupta Sir is an outstanding teacher. He is not only a good teacher but a good person by heart. His way of teaching is excellent. There are many provisions in tax but Sir repeats every provision atleast two times. This helps in understanding those provisions easily.

His books are very good. Everything from theory to PRACTICAL ILLUSTRATION, EXAMINATION QUESTIONS and BARE ACT is covered in his books.

Sir's staff and management is also very good. Everything is handled in a systematic manner and on time. Overall it was a good experience.

Thanks Sir !! :-

PRACHI JAIN

RESULTS

(CA-Intermediate)

NO OTHER TEACHER OF TAXATION IN INDIA HAS BETTER RESULT THAN OURS

OPINION OF OUR STUDENTS

1. AKSHAY (Roll No. 685445) (Total Marks- 607) AIR-6 (Taxation-80)

Firstly, I want to thank M.K. Gupta Sir for teaching me the tax in the easiest manner many students can think. Tax is a very hard subject but the way Sir teaches the Tax is excellent. I also want to say one more thing that the staff of MKG is very supporting. They listen to the students' problems very patiently and help them to solve their problems. At last, I want to say that no one in this CA field can teach so nicely that MK Gupta Sir teaches.

Thank You

2. DEEPANSHU GOYAL (Roll No. 625914) (Total Marks- 570) AIR-17 (Taxation-75)

MK Gupta Sir is a powerhouse of knowledge. I can't thank him enough for providing me with vast exposure about taxation. His mock tests are so good that I was eager to attempt them. He is proactive in solving doubts. This subject became so light & interesting that I started gaining knowledge in it. It was my best experience with MKG with rank in both foundation & intermediate. Recorded classes were very helpful for me, I used to reach at 6:30 am and continued till 11 am and studied taxation. It was a beautiful journey altogether, and with 10 views, you can view the lectures many times. It helped me revise many concepts. It became my interest rather than a burden. I was so excited to give a mock test so that I can build my confidence.

3. SHIVAM MISHRA (Roll No. 624937) (Total Marks- 560) AIR-20 (Taxation-83)

MK Gupta Sir has a very unique style of teaching. He teaches every concept very clearly and correlates every provision with practical life. Taxation is a very vast subject you cannot learn every provision rather you can understand them. Talking about study material, it covers all types of questions. You do not need to refer study material as it is incorporated in Sir's books. I would recommend every one to join MK Gupta CA Education.

4. PRASHANT YADAV (Roll No.354233) 92 Marks

M.K. Gupta Sir is an outstanding teacher. He possesses very vast knowledge of taxation. Sir repeats every concept at least three times which makes all concepts crystal clear. Study material provided is very good, it covers everything from illustration to examination problem and from theory to Bare Act. Staff and infrastructure facilities of MKG Classes are incomparable. Thank you Sir for your love and support.

5. MOHIT SHARMA (Roll No.353392) 89 Marks

A brilliant personality in my life who has motivated the student to a good path. He is very different from others. Sir concentrates not only on the marks but also on the overall development of the student.

I am truly glad that I studied from Sir. He taught me how to compete in life. Every student gets very good marks with a little effort, if he is a student of M.K. Gupta CA Education.

6. MANISHA BHAMBRI (Roll No.456626) 89 Marks

M.K. Gupta Sir is the best teacher I have ever met. His study material being the best helped me a lot in my exams. He is the most sincere teacher who never wastes a single moment and gives his best towards his profession. He teaches not only the theoretical portion but the practical approach too. He teaches us how to be a good human being and how to live life happily. Thank you Sir for your support every time I needed.

7. ANISH SHRESTHA (Roll No.344028) 88 Marks

M.K. Gupta Sir is a very excellent teacher. The way he is dedicated towards teaching make us to be dedicated towards our study. Every concept and every doubt of taxation whichever do I had, he has make clear. The best thing about Sir is, he use to revise the concept more than 3 times which makes student very easy for preparing their exam.

You will have all the sufficient material for study and lots of questions with answers for practice a systematically designed materials.

Thank a lot to Sir for being so much helpful and lot of love.

8. KAPIL KHANNA (Roll No.341539) 85 Marks

Sir 'M.K. Gupta' is the best teacher for Taxation. I feel fortunate to be his student, the amount of knowledge he imparts is fantastic and uncomparable. He is a person who burns himself up like a candle to light the path of his dearest students to the road of success. I wish Sir teaches all the subjects of IPCC, since he is simply the best. Thank you for everything Sir. It you and only you who can guide students like us to reach the zenith.

9. JITENDRA (Roll No.337780) 85 Marks

Before joining CA, I was so much scary about the "Taxation" but after joining M.K. Gupta CA Education for taking taxation class my scary converted into my strength now. This is just because of Sir's knowledge & teaching style with practicality. Study material provided by Sir is also awesome for study.

10. PUNEET WASAN (Roll No.368537) 84 Marks

M.K. Gupta Sir has a vast knowledge in the subject. The topics taken in the class are very well planned. I found the book really very good. Infact, I practiced all the previous attempts questions of each chapter and every small question was covered in the chapter. I recommend the students to be thorough with book and one will score undoubtedly high marks in tax. All the best!! Thank you so much Sir.

11. ISHA MALIK (Roll No.339842) 84 Marks

I do not have words to express my gratefulness for M.K. Gupta Sir. He really possesses vast knowledge and rich experience in taxation. Study material provided by Sir is also very good which covers everything for getting through the exam. There is no doubt that due to excellent coaching given by Sir, I have been able to secure good marks. I pray to God for his long, happy and prospective life. I wish him to continue give coaching to the prospective students for a longer period. I appeal to all the students who qualify CPT to take coaching from Gupta Sir for getting sure success. Thank you Sir.

12. RUPAL GARG(Roll No.393844) 84 Marks

M.K. Gupta Sir is, as I believe, the best teacher for Taxation. He is so knowledgeable that I was totally awe inspired by him. Every day in the class was exciting as he explains everything with real examples and full depth. The books are superb with lots of practical questions. Thank you Sir.

13. AKANSHA GOEL (Roll No.336693) 84 Marks

It was a great experience studying from M.K. Gupta Sir. He has a vast pool of the knowledge of the subject. The book is a comprehensive one too.

14. PRASIT SHARMA (Roll No.344702) 84 Marks

Taking about the coaching, the teaching style of M.K. Gupta Sir is too much excellent. He has good dealing with student in every situation. If anyone asked about the taxes coaching, I prefer M.K. Gupta Sir because he is the one & only best teacher in Taxation.

15. MANSI BAJAJ (Roll No.354329) 83 Marks

Sir teaches so well and clarifies all our queries. He makes us understand the whole concept very clearly. He is an amazing teacher and the best teacher in the field of Taxation.

16. RASHI GUPTA (Roll No.337864) 83 Marks

M.K. Gupta Sir is a very friendly and helping teacher. He always answered my queries well. His coaching classes are very knowledgeable and books are also very good.

17. HARSH AGARWAL (Roll No.491097) 83 Marks

M.K. Gupta Sir is a good teacher. He teaches all aspects of Taxation whether it is practical knowledge or theoretical knowledge. He teaches every point for 2-3 times and it gets learn in class only. His practical knowledge about the subject is very good.

18. RAHUL ARORA (Roll No.337403) 83 Marks

M.K. Gupta Sir is a great mentor. Sir has excellent knowledge about the subject. He makes every concept crystal clear. Every concept is explained atleast twice in the class. He connect every topic with practical life. Study material is excellent. Bare Act is covered in the study material. Three months experience with M.K. Gupta Sir is memorable moments of my life. Thank you Sir, for your guidance and encouragement.

19. SEJAL MEHTA (Roll No.353096) 83 Marks

Coaching for Taxation was an enriching experience in terms of the conceptual clarity which I gained on each and every topic. Learning tax became so easy with the simplified notes provided.

Also, the kind of knowledge that Sir shares with the students is very commendable and useful in understanding the practical aspects of Taxation. Attending the coaching is worth the time spent.

20. ANU SETHI (Roll No.353491) 83 Marks

I have never seen teacher like M.K. Gupta Sir. His way to teaching, knowledge and experience is awesome i.e. brilliant. Overall regards for such marks is only M.K. Gupta Sir.

21. ASHISH GUPTA (Roll No.353575) 82 Marks

M.K. Gupta Sir is a very good teacher and he has a very vast knowledge of taxation. He gives his best to every student in a class. The atmosphere of the class when he was teaching in a class is very awesome. I am giving all my credit to M.K. Gupta Sir for securing marks in Taxation.

22. RAGHAV GUPTA (Roll No.491122) 82 Marks

M.K. Gupta Sir is an outstanding teacher. He possesses a very vast knowledge about the subject. His way of teaching is fabulous. Every concept is explained with help of an example. Study material is all exhaustive that he provides. Also, queries are taken up promptly. Thank you Sir for your guidance.

23. SHREYA MALIK (Roll No.340228) 82 Marks

M.K. Gupta Sir is the best teacher I have ever come across. His level of knowledge is tremendous. The way he teaches, with so much patience and willingness, keeps every student motivated. The marks I have scored in tax is all because of him. Thank you so much Sir. I am a student of video class and I have never met Sir in person. I would be grateful if I would be given a chance to meet him in person.

24. PRABHAW KUMAR AGARWALLA (Roll No.369428) 82 Marks

Teaching was excellent and queries handled were excellent. Teaching methodology was really excellent and helped a lot to me.

25. PRABHAT RANJAN (Roll No.347926) 81 Marks

M.K. Gupta Sir has a very deep knowledge about the subject and his practical approach towards the subject. Sir repeats every provision atleast twice. This helps in understanding those provision easily. The books notes and all the management is done very properly and in a smooth manner. All in all the best way to study tax.

26. ANKIT KHEMKA (Roll No.338055) 81 Marks

M.K. Gupta Sir is excellent teacher of Tax. He repeats the provision two to three times and doubts are also taken by the faculty. His books are also very good. Bare Act is covered in his books for more understanding about the Act. Sir also provide regular test and prize also given by him motivates the student to work hard. Environment provided by M.K. Gupta Classes is also very good to study.

27. ARTI SRIVASTAVA (Roll No.347859) 80 Marks

Sir's unmatched style of teaching. Regular mock test, also help in to achieve good marks in Taxation. Sir's books contain illustration. Past year question also help to achiever to good marks. Sir's build confidence in every student to achieve success in life. Thank you, so much Sir.

28. SHIVANGI GUPTA (Roll No.337956) 80 Marks

M.K. Gupta Sir is an amazing teacher. The tax subject is all about provisions so many sections but Sir makes it simpler for us out of all the subjects, I found Taxation to be the most interesting one. Sir's study material and notes are sufficient. Study material covers all the past year exam questions, practice questions with solutions. His practical experiences help our understanding level to reach new heights. Thank you Sir for everything.

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY

BASIS OF CHARGE AND RATES OF TAXES

SECTIONS	PARTICULARS
15 to 17	Salary
22 to 27	House Property
28 to 44DB	Business/Profession
45 to 55A	Capital Gains
56 to 59	Other Sources
288A	Rounding off of Total Income
288B	Rounding off of Tax
87A	Rebate from Income Tax
2(24)(ix)	Meaning of Casual Income
115BB	Rate of tax on Casual Income
112	Long Term Capital Gains
112A	Long Term Capital Gains when STT has been paid
111A	Short Term Capital Gains when STT has been paid
2(31)	Meaning of Person
10(1)	Agricultural Income

Question 1: Write a note on Computation of Total Income.

Answer: Computation of Total Income

If the income is taxable, it will be further divided into five different categories of income which are called heads of income i.e. if the income is received from the employer, it will be considered to be income under the head salary; if the income is in connection with letting out of house property, income is taxable under the head house property; if the income is from any business or profession, it is taxable under the head profits and gains of business/profession; if any capital asset (gold, land, house etc) has been transferred, income is taxable under the head capital gains; if there is any other income like interest or winnings from a lottery etc, it is covered under the head other sources.

Income shall be computed under each head i.e. expenses incurred shall be deducted from the gross receipt as per the provisions of the relevant head.

Income computed under each head shall be added up to compute the gross total income.

Certain concessions are allowed from the gross total income which are called deduction from gross total income under section 80C to 80U.

After permitting the deductions, remaining income is called total income.

Computation of total income can be shown mathematically in the manner given below:

Total Income of an assessee shall be computed in the following steps:

Compute the income of the assessee under all the five heads, permitting exemption/deductions of each head.

	₹
(i) Income from Salaries (Section 15 to 17)
(ii) Income from House Property (Section 22 to 27)
(iii) Profits and gains of Business or Profession (Section 28 to 44DB)
(iv) Capital Gains (Section 45 to 55A)
(v) Income from Other Sources (Section 56 to 59)
Gross Total Income
Deductions from gross total income [Section 80C to 80U]
Total Income

Total Income shall be rounded off u/s 288A in the multiples of 10 and for this purpose, any paisa shall be ignored and if the last digit is 5 or more, it will be rounded off to the higher multiple otherwise it will be rounded off to the lower multiple.

Example

- (i) ₹6,28,456 shall be rounded off as 6,28,460
- (ii) ₹6,28,455 shall be rounded off as 6,28,460
- (iii) ₹6,28,454 shall be rounded off as 6,28,450
- (iv) ₹6,28,455.99 shall be rounded off as 6,28,460
- (v) ₹6,28,454.99 shall be rounded off as 6,28,450

Question 2: Write a note on Computation of Tax Liability of individual.

Answer: Computation of Tax Liability

Tax liability of an individual shall be computed at the slab rates given in the relevant Finance Act i.e. Finance Act, 2022 and the rates are as given below:

• **Resident individual of the age of 60 years or more at any time upto the end of relevant previous year but less than eighty years (senior citizen)**

If total income is upto ₹3,00,000	NIL
On next ₹2,00,000	5%
On next ₹5,00,000	20%
On Balance amount	30%

“Senior Citizen” means an individual resident in India who is of the age of 60 years or more at any time during the relevant previous year. If date of birth is 1st April, 1963, 60 year will be completed on 31-03-23 and assessee shall be senior citizen in previous year 2022-23.

• **Resident individual of the age of 80 years or more at any time upto the end of relevant previous year (Very senior citizen)**

If total income is upto ₹5,00,000	NIL
On next ₹5,00,000	20%
On Balance amount	30%

“Very Senior Citizen” means an individual resident in India who is of the age of 80 years or more at any time during the relevant previous year. If date of birth is 1st April, 1943, 80 year will be completed on 31-03-23 and assessee shall be very senior citizen in previous year 2022-23.

• **Any other Individual**

Income shall be taxable at the slab rates given below:

If total Income upto ₹2,50,000	NIL
On next ₹2,50,000	5%
On next ₹5,00,000	20%
On Balance amount	30%

Example

- (i) Mr. X has total income of ₹6,00,000
- (ii) Mr. X has total income of ₹8,00,000
- (iii) Mr. X has total income of ₹10,00,000
- (iv) Mr. X has total income of ₹12,00,000
- (v) Mr. X has total income of ₹20,00,000

Solution:

(i) Total income	6,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹1,00,000 @ 20%	20,000
Tax before health and education cess	32,500
Add: health & education cess @ 4%	1,300
Tax Liability	33,800

(ii) Total income	8,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹3,00,000 @ 20%	60,000
Tax before health and education cess	72,500
Add: health & education cess @ 4%	2,900
Tax Liability	75,400
(iii) Total income	10,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹5,00,000 @ 20%	1,00,000
Tax before health and education cess	1,12,500
Add: health & education cess @ 4%	4,500
Tax Liability	1,17,000
(iv) Total income	12,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹5,00,000 @ 20%	1,00,000
On balance ₹2,00,000 @ 30%	60,000
Tax before health and education cess	1,72,500
Add: health & education cess @ 4%	6,900
Tax Liability	1,79,400
(v) Total income	20,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹5,00,000 @ 20%	1,00,000
On balance ₹10,00,000 @ 30%	3,00,000
Tax before health and education cess	4,12,500
Add: health & education cess @ 4%	16,500
Tax Liability	4,29,000

Question 3: Explain Health and Education Cess

Answer: Health and Education Cess

If any tax is charged for any specific purpose, it is called Cess. Health and Education Cess shall be charged @ 4% on the amount of income tax.

Rounding off of Tax Section 288B

Any amount payable, and the amount of refund due, shall be rounded off in the multiples of ₹10 in the similar manner as in case of total income under section 288A.

Question 4: Explain Previous Year and Assessment Year

Answer: Every person has to pay tax on Income of a particular financial year and such year is called previous year. Further computation of income and tax liability is computed in the subsequent year and it is called assessment year, eg. if income is to be computed for financial year 2022-23, it will be called previous year and subsequent year i.e. 2023-24 shall be called assessment year. The term previous year is defined u/s 3 and assessment year is defined u/s 2(9).

Question 5: Explain Budget / Finance Bill / Finance Act

Answer: Budget / Finance Bill / Finance Act

Every year budget is presented in general in February and all the amendments are given in general in the budget e.g. Budget presented in 2022 shall be called budget 2022 and subsequently it will be called Finance Bill 2022 and after it has been passed by the parliament and signed by the President, it will be called Finance Act 2022 and its provisions shall be applicable from previous year 2022-23/ assessment year 2023-24.

For the students appearing in May/Nov-2023, previous year shall be 2022-23 and assessment year shall be 2023-24.

Illustration 1:

Mr. X has income as given below:

Income under the head Salary	4,00,000
Income under the head House Property	5,00,000
Income under the head Business/Profession	6,30,253

Deductions allowed under section 80C to 80U are ₹1,10,000.

Compute the income the tax liability for previous year 2022-23.

Solution:

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U	(1,10,000.00)
Total Income	14,20,253.00
Rounded off u/s 288A	14,20,250.00
Computation of Tax Liability	
Total Income	14,20,250.00
First 2,50,000	-
On next 2,50,000 x 5%	-
On next 5,00,000 x 20%	-
On balance 4,20,250 x 30%	-
	1,26,075.00
	2,38,575.00
Add: HEC @ 4%	9,543.00
Tax Liability	2,48,118.00
Rounded off u/s 288B	2,48,120.00

(b) Presume he has completed age of 60 years as on 31.03.2023.

Solution:

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U	(1,10,000.00)
Total Income	14,20,253.00
Rounded off u/s 288A	14,20,250.00

Computation of Tax Liability

Total Income		14,20,250.00
First 3,00,000	-	Nil
On next 2,00,000 x 5%	-	10,000.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 4,20,250 x 30%	-	<u>1,26,075.00</u>
		2,36,075.00
Add: HEC @ 4%		9,443.00
Tax Liability		2,45,518.00
Rounded off u/s 288B		2,45,520.00

(c) Presume he has completed age of 80 years as on 31.03.2023.

Solution:

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U	(1,10,000.00)
Total Income	14,20,253.00
Rounded off u/s 288A	14,20,250.00
Computation of Tax Liability	
Total Income	14,20,250.00
First 5,00,000	- Nil
On next 5,00,000 x 20%	- 1,00,000.00
On balance 4,20,250 x 30%	- <u>1,26,075.00</u>
	2,26,075.00
Add: HEC @ 4%	9,043.00
Tax Liability	2,35,118.00
Rounded off u/s 288B	2,35,120.00

Illustration 2:

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹15,00,000
- (ii) Mr. X (non-resident) has total income of ₹15,00,000
- (iii) Mrs. X (resident) has total income of ₹15,00,000
- (iv) Mrs. X (non-resident) has total income of ₹15,00,000
- (v) Mr. X (resident), aged 60 years has total income of ₹15,00,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹15,00,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹15,00,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹15,00,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹15,00,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹15,00,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹15,00,000
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹15,00,000

Solution:

(i) Computation of Tax Liability

Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00

On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%	-	<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00

(ii) Computation of Tax Liability

Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%	-	<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00

(iii) Computation of Tax Liability

Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%	-	<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00

(iv) Computation of Tax Liability

Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%	-	<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00

(v) Computation of Tax Liability

Total Income		15,00,000.00
First 3,00,000	-	Nil
On next 2,00,000 x 5%	-	10,000.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%	-	<u>1,50,000.00</u>
Tax before health and education cess		2,60,000.00
Add: HEC @ 4%		10,400.00
Tax Liability		2,70,400.00

(vi) Computation of Tax Liability

Total Income		15,00,000.00
First 3,00,000	-	Nil
On next 2,00,000 x 5%	-	10,000.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%	-	<u>1,50,000.00</u>
Tax before health and education cess		2,60,000.00
Add: HEC @ 4%		10,400.00
Tax Liability		2,70,400.00

(vii) Computation of Tax Liability

Total Income		15,00,000.00
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First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(viii) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(ix) Computation of Tax Liability		
Total Income		15,00,000.00
First 5,00,000	-	Nil
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,50,000.00
Add: HEC @ 4%		10,000.00
Tax Liability		2,60,000.00
(x) Computation of Tax Liability		
Total Income		15,00,000.00
First 5,00,000	-	Nil
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,50,000.00
Add: HEC @ 4%		10,000.00
Tax Liability		2,60,000.00
(xi) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(xii) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00

Question 6: Explain surcharge in case of individual.

Answer: Surcharge shall be applicable

- @ 10% provided total income is exceeding ₹ 50 lakhs but it is upto ₹ 100 lakhs.
- @ 15% provided total income is exceeding ₹ 100 lakhs but it is upto ₹ 200 lakh.
- @ 25% provided total income is exceeding ₹ 200 lakhs but it is upto ₹ 500 lakh.
- @ 37% provided total income is exceeding ₹ 500 Lakhs.

Health & education cess shall be charged on the total of tax plus surcharge.

e.g. Mr. X has total income of ₹550,00,000, in this case his tax liability shall be

Total Income	550,00,000.00
Tax at slab rate	1,63,12,500.00
Add: Surcharge @ 37%	60,35,625.00
Tax before health and education cess	2,23,48,125.00
Add: HEC @ 4%	8,93,925.00
Tax Liability	2,32,42,050.00

e.g. Mr. X has total income of ₹220,00,000, in this case his tax liability shall be

Total Income	220,00,000.00
Tax at slab rate	64,12,500.00
Add: Surcharge @ 25%	16,03,125.00
Tax before health and education cess	80,15,625.00
Add: HEC @ 4%	3,20,625.00
Tax Liability	83,36,250.00

e.g. Mr. X has total income of ₹110,00,000, in this case his tax liability shall be

Total Income	110,00,000.00
Tax at slab rate	31,12,500.00
Add: Surcharge @ 15%	4,66,875.00
Tax before health and education cess	35,79,375.00
Add: HEC @ 4%	1,43,175.00
Tax Liability	37,22,550.00

If Mr. X has total income of ₹100,00,000, his tax liability shall be

Total Income	100,00,000.00
Tax at slab rate	28,12,500.00
Add: Surcharge @ 10%	2,81,250.00
Tax before health and education cess	30,93,750.00
Add: HEC @ 4%	1,23,750.00
Tax Liability	32,17,500.00

If Mr. X has total income of ₹50,00,000, his tax liability shall be

Total Income	50,00,000.00
Tax at slab rate	13,12,500.00
Add: HEC @ 4%	52,500.00
Tax Liability	13,65,000.00

Marginal Relief

If there is marginal increase in income over ₹50 lakhs/ ₹100 lakhs/ ₹200 lakhs/ ₹500 lakhs, surcharge is applicable on entire amount of income tax and as a result increase in tax is more than the increase in income. In order to remove this defect, assessee shall be allowed relief to the extent increase in tax is more than the increase in income and it is called marginal relief and it can be shown in the manner given below:

e.g. If Mr. X has total income of ₹51,00,000, his tax liability shall be computed in the manner given below:

Total Income	51,00,000.00
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Tax on ₹51,00,000 at slab rate	13,42,500.00
Add: Surcharge @ 10%	1,34,250.00
Tax before marginal relief	14,76,750.00
Less: Marginal Relief	(64,250.00)

Working Note:

Tax + surcharge @10% on income of ₹51,00,000	14,76,750
Tax on income of ₹50,00,000	(13,12,500)
Increase in tax	1,64,250
Increase in income	1,00,000
Marginal Relief (1,64,250 – 1,00,000)	64,250

Tax after marginal relief	14,12,500.00
Add: HEC @ 4%	56,500.00
Tax Liability	14,69,000.00

e.g. If Mr. X has total income of ₹102,00,000, his tax liability shall be computed in the manner given below:

Total Income	102,00,000.00
Tax on ₹102,00,000 at slab rate	28,72,500.00
Add: Surcharge @ 15%	4,30,875.00
Tax before marginal relief	33,03,375.00
Less: Marginal Relief	(9,625.00)

Working Note:

Tax + surcharge @15% on income of ₹102,00,000	33,03,375
Tax + surcharge @10% on income of ₹100,00,000	(30,93,750)
Increase in tax	2,09,625
Increase in income	2,00,000
Marginal Relief (2,09,625 – 2,00,000)	9,625

Tax after marginal relief	32,93,750.00
Add: HEC @ 4%	1,31,750.00
Tax Liability	34,25,500.00

e.g. If Mr. X has total income of ₹101,80,000, his tax liability shall be computed in the manner given below:

Total Income	101,80,000.00
Tax on ₹101,80,000 at slab rate	28,66,500.00
Add: Surcharge @ 15%	4,29,975.00
Tax before marginal relief	32,96,475.00
Less: Marginal Relief	(22,725.00)

Working Note:

Tax + surcharge @15% on income of ₹101,80,000	32,96,475
Tax + surcharge @10% on income of ₹100,00,000	(30,93,750)
Increase in tax	2,02,725
Increase in income	1,80,000
Marginal Relief (2,02,725 – 1,80,000)	22,725

Tax after marginal relief	32,73,750.00
Add: HEC @ 4%	1,30,950.00
Tax Liability	34,04,700.00

A person having total income from ₹50 lakhs to ₹100 lakhs shall be eligible for marginal relief upto total income of ₹51,95,890 and afterwards he will not be eligible for marginal relief when slab of ₹2,50,000 is applicable. (for slab rate of ₹3,00,000, such income shall be ₹51,95,520 and for slab of ₹5,00,000, such income shall be ₹51,94,030)

A person having total income from ₹100 lakhs to ₹200 lakhs shall be eligible for marginal relief upto total income of ₹102,14,690 and afterwards he will not be eligible for marginal relief when slab of ₹2,50,000 is applicable. (for slab rate of ₹3,00,000, such income shall be ₹102,14,500 and for slab of ₹5,00,000, such income shall be ₹102,13,740)

A person having total income from ₹200 lakhs to ₹500 lakhs shall be eligible for marginal relief upto total income of ₹209,30,000 and afterwards he will not be eligible for marginal relief when slab of ₹2,50,000 is applicable. (for slab rate of ₹3,00,000, such income shall be ₹209,29,600 and for slab of ₹5,00,000, such income shall be ₹209,28,000)

A person having total income above ₹500 lakhs shall be eligible for marginal relief upto total income of ₹530,17,830 and afterwards he will not be eligible for marginal relief when slab of ₹2,50,000 is applicable. (for slab rate of ₹3,00,000, such income shall be ₹530,17,320 and for slab of ₹5,00,000, such income shall be ₹530,15,280)

Illustration 3:

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹50,05,000
- (ii) Mr. X (non-resident) has total income of ₹52,00,000
- (iii) Mrs. X (resident) has total income of ₹101,00,000
- (iv) Mrs. X (non-resident) has total income of ₹85,00,000
- (v) Mr. X (resident), aged 60 years has total income of ₹106,00,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹57,00,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹108,00,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹101,50,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹54,25,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹102,00,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹55,22,380
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹45,00,000
- (xiii) Mr. X (resident) has total income of ₹201,00,000
- (xiv) Mr. X (resident) has total income of ₹205,00,000
- (xv) Mr. X (resident) has total income of ₹501,00,000
- (xvi) Mr. X (resident) has total income of ₹505,00,000
- (xvii) Mr. X (non - resident) has total income of ₹300,00,000

Solution:

₹

(i) Computation of Tax Liability

Total Income	50,05,000
Tax on ₹50,05,000 at slab rate	13,14,000
Add: Surcharge @ 10%	1,31,400
Tax before marginal relief	14,45,400
Less: Marginal Relief	(1,27,900)

Working Note:

Tax + surcharge on income of ₹50,05,000	14,45,400
Tax on income of ₹50,00,000	(13,12,500)
Increase in tax	1,32,900
Increase in income	5,000
Marginal Relief (1,32,900 – 5,000)	1,27,900

Tax after marginal relief	13,17,500
Add: HEC @ 4%	52,700
Tax Liability	13,70,200

(ii) Computation of Tax Liability

Total Income	52,00,000.00
Tax on ₹52,00,000 at slab rate	13,72,500.00
Add: Surcharge @ 10%	1,37,250.00
Tax before health & education cess	15,09,750.00
Add: HEC @ 4%	60,390.00
Tax Liability	15,70,140.00

(iii) Computation of Tax Liability

Total Income	101,00,000.00
Tax on ₹101,00,000 at slab rate	28,42,500.00
Add: Surcharge @ 15%	4,26,375.00
Tax before marginal relief	32,68,875.00
Less: Marginal Relief	(75,125.00)

Working Note:

Tax + surcharge @15% on income of ₹101,00,000	32,68,875
Tax + surcharge @10% on income of ₹100,00,000	(30,93,750)
Increase in tax	1,75,125
Increase in income	1,00,000
Marginal Relief (1,75,125 – 1,00,000)	75,125

Tax after marginal relief	31,93,750.00
Add: HEC @ 4%	1,27,750.00
Tax Liability	33,21,500.00

(iv) Computation of Tax Liability

Total Income	85,00,000.00
Tax on ₹85,00,000 at slab rate	23,62,500.00
Add: Surcharge @ 10%	2,36,250.00
Tax before health & education cess	25,98,750.00
Add: HEC @ 4%	1,03,950.00
Tax Liability	27,02,700.00

(v) Computation of Tax Liability

Total Income	106,00,000
Tax on ₹106,00,000 at slab rate	29,90,000
Add: Surcharge @ 15%	4,48,500
Tax before health & education cess	34,38,500.00
Add: HEC @ 4%	1,37,540.00
Tax Liability	35,76,040.00

(vi) Computation of Tax Liability

Total Income	57,00,000
Tax on ₹57,00,000 at slab rate	15,20,000
Add: Surcharge @ 10%	1,52,000
Tax before health & education cess	16,72,000.00
Add: HEC @ 4%	66,880.00
Tax Liability	17,38,880.00

(vii) Computation of Tax Liability

Total Income	108,00,000.00
Tax on ₹108,00,000 at slab rate	30,52,500.00
Add: Surcharge @ 15%	4,57,875.00
Tax before health & education cess	35,10,375.00
Add: HEC @ 4%	1,40,415.00
Tax Liability	36,50,790.00

(viii) Computation of Tax Liability

Total Income	101,50,000.00
Tax on ₹101,50,000 at slab rate	28,57,500.00
Add: Surcharge @ 15%	4,28,625.00
Tax before marginal relief	32,86,125.00

Less: Marginal Relief (42,375.00)

Working Note:

Tax + surcharge @15% on income of ₹101,50,000	32,86,125
Tax + surcharge @10% on income of ₹100,00,000	(30,93,750)
Increase in tax	1,92,375
Increase in income	1,50,000
Marginal Relief (1,92,375 – 1,50,000)	42,375

Tax after marginal relief 32,43,750.00
 Add: HEC @ 4% 1,29,750.00
 Tax Liability 33,73,500.00

(ix) Computation of Tax Liability

Total Income 54,25,000.00
 Tax on ₹54,25,000 at slab rate 14,27,500.00
 Add: Surcharge @ 10% 1,42,750.00
 Tax before health & education cess 15,70,250.00
 Add: HEC @ 4% 62,810.00
 Tax Liability 16,33,060.00

(x) Computation of Tax Liability

Total Income 102,00,000
 Tax on ₹102,00,000 at slab rate 28,60,000
 Add: Surcharge @ 15% 4,29,000
 Tax before marginal relief 32,89,000
 Less: Marginal Relief (9,000)

Working Note:

Tax + surcharge @15% on income of ₹102,00,000	32,89,000
Tax + surcharge @10% on income of ₹100,00,000	(30,80,000)
Increase in tax	2,09,000
Increase in income	2,00,000
Marginal Relief (2,09,000 – 2,00,000)	9,000

Tax after marginal relief 32,80,000
 Add: HEC @ 4% 1,31,200
 Tax Liability 34,11,200

(xi) Computation of Tax Liability

Total Income 55,22,380.00
 Tax on ₹55,22,380 at slab rate 14,69,214.00
 Add: Surcharge @ 10% 1,46,921.40
 Tax before health & education cess 16,16,135.40
 Add: HEC @ 4% 64,645.42
 Tax Liability 16,80,780.82
 Rounded off u/s 288B 16,80,780.00

(xii) Computation of Tax Liability

Total Income 45,00,000.00
 Tax on ₹45,00,000 at slab rate 11,62,500.00
 Add: Surcharge Nil
 Tax before health & education cess 11,62,500.00
 Add: HEC @ 4% 46,500.00
 Tax Liability 12,09,000.00

(xiii) Computation of Tax Liability

Total Income	201,00,000
Tax on ₹201,00,000 at slab rate	58,42,500
Add: Surcharge @ 25%	14,60,625
Tax before marginal relief	73,03,125
Less: Marginal Relief	(5,18,750)

Working Note:

Tax + surcharge @25% on income of ₹201,00,000	73,03,125
Tax + surcharge @15% on income of ₹200,00,000	(66,84,375)
Increase in tax	6,18,750
Increase in income	1,00,000
Marginal Relief (6,18,750 – 1,00,000)	5,18,750

Tax after marginal relief	67,84,375
Add: HEC @ 4%	2,71,375
Tax Liability	70,55,750

(xiv) Computation of Tax Liability

Total Income	205,00,000
Tax on ₹205,00,000 at slab rate	59,62,500
Add: Surcharge @ 25%	14,90,625
Tax before marginal relief	74,53,125
Less: Marginal Relief	(2,68,750)

Working Note:

Tax + surcharge @25% on income of ₹205,00,000	74,53,125
Tax + surcharge @15% on income of ₹200,00,000	(66,84,375)
Increase in tax	7,68,750
Increase in income	5,00,000
Marginal Relief (7,68,750 – 5,00,000)	2,68,750

Tax after marginal relief	71,84,375
Add: HEC @ 4%	2,87,375
Tax Liability	74,71,750

(xv) Computation of Tax Liability

Total Income	501,00,000
Tax on ₹501,00,000 at slab rate	1,48,42,500
Add: Surcharge @ 37%	54,91,725
Tax before marginal relief	2,03,34,225
Less: Marginal Relief	(17,18,600)

Working Note:

Tax + surcharge @37% on income of ₹501,00,000	203,34,225
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	18,18,600
Increase in income	1,00,000
Marginal Relief (18,18,600 – 1,00,000)	17,18,600

Tax after marginal relief	1,86,15,625
Add: HEC @ 4%	7,44,625
Tax Liability	1,93,60,250

(xvi) Computation of Tax Liability

Total Income	505,00,000
Tax on ₹505,00,000 at slab rate	1,49,62,500
Add: Surcharge @ 37%	55,36,125
Tax before marginal relief	2,04,98,625

Less: Marginal Relief (14,83,000)

Working Note:

Tax + surcharge @37% on income of ₹505,00,000	2,04,98,625
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	19,83,000
Increase in income	5,00,000
Marginal Relief (19,83,000 – 5,00,000)	14,83,000

Tax after marginal relief	1,90,15,625
Add: HEC @ 4%	7,60,625
Tax Liability	1,97,76,250

(xvii) Computation of Tax Liability

Total 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

Question 7: Write a note on Rebate under section 87A.

Answer: Rebate in case of Resident Individual Section 87A

- ❖ Rebate i.e. concession from income tax shall be allowed only to **RESIDENT INDIVIDUAL** (not to non-resident individual or any other person).
- ❖ Rebate shall be allowed only if total income is not exceeding **₹5,00,000**
- ❖ Rebate shall be allowed upto **₹12,500**.
- ❖ Health & education cess shall be applied only after permitting rebate under section 87A.
- ❖ Rebate shall be allowed even from tax on LTCG or STCG under section 111A or Casual Income.
- ❖ No Rebate shall be allowed from LTCG u/s 112A.

E.g.

Mr. X has total income of ₹5,00,000, his tax liability shall be

Computation of Tax Liability

Total Income	5,00,000.00
Tax on ₹5,00,000 at slab rate	12,500.00
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

If in the above case total income is ₹4,96,000, tax liability shall be

Computation of Tax Liability

Total Income	4,96,000
Tax on ₹4,96,000 at slab rate	12,300.00
Less: Rebate u/s 87A	(12,300.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

If in the above case total income is ₹5,01,000, tax liability shall be

Computation of Tax Liability

Total Income	5,01,000.00
Tax on ₹5,01,000 at slab rate	12,700.00
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,700.00

Add: HEC @ 4%	508.00
Tax Liability	13,208.00
Rounded off u/s 288B	13,210.00

Illustration 4:

Mr. X has gross total income ₹5,60,000 and deduction allowed under section 80C to 80U are ₹60,000. Compute his tax liability previous year 2022-23, assessment year 2023-24.

Solution:**Computation of Tax Liability**

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(b) Presume he is a resident and is aged 62 years.**Solution:****Computation of Tax Liability**

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	10,000
Less: Rebate u/s 87A	(10,000)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(c) Presume he is a non-resident and is aged 62 years.**Solution:****Computation of Tax Liability**

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

(d) Presume he is a non-resident and is aged 82 years.**Solution:****Computation of Tax Liability**

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

Illustration 5:

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹4,70,000
- (ii) Mr. X (non-resident) has total income of ₹5,00,000
- (iii) Mrs. X (resident) has total income of ₹4,95,000
- (iv) Mrs. X (non-resident) has total income of ₹4,70,000
- (v) Mr. X (resident), aged 60 years has total income of ₹4,90,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹4,90,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹4,90,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹4,90,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹6,00,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹6,00,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹5,00,000
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹4,90,000

Solution:

₹

(i) Computation of Tax Liability

Total Income	4,70,000
Tax on ₹4,70,000 at slab rate	11,000
Less: Rebate u/s 87A	(11,000)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(ii) Computation of Tax Liability

Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

Note: Rebate under section 87A is not allowed to non-resident.

(iii) Computation of Tax Liability

Total Income	4,95,000
Tax on ₹4,95,000 at slab rate	12,250
Less: Rebate u/s 87A	(12,250)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(iv) Computation of Tax Liability

Total Income	4,70,000
Tax on ₹4,70,000 at slab rate	11,000
Add: HEC @ 4%	440
Tax Liability	11,440

Note: Rebate under section 87A is not allowed to non-resident.

(v) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	9,500
Less: Rebate u/s 87A	(9,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil

Tax Liability Nil

(vi) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	9,500
Less: Rebate u/s 87A	(9,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(vii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(viii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(ix) Computation of Tax Liability

Total Income	6,00,000
Tax on ₹6,00,000 at slab rate	20,000
Add: HEC @ 4%	800
Tax Liability	20,800

(x) Computation of Tax Liability

Total Income	6,00,000
Tax on ₹6,00,000 at slab rate	20,000
Add: HEC @ 4%	800
Tax Liability	20,800

(xi) Computation of Tax Liability

Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

Note: Rebate under section 87A is not allowed to non-resident.

(xii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

Illustration 6:

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹5,05,000

- (ii) Mr. X (non-resident) has total income of ₹4,20,000
- (iii) Mrs. X (resident) has total income of ₹4,58,000
- (iv) Mrs. X (non-resident) has total income of ₹12,00,000
- (v) Mr. X (resident), aged 60 years has total income of ₹22,00,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹105,00,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹70,00,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹3,00,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹3,99,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹103,00,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹12,00,000
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹9,00,000

Solution:

₹

(i) Computation of Tax Liability

Total Income	5,05,000.00
Tax on ₹5,05,000 at slab rate	13,500.00
Add: HEC @ 4%	540.00
Tax Liability	14,040.00

(ii) Computation of Tax Liability

Total Income	4,20,000
Tax on ₹4,20,000 at slab rate	8,500
Add: HEC @ 4%	340
Tax Liability	8,840

Note: Rebate under section 87A is not allowed to non-resident.

(iii) Computation of Tax Liability

Total Income	4,58,000
Tax on ₹4,58,000 at slab rate	10,400
Less: Rebate u/s 87A	(10,400)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(iv) Computation of Tax Liability

Total Income	12,00,000
Tax on ₹12,00,000 at slab rate	1,72,500
Add: HEC @ 4%	6,900
Tax Liability	1,79,400

(v) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,70,000
Add: HEC @ 4%	18,800
Tax Liability	4,88,800

(vi) Computation of Tax Liability

Total Income	105,00,000
Tax on ₹105,00,000 at slab rate	29,60,000
Add: Surcharge @ 15%	4,44,000
Tax before health & education cess	34,04,000
Add: HEC @ 4%	1,36,160
Tax Liability	35,40,160

(vii) Computation of Tax Liability

Total Income	70,00,000
Tax on ₹70,00,000 at slab rate	19,12,500
Add: Surcharge @ 10%	1,91,250
Tax before health & education cess	21,03,750
Add: HEC @ 4%	84,150
Tax Liability	21,87,900

(viii) Computation of Tax Liability

Total Income	3,00,000
Tax on ₹3,00,000 at slab rate	2,500
Add: HEC @ 4%	100
Tax Liability	2,600

Note: Rebate under section 87A is not allowed for non-resident.

(ix) Computation of Tax Liability

Total Income	3,99,000
Tax on ₹3,99,000 at slab rate	Nil
Tax Liability	Nil

(x) Computation of Tax Liability

Total Income	103,00,000
Tax on ₹103,00,000 at slab rate	28,90,000
Add: Surcharge @ 15%	4,33,500
Tax before health & education cess	33,23,500
Add: HEC @ 4%	1,32,940
Tax Liability	34,56,440

(xi) Computation of Tax Liability

Total Income	12,00,000
Tax on ₹12,00,000 at slab rate	1,72,500
Add: HEC @ 4%	6,900
Tax Liability	1,79,400

(xii) Computation of Tax Liability

Total Income	9,00,000
Tax on ₹9,00,000 at slab rate	92,500
Add: HEC @ 4%	3,700
Tax Liability	96,200

Question 8: Explain taxability of Casual Income.

Answer: As per section 115BB, casual income shall be taxable @ 30%.

As per section 2(24)(ix), casual income means any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever.

Lottery includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner whatsoever, under any scheme or arrangement by whatever name called.

Card game and other game of any sort includes any game show, an entertainment programme on television or electronic mode, in which people compete to win prizes or any other similar game.

Casual income shall be taxable under the head Other Sources and it will be included in the gross total income and also total income but while computing tax liability, casual income shall be separated from total income and shall be taxable @ 30%.

If assessee has incurred any expenditure in connection with earning of casual income, such expenditure shall not be allowed to be deducted, eg. Mr. X purchased lottery tickets of ₹10,000 and he had a winning of ₹1,00,000, in this case expenditure of ₹10,000 shall not be allowed to be deducted and income of ₹1,00,000 shall be taxable @ 30%.

As per section 58(4), deduction under section 80C to 80U shall not be allowed from casual income however as per section 87A, rebate shall be allowed.

Illustration 7:

Mr. X has income under the head Salary ₹5,00,000 and casual income ₹3,00,000 and deduction under section 80C to 80U ₹2,00,000, in this case his tax liability shall be

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	5,00,000.00
Income under the Other Sources (Casual income)	3,00,000.00
Gross Total Income	8,00,000.00
Less: Deduction u/s 80C to 80U	(2,00,000.00)
Total Income	6,00,000.00

Computation of Tax Liability

Tax on casual income ₹3,00,000 @ 30%	90,000.00
Tax on normal income ₹3,00,000 at slab rate	2,500.00
Tax before health & education cess	92,500.00
Add: HEC @ 4%	3,700.00
Tax Liability	96,200.00

(b) If in the above case deduction allowed under section 80C to 80U is ₹6,00,000, tax liability shall be

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	5,00,000.00
Income under the Other Sources (Casual income)	3,00,000.00
Gross Total Income	8,00,000.00
Less: Deduction u/s 80C to 80U	(5,00,000.00)
Total Income	3,00,000.00

Computation of Tax Liability

Tax on casual income ₹3,00,000 @ 30%	90,000.00
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	77,500.00
Add: HEC @ 4%	3,100.00
Tax Liability	80,600.00

Illustration 8: Mr. X has casual income of ₹102,00,000 and deduction allowed under section 80C to 80U are ₹5,00,000, in this case his tax liability shall be

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the Other Sources (Casual income)	102,00,000.00
Gross Total Income	102,00,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	102,00,000.00

Computation of Tax Liability

Tax on casual income ₹102,00,000 @ 30%	30,60,000.00
Add: Surcharge @ 15%	4,59,000.00
Tax before marginal relief	35,19,000.00
Less: Marginal Relief	(19,000.00)

Working Note:

Tax + surcharge on income of ₹102,00,000	35,19,000
Tax + surcharge on income of ₹100,00,000	(33,00,000)
Increase in tax	2,19,000
Increase in income	2,00,000
Marginal Relief (2,19,000 – 2,00,000)	19,000

Tax after marginal relief	35,00,000.00
Add: HEC @ 4%	1,40,000.00
Tax Liability	36,40,000.00

Illustration 9: Mr. X has income under the head Salary ₹70,000 and casual income ₹2,50,000 and deduction u/s 80C to 80U ₹40,000. Compute his tax liability assessment year 2023-24.

Solution:

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	70,000.00
Income under the Other Sources (Casual income)	2,50,000.00
Gross Total Income	3,20,000.00
Less: Deduction u/s 80C to 80U	(40,000.00)
Total Income	2,80,000.00
Computation of Tax Liability	
Tax on casual income ₹2,50,000 @ 30%	75,000.00
Tax on normal income ₹30,000 at slab rate	Nil
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	62,500.00
Add: HEC @ 4%	2,500.00
Tax Liability	65,000.00

(b) Presume he is non-resident.

Solution:

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	70,000.00
Income under the Other Sources (Casual income)	2,50,000.00
Gross Total Income	3,20,000.00
Less: Deduction u/s 80C to 80U	(40,000.00)
Total Income	2,80,000.00
Computation of Tax Liability	
Tax on casual income ₹2,50,000 @ 30%	75,000.00
Tax on normal income ₹30,000 at slab rate	Nil
Less: Rebate u/s 87A	Nil
Tax before health & education cess	75,000.00
Add: HEC @ 4%	3,000.00
Tax Liability	78,000.00

A person having Total Income from ₹50 lakhs to ₹100 lakhs shall be eligible for marginal relief upto total income of ₹52,23,880 in case of casual income.
A person having Total Income from ₹100 lakhs to ₹200 lakhs shall be eligible for marginal relief upto total income of ₹102,29,000 in case of casual income.
A person having Total Income from ₹200 lakhs to ₹500 lakhs shall be eligible for marginal relief upto total income of ₹209,60,000 in case of casual income.
A person having Total Income above ₹500 lakhs shall be eligible for marginal relief upto total income of ₹530,56,030 in case of casual income.

Illustration 10: Mr. X has casual income ₹ 100 lakh, in this case his Tax Liability for P.Y. 2022-23 A.Y. 2023-24 shall be-

Computation of Tax Liability

Tax on casual income ₹100,00,000 @ 30%	30,00,000.00
Add: Surcharge @ 10%	3,00,000.00
Tax before health & education cess	33,00,000.00
Add: HEC @ 4%	1,32,000.00
Tax Liability	34,32,000.00

(b) Mr. X has casual income ₹ 101 lakh, in this case his Tax Liability for P.Y. 2022-23 A.Y. 2023-24 shall be-

Computation of Tax Liability

Tax on casual income ₹101,00,000 @ 30%	30,30,000.00
Add: Surcharge @ 15%	4,54,500.00
Tax before marginal relief	34,84,500.00
Less: Marginal Relief	(84,500.00)

Working Note:

Tax + surcharge on income of ₹101,00,000	34,84,500
Tax + surcharge on income of ₹100,00,000	(33,00,000)
Increase in tax	1,84,500
Increase in income	1,00,000
Marginal Relief (1,84,500 – 1,00,000)	84,500

Tax after marginal relief	34,00,000.00
Add: HEC @ 4%	1,36,000.00
Tax Liability	35,36,000.00

(c) Mr. X has casual income ₹ 102 lakh, in this case his Tax Liability for P.Y. 2022-23 A.Y. 2023-24 shall be-

Computation of Tax Liability

Tax on casual income ₹102,00,000 @ 30%	30,60,000.00
Add: Surcharge @ 15%	4,59,000.00
Tax before marginal relief	35,19,000.00
Less: Marginal Relief	(19,000.00)

Working Note:

Tax + surcharge on income of ₹102,00,000	35,19,000
Tax + surcharge on income of ₹100,00,000	(33,00,000)
Increase in tax	2,19,000
Increase in income	2,00,000
Marginal Relief (2,19,000 – 2,00,000)	19,000

Tax after marginal relief	35,00,000.00
Add: HEC @ 4%	1,40,000.00
Tax Liability	36,40,000.00

(d) Mr. X has casual income ₹103 lakh, in this case his Tax Liability for P.Y. 2022-23 A.Y. 2023-24 shall be-

Computation of Tax Liability

Tax on casual income ₹103,00,000 @ 30%	30,90,000.00
Add: Surcharge @ 15%	4,63,500.00
Tax before health & education cess	35,53,500.00
Add: HEC @ 4%	1,42,140.00
Tax Liability	36,95,640.00

Question 9: Explain taxability of Capital Gains.

Answer: If any capital asset has been transferred like land, building, gold etc. profit shall be called capital gains and if the asset has been transferred within a period of three years, capital gains shall be short term and shall be taxable at the normal rate and if asset is sold after 3 years, it will be long term capital gain and as per section 112, it shall be taxable @ 20% and also deductions under section 80C to 80U i.e. Chapter VI-A, shall not be allowed from long term capital gains.

In case of listed shares or units of equity oriented mutual fund etc., period of three years shall be taken as one year.

If any person has transferred listed equity shares or listed units of equity oriented mutual funds and has paid securities transaction tax, in such cases long term capital gain shall be taxable @ 10% u/s 112A but only amount in excess of ₹1,00,000 and short term capital gains shall be covered under section 111A and shall be taxable @ 15% and deductions under section 80C to 80U i.e. Chapter VI-A, shall not be allowed from such long term or short term capital gains.

Rebate u/s 87A shall be allowed from tax on LTCG or STCG 111A. (No Rebate u/s 87A from LTCG 112A)

Special provision for resident individual

In case of a resident individual if total income excluding long term capital gains 112/112A and short term capital gain covered under section 111A and casual income, is below the amount which is exempt from income tax (i.e.2,50,000/3,00,000/5,00,000), in such cases deficiency in the exemption shall be allowed from long term capital gains 112 or short term capital gain under section 111A or long term capital gains under section 112A, in that order. Such benefit is not allowed to a non-resident.

Illustration 11:

Mr. X has incomes as given below:

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000

Deductions allowed under section 80C to 80U

2,00,000

Compute his tax liability for the assessment year 2023-24.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000

• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains (₹1,10,000 – 1,10,000)@ 20% u/s 112	Nil
Tax on Short term capital gains (₹7,00,000 – 1,40,000)@ 15% u/s 111A	84,000
Tax on Long term capital gains 4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,40,500
Add: HEC @ 4%	5,620
Tax Liability	1,46,120

(b) Presume he is non-resident.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,10,000 @ 20% u/s 112	22,000
Tax on Short term capital gains ₹7,00,000 @ 15% u/s 111A	1,05,000
Tax on Long term capital gains ₹4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,83,500
Add: HEC @ 4%	7,340
Tax Liability	1,90,840

(c) Presume he is resident and is aged 62 years.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000

• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000
Computation of Tax Liability	
Tax on Long term capital gains (₹1,10,000 – 1,10,000)@ 20% u/s 112	Nil
Tax on Short term capital gains (₹7,00,000 – 1,90,000)@ 15% u/s 111A	76,500
Tax on Long term capital gains ₹4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,33,000
Add: HEC @ 4%	5,320
Tax Liability	1,38,320

(d) Presume he is resident and is aged 82 years.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains (₹1,10,000 – 1,10,000)@ 20% u/s 112	Nil
Tax on Short term capital gains (₹7,00,000 – 3,90,000)@ 15% u/s 111A	46,500
Tax on Long term capital gains ₹4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,03,000
Add: HEC @ 4%	4,120
Tax Liability	1,07,120

Illustration 11A:

(i) Mr X has income under the head house property ₹5,00,000 and LTCG 112A ₹1,00,000. Compute tax payable.

Answer:

Computation of Total Income

Income under the head House Property	5,00,000.00
Income under the head Capital Gains	1,00,000.00
Gross Total Income	6,00,000.00
Less: Deduction u/s 80C	Nil

Total Income 6,00,000.00

Computation of Tax Liability

Tax on ₹5,00,000 at slab rate 12,500.00
 Tax on Nil (₹1,00,000- ₹1,00,000) u/s LTCG 112A Nil
 Less: Rebate u/s 87A Nil
 Tax before health & education cess 12,500.00
 Add: HEC @ 4% 500.00
 Tax Liability 13,000.00

Note: Since total income is exceeding ₹5,00,000, rebate is not allowed.

(ii) Mr X has LTCG 112A ₹50,50,000. Compute tax payable.

Answer:

Computation of Total Income

Income under the head Capital Gains 50,50,000.00
 Gross Total Income 50,50,000.00
 Less: Deduction u/s 80C Nil
 Total Income 50,50,000.00

Computation of Tax Liability

Tax on ₹47,00,000 (50,50,000-1,00,000-2,50,000) u/s LTCG 112A 4,70,000.00
 Add: Surcharge @ 10% 47,000.00
 Less: Marginal Relief (2,000)

Working Note:

Tax + surcharge on income of ₹50,50,000	5,17,000
Tax on income of ₹50,00,000	(4,65,000)
((50,00,000-1,00,000-2,50,000) x 10%)	
Increase in tax	52,000
Increase in income	50,000
Marginal Relief (52,000 – 50,000)	2,000

Tax before health & education cess 5,15,000.00
 Add: HEC @ 4% 20,600.00
 Tax Liability 5,35,600.00

(iii) Mr X has LTCG 112A ₹51,00,000. Compute tax payable.

Answer:

Computation of Total Income

Income under the head Capital Gains 51,00,000.00
 Gross Total Income 51,00,000.00
 Less: Deduction u/s 80C Nil
 Total Income 51,00,000.00

Computation of Tax Liability

Tax on ₹47,50,000 (51,00,000-1,00,000-2,50,000) u/s LTCG 112A 4,75,000.00
 Add: Surcharge @ 10% 47,500.00
 Less: Marginal Relief Nil

Working Note:

Tax + surcharge on income of ₹51,00,000	5,22,500
Tax on income of ₹50,00,000	(4,65,000)
((50,00,000-1,00,000-2,50,000) x 10%)	
Increase in tax	57,500
Increase in income	1,00,000
Marginal Relief (57,500 – 1,00,000)	Nil

Tax before health & education cess	5,22,500.00
Add: HEC @ 4%	20,900.00
Tax Liability	5,43,400.00

Illustration 12: Compute tax liability for the assessment year 2023-24 in the following situations:

- (i) Mr. X is resident in India and has income under the head house property ₹40,000 and income under the head salary ₹30,000 and long term capital gains ₹4,80,000.
- (ii) Presume in the above situation the assessee is Mrs. X.
- (iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.
- (iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.
- (v) Presume in the above situation the assessee is Mrs. X and she is aged about 85 years.
- (vi) Presume in the above situation the assessee is Mr. X and he is aged about 85 years.
- (vii) Presume in all the above situations, the assessee is non-resident in India.

Solution:

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(i)

Computation of Total Income

Income under the head Salary	30,000
Income under the head House Property	40,000
Income under the head Capital Gains (LTCG)	4,80,000
Gross Total Income	5,50,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,50,000

Computation of Tax Liability

Tax on LTCG ₹3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112	60,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	60,000
Add: HEC @ 4%	2,400
Tax Liability	62,400

(ii)

Total Income	5,50,000
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Computation of Tax Liability

Tax on LTCG ₹3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112	60,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	60,000
Add: HEC @ 4%	2,400
Tax Liability	62,400

(iii)

Total Income	5,50,000
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Computation of Tax Liability

Tax on LTCG ₹2,50,000 (4,80,000 – 2,30,000) @ 20% u/s 112	50,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	50,000
Add: HEC @ 4%	2,000
Tax Liability	52,000

(iv)

Total Income	5,50,000
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Computation of Tax Liability

Tax on LTCG ₹2,50,000 (4,80,000 – 2,30,000) @ 20% u/s 112	50,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	50,000

Add: HEC @ 4%	2,000
Tax Liability	52,000
(v)	
Total Income	5,50,000
Computation of Tax Liability	
Tax on LTCG ₹50,000 (4,80,000 – 4,30,000) @ 20% u/s 112	10,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	10,000
Add: HEC @ 4%	400
Tax Liability	10,400
(vi)	
Total Income	5,50,000
Computation of Tax Liability	
Tax on LTCG ₹50,000 (4,80,000 – 4,30,000) @ 20% u/s 112	10,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	10,000
Add: HEC @ 4%	400
Tax Liability	10,400
(vii)	
In situation (i)	
Total Income	5,50,000
Computation of Tax Liability	
Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840
In situation (ii)	
Total Income	5,50,000
Computation of Tax Liability	
Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840
In situation (iii)	
Total Income	5,50,000
Computation of Tax Liability	
Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840
In situation (iv)	
Total Income	5,50,000
Computation of Tax Liability	
Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil

Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (v)

Total Income	5,50,000
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Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (vi)

Total Income	5,50,000
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Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

Illustration 13: Compute tax liability in the following cases

- (i) Mr. X a resident has long term capital gains ₹3,50,000.
- (ii) Mr. X a resident has casual income ₹3,50,000.
- (iii) Mr. X a resident has short term capital gains u/s 111A ₹3,50,000.
- (iv) Mr. X a non-resident has long term capital gains ₹3,50,000.
- (v) Mr. X a non-resident has casual income ₹3,50,000.
- (vi) Mr. X a non-resident has short term capital gains u/s 111A ₹3,50,000.
- (vii) Mr. X a non-resident aged 61 years has long term capital gains ₹3,50,000.
- (viii) Mr. X a non-resident aged 61 years has casual income ₹3,50,000.
- (ix) Mr. X a non-resident aged 61 years has short term capital gains u/s 111A ₹3,50,000.

Solution:

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(i)	
Income under the head capital gains (LTCG)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,00,000 (₹3,50,000 – ₹2,50,000)@ 20% u/s 112	20,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	7,500
Add: HEC @ 4%	300
Tax Liability	7,800

(ii)

Income under the head other sources (casual income)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	92,500
Add: HEC @ 4%	3,700
Tax Liability	96,200

(iii)

Income under the head capital gains (STCG u/s 111A)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Short term capital gains ₹1,00,000 (₹3,50,000 – ₹2,50,000)@ 15% u/s 111A	15,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	2,500
Add: HEC @ 4%	100
Tax Liability	2,600

(iv)

Income under the head capital gains (LTCG)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Long term capital gains ₹3,50,000 @ 20% u/s 112	70,000
Add: HEC @ 4%	2,800
Tax Liability	72,800

(v)

Income under the head other sources (casual income)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000
Add: HEC @ 4%	4,200
Tax Liability	1,09,200

(vi)

Income under the head capital gains (STCG u/s 111A)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Short term capital gains ₹3,50,000 @ 15% u/s 111A	52,500
Add: HEC @ 4%	2,100
Tax Liability	54,600

(vii)

Income under the head capital gains (LTCG)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Long term capital gains ₹3,50,000 @ 20% u/s 112	70,000
Add: HEC @ 4%	2,800
Tax Liability	72,800

(viii)

Income under the head other sources (casual income)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000
Add: HEC @ 4%	4,200
Tax Liability	1,09,200

(ix)

Income under the head capital gains (STCG u/s 111A)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Short term capital gains ₹3,50,000 @ 15% u/s 111A	52,500
Add: HEC @ 4%	2,100
Tax Liability	54,600

Illustration 14: Compute tax liability for the assessment year 2023-24 in the following situations:

(i) Mr. X is resident in India and his incomes are as follows:

- (a) Income under the head Salary ₹1,20,000
- (b) Income under the head House Property ₹60,000
- (c) Long term capital gains ₹2,20,000
- (d) Short term capital gain under section 111A ₹1,10,000
- (e) Casual Income ₹90,000
- (f) Deduction under section 80C to 80U ₹2,00,000 .

(ii) Presume in the above situation the assessee is Mrs. X.

(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.

(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.

(v) Presume in the above situation the assessee is Mrs. X and she is aged about 83 years.

(vi) Presume in the above situation the assessee is Mr. X and he is aged about 83 years.

(vii) Presume in the above situation the assessee is Mr. X and he is aged about 70 years and he is non-resident.

(viii) Presume in the above situation the assessee is Mr. X and he is aged about 83 years old and he is non-resident.

Solution:

(i)

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Computation of Total Income

Income under the head Salary		1,20,000
Income under the head House Property		60,000
Income under the head Capital Gains		
Long term capital gains	2,20,000	
Short term capital gains u/s 111A	1,10,000	3,30,000
Income under the head Other Sources (Casual Income)		90,000
Gross Total Income		6,00,000
Less: Deduction u/s 80C to 80U		(1,80,000)
Total Income		4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112		Nil
Tax on STCG ₹80,000 (₹1,10,000 – 30,000) @ 15% u/s 111A		12,000
Tax on Casual income ₹90,000 @ 30% u/s 115BB		27,000
Tax on normal income at slab rate		Nil
Tax before Rebate u/s 87A		39,000
Less: Rebate u/s 87A		(12,500)
Tax before health & education cess		26,500
Add: HEC @ 4%		1,060
Tax Liability		27,560

(ii)

Total Income		4,20,000
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Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112		Nil
Tax on STCG ₹80,000 (₹1,10,000 – 30,000) @ 15% u/s 111A		12,000

Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	39,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	26,500
Add: HEC @ 4%	1,060
Tax Liability	27,560

(iii)

Total Income 4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG ₹30,000 (1,10,000 – 80,000) @ 15% u/s 111A	4,500
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	31,500
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	19,000
Add: HEC @ 4%	760
Tax Liability	19,760

(iv)

Total Income 4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG ₹30,000 (1,10,000 – 80,000) @ 15% u/s 111A	4,500
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	31,500
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	19,000
Add: HEC @ 4%	760
Tax Liability	19,760

(v)

Total Income 4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG (1,10,000 – 1,10,000) @ 15% u/s 111A	Nil
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	27,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	14,500
Add: HEC @ 4%	580
Tax Liability	15,080

(vi)

Total Income 4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG (1,10,000 – 1,10,000) @ 15% u/s 111A	Nil
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000

Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	27,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	14,500
Add: HEC @ 4%	580
Tax Liability	15,080

(vii)

Total Income	4,20,000
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Computation of Tax Liability

Tax on LTCG ₹2,20,000 @ 20% u/s 112	44,000
Tax on STCG ₹1,10,000 @ 15% u/s 111A	16,500
Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	87,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	87,500
Add: HEC @ 4%	3,500
Tax Liability	91,000

(viii)

Total Income	4,20,000
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Computation of Tax Liability

Tax on LTCG ₹2,20,000 @ 20% u/s 112	44,000
Tax on STCG ₹1,10,000 @ 15% u/s 111A	16,500
Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	87,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	87,500
Add: HEC @ 4%	3,500
Tax Liability	91,000

Illustration 15:

Mr. X has long term capital gain ₹31 lakh and normal income ₹70 lakh, in this case his tax liability shall be

Total income	101,00,000.00
LTCG ₹31,00,000 x 20%	6,20,000.00
Normal income at slab rate	19,12,500.00
Tax before surcharge	25,32,500.00
Add: Surcharge @ 15%	3,79,875.00
Tax before marginal relief	29,12,375.00
Less: Marginal relief	(48,625.00)

Tax + Surcharge on ₹101 lakhs	29,12,375
Tax + Surcharge on ₹100 lakhs	
(₹100 lakhs can be normal income ₹70 lakhs + LTCG ₹30 lakhs or normal income ₹69 lakhs and LTCG ₹31 lakhs . It is not given in the Act what combination should be taken. Hence it is a question of law and any of the combination can be taken and it will be correct)	
If first combination is taken, income tax shall be	
Normal income ₹70 lakhs	19,12,500
LTCG ₹30 lakhs	6,00,000
Total	25,12,500

Add: Surcharge @ 10%	2,51,250
Total	27,63,750
Increase in tax (29,12,375 – 27,63,750)	1,48,625
Marginal relief (1,48,625 – 1,00,000)	48,625

Tax before health & education cess	28,63,750.00
Add: HEC @ 4%	1,14,550.00
Tax Liability	29,78,300.00

Second option: Normal income ₹69 lakhs and LTCG ₹31 lakhs

Total income	101,00,000.00
LTCG ₹31,00,000 x 20%	6,20,000.00
Normal income at slab rate	19,12,500.00
Tax before surcharge	25,32,500.00
Add: Surcharge @ 15%	3,79,875.00
Tax before marginal relief	29,12,375.00
Less: Marginal relief	(59,625.00)

Tax + Surcharge on ₹101 lakhs	29,12,375
Tax + Surcharge on ₹100 lakhs	
(₹100 lakhs can be normal income ₹70 lakhs + LTCG ₹30 lakhs or normal income ₹69 lakhs and LTCG ₹31 lakhs . It is not given in the Act what combination should be taken. Hence it is a question of law and any of the combination can be taken and it will be correct)	
If second combination is taken, income tax shall be	
Normal income ₹69 lakhs	18,82,500
LTCG ₹31 lakhs	6,20,000
Total	25,02,500
Add: Surcharge @ 10%	2,50,250
Total	27,52,750
Increase in tax (29,12,375 – 27,52,750)	1,59,625
Marginal relief (1,59,625 – 1,00,000)	59,625

Tax before health & education cess	28,52,750.00
Add: HEC @ 4%	1,14,110.00
Tax Liability	29,66,860.00

The rates of surcharge applicable for A.Y.2023-24 are as follows:

Individual/HUF/AOP/BOI/Artificial juridical person

Income-tax computed on normal income or section 111A or section 112 or section 112A or section 115BAC would be increased by surcharge given under the following table –

S. No.	Particulars	Rate of surcharge on income-	Example	
			Components of total income	Applicable rate of surcharge
(i)	Where the total income (including dividend income and capital gains chargeable to tax u/s 111A and 112A) > ₹ 50 lakhs but ≤ ₹ 1 crore	10%	Example 1	
			<ul style="list-style-type: none"> Dividend ₹ 10 lakhs; STCG u/s 111A ₹ 20 lakhs; LTCG u/s 112A ₹ 25 lakhs; and Other income ₹ 40 lakhs 	Surcharge would be levied @10% on income-tax computed on total income of ₹ 95 lakhs.
(ii)	Where total income (including dividend income and capital gains	15%	Example 2	
			<ul style="list-style-type: none"> Dividend ₹ 10 lakhs; 	Surcharge would be levied @15% on

	chargeable to tax u/s 111A and 112A) > ₹ 1 crore but ≤ ₹ 2 crore		<ul style="list-style-type: none"> • STCG u/s 111A ₹ 60 lakhs; • LTCG u/s 112A ₹ 65 lakhs; and • Other income ₹ 50 lakhs 	income-tax computed on total income of ₹ 1.85 crores.
(iii)	Where total income (excluding dividend income and capital gains chargeable to tax u/s 111A and 112A) > ₹ 2 crore but ≤ ₹ 5 crore	25%	<p>Example 3</p> <ul style="list-style-type: none"> • Dividend income ₹ 60 lakhs; • STCG u/s 111A ₹ 54 lakh; • LTCG u/s 112A ₹ 55 lakh; and • Other income ₹ 3 crores 	<p>Surcharge @ 15% would be levied on income-tax on:</p> <ul style="list-style-type: none"> • Dividend income of ₹ 60 lakhs; • STCG of ₹ 54 lakhs chargeable to tax u/s 111A; and • LTCG of ₹ 55 lakhs chargeable to tax u/s 112A. <p>Surcharge @ 25% would be leviable on income-tax computed on other income of ₹ 3 crores included in total income.</p>
	The rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A and 112A	Not exceeding 15%		
(iv)	Where total income (excluding dividend income and capital gains chargeable to tax u/s 111A and 112A) > ₹ 5 crore	37%	<p>Example 4</p> <ul style="list-style-type: none"> • Dividend income ₹ 60 lakhs; • STCG u/s 111A ₹ 50 lakhs; • LTCG u/s 112A ₹ 65 lakhs; and • Other income ₹ 6 crore 	<p>Surcharge @ 15% would be levied on income-tax on:</p> <ul style="list-style-type: none"> • Dividend income of ₹ 60 lakhs; • STCG of ₹ 50 lakhs chargeable to tax u/s 111A; and • LTCG of ₹ 65 lakhs chargeable to tax u/s 112A. <p>Surcharge @ 37% would be leviable on income-tax computed on other income of ₹ 6 crores included in total income.</p>
	Rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A and 112A	Not exceeding 15%		
(v)	Where total income (including dividend income and capital gains chargeable to tax u/s 111A and 112A) > ₹ 2 crore in cases not covered under (iii) and (iv) above	15%	<p>Example 5</p> <ul style="list-style-type: none"> • Dividend income ₹ 55 lakhs; • STCG u/s 111A ₹ 60 lakhs; • LTCG u/s 112A ₹ 55 lakhs; and • Other income ₹ 1.10 crore 	Surcharge would be levied @ 15% on income-tax computed on total income of ₹ 2.80 crore.

Special Provision of Surcharge for short term 111A , Long term 112A and Dividend Income

Surcharge @ 25% or 37% shall never be applicable on short term capital gain 111A , Long term capital gains 112A and dividend income i.e. surcharge of 25% or 37% shall be applicable only if total income excluding short term capital gain under section 111A and long term capital gain under section 112A, is exceeding ₹ 200 Lakhs or ₹ 500 Lakhs.

The calculations shall be done in the manner given below:

Example 1: Mr. X has income as given below:

Income under the head PGBP	₹505,00,000
LTCG 112A	₹101,00,000
STCG 111A	₹100,00,000

Compute his tax liability for A.Y. 2023-24.

Solution:

Computation of Total Income and Tax Liability of Mr. X

	₹
Income under the head PGBP	505,00,000
LTCG 112A	101,00,000
STCG 111A	100,00,000
Gross Total Income	706,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	706,00,000

Computation of Tax Liability

Tax on LTCG 100,00,000 (101,00,000-1,00,000) @ 10% u/s 112A	10,00,000.00
Tax on STCG 100,00,000 @ 15% u/s 111A	15,00,000.00
Tax on 5,05,00,000 at slab rate	1,49,62,500.00
Add: Surcharge on PGBP Income (1,49,62,500) X 37%	55,36,125.00
Add: Surcharge @ 15% on 25,00,000	3,75,000.00
Less: Marginal Relief	(14,83,000)

Working Note:

Tax + surcharge @ 37% on income of ₹505,00,000	204,98,625
Tax + surcharge @25% on income of ₹500,00,000 (185,15,625)	(185,15,625)
Increase in tax	19,83,000
Increase in income	5,00,000
Marginal Relief (19,83,000 – 5,00,000)	14,83,000

Tax Before cess	218,90,625.00
Add: Health and education cess @ 4%	8,75,625.00
Tax Liability	227,66,250.00

Example 2: Mr. X has income as given below:

Income under the head PGBP	₹202,00,000
Dividend Income	₹100,00,000

Compute his tax liability for A.Y. 2023-24.

Solution:

Computation of Total Income and Tax Liability of Mr. X

	₹
Income under the head PGBP	202,00,000
Dividend Income	100,00,000
Gross Total Income	302,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	302,00,000

Option 1: Taking Dividend tax at slab rate for surcharge

Computation of Tax Liability

Tax on Business Income 2,02,00,000 at 30%	60,60,000.00
Tax on Dividend Income 1,00,00,000 at slab rate	28,12,500.00
Tax Before Surcharge	88,72,500.00
Add: Surcharge on Dividend Income (28,12,500) X 15%	4,21,875.00
Add: Surcharge on PGBP Income (60,60,000) X 25%	15,15,000.00
Less: Marginal Relief	(4,75,000.00)

Working Note:

Tax + surcharge @ 25% on income of ₹202,00,000	75,75,000
Tax + surcharge @15% on income of ₹200,00,000	(69,00,000)
Increase in tax	6,75,000
Increase in income	2,00,000
Marginal Relief (6,75,000 – 2,00,000)	4,75,000

Tax Before cess	103,34,375.00
Add: Health and education cess @ 4%	4,13,375.00
Tax Liability	107,47,750.00

Option 2: Taking Dividend tax @ 30% for surcharge and PGBP income on slab rate

Computation of Tax Liability

Tax on Business Income 2,02,00,000 at slab rate	58,72,500.00
Tax on Dividend Income 1,00,00,000 at 30%	30,00,000.00
Tax Before Surcharge	88,72,500.00
Add: Surcharge on Dividend Income (30,00,000) X 15%	4,50,000.00
Add: Surcharge on PGBP Income at slab (58,72,500) X 25%	14,68,125.00
Less: Marginal Relief	(4,56,250.00)

Working Note:

Tax + surcharge @ 25% on income of ₹202,00,000	73,40,625
Tax + surcharge @15% on income of ₹200,00,000	(66,84,375)
Increase in tax	6,56,250
Increase in income	2,00,000
Marginal Relief (6,56,250 – 2,00,000)	4,56,250

Tax Before cess	103,34,375.00
Add: Health and education cess @ 4%	4,13,375.00
Tax Liability	107,47,750.00

Option 3: Taking Dividend tax on average basis for surcharge

Computation of Tax Liability

Tax on 3,02,00,000 at slab rate	88,72,500.00
Add: Surcharge on Dividend Income (88,72,500/3,02,00,000 x 1,00,00,000 = 29,37,914) X 15%	4,40,687.10
Add: Surcharge on PGBP Income (88,72,500/3,02,00,000 x 2,02,00,000 = 59,34,586) X 25%	14,83,646.52
Less: Marginal Relief	(4,61,031.00)

Working Note:

Tax + surcharge @ 25% on income of ₹202,00,000	74,18,233
Tax + surcharge @15% on income of ₹200,00,000	(67,57,202)
(88,72,500/3,02,00,000 x 2,00,00,000) x 115%	
Increase in tax	6,61,031
Increase in income	2,00,000
Marginal Relief (6,61,031 – 2,00,000)	4,61,031

Tax Before cess	103,35,802.62
Add: Health and education cess @ 4%	4,13,432.10

Tax Liability	107,49,234.72
Rounded off u/s 288B	107,49,230.00

Example 3: Mr. X has income as given below:

Income under the head PGBP	₹300,00,000
LTCG 112A	₹51,00,000
STCG 111A	₹50,00,000
Dividend from domestic company	₹100,00,000

Compute his tax liability for A. Y. 2023-24.

(b) Suppose income under the head PGBP ₹600,00,000

(c) Suppose income under the head PGBP ₹90,00,000

Solution:

Computation of Total Income and Tax Liability of Mr. X

	₹
Income under the head PGBP	300,00,000
LTCG 112A	51,00,000
STCG 111A	50,00,000
Dividend from domestic company	100,00,000
Gross Total Income	501,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	501,00,000

Option 1: Taking Dividend tax at slab rate for surcharge

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 4,00,00,000 at slab rate	118,12,500.00
Tax Before Surcharge	1,30,62,500.00
Add: Surcharge @ 15% on 12,50,000	1,87,500.00
Add: Surcharge on Dividend Income (slab basis) (28,12,500) X 15%	4,21,875.00
Add: Surcharge on PGBP Income (3,00,00,000 x 30% = 90,00,000) X 25%	22,50,000.00
Tax Before cess	159,21,875.00
Add: Health and education cess @ 4%	6,36,875.00
Tax Liability	165,58,750.00

Option 2: Taking Dividend tax @ 30% for surcharge and PGBP income on slab rate

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 4,00,00,000 at slab rate	118,12,500.00
Tax Before Surcharge	1,30,62,500.00
Add: Surcharge @ 15% on 12,50,000	1,87,500.00
Add: Surcharge on Dividend Income (100,00,000 x 30% = 30,00,000) X 15%	4,50,000.00
Add: Surcharge on PGBP Income at slab (88,12,500) X 25%	22,03,125.00
Tax Before cess	159,03,125.00
Add: Health and education cess @ 4%	6,36,125.00
Tax Liability	165,39,250.00

Option 3: Taking Dividend tax on average basis for surcharge

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 4,00,00,000 at slab rate	118,12,500.00
Tax Before Surcharge	1,30,62,500.00

Add: Surcharge @ 15% on 12,50,000	1,87,500.00
Add: Surcharge on Dividend Income (1,18,12,500/4,00,00,000 x 1,00,00,000 = 29,53,125) X 15%	4,42,968.75
Add: Surcharge on PGBP Income (1,18,12,500/4,00,00,000 x 3,00,00,000 = 88,59,375) X 25%	22,14,843.75
Tax Before cess	159,07,812.50
Add: Health and education cess @ 4%	6,36,312.50
Tax Liability	165,44,125.00
Rounded off u/s 288B	165,44,130.00

Note: Calculation for surcharge on tax on Dividend is not discussed in the act when it includes other income also. As per our view we have discussed 3 methods above. Student can solve the solution by taking any of the above methods.

(b)

Solution:

Computation of Total Income and Tax Liability of Mr. X

Income under the head PGBP	₹ 600,00,000
LTCG 112A	51,00,000
STCG 111A	50,00,000
Dividend from domestic company	100,00,000
Gross Total Income	801,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	801,00,000

Option 1: Taking Dividend tax at slab rate for surcharge

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 7,00,00,000 at slab rate	208,12,500.00
Tax Before Surcharge	220,62,500.00
Add: Surcharge @ 15% on 12,50,000	1,87,500.00
Add: Surcharge on Dividend Income (slab basis) (28,12,500) X 15%	4,21,875.00
Add: Surcharge on PGBP Income (6,00,00,000 x 30%= 180,00,000) X 37%	66,60,000.00
Tax Before cess	293,31,875.00
Add: Health and education cess @ 4%	11,73,275.00
Tax Liability	305,05,150.00

Option 2: Taking Dividend tax @ 30% for surcharge and PGBP income on slab rate

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 7,00,00,000 at slab rate	208,12,500.00
Tax Before Surcharge	220,62,500.00
Add: Surcharge @ 15% on 12,50,000	1,87,500.00
Add: Surcharge on Dividend Income (100,00,000 x 30% = 30,00,000) X 15%	4,50,000.00
Add: Surcharge on PGBP Income at slab (178,12,500) X 37%	65,90,625.00
Tax Before cess	292,92,625.00
Add: Health and education cess @ 4%	11,71,625.00
Tax Liability	304,64,250.00

Option 3: Taking Dividend tax on average basis for surcharge

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
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Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 7,00,00,000 at slab rate	208,12,500.00
Tax Before Surcharge	220,62,500.00
Add: Surcharge @ 15% on 12,50,000	1,87,500.00
Add: Surcharge on Dividend Income (208,12,500/7,00,00,000 x 1,00,00,000=29,73,214.29) X 15%	4,45,982.14
Add: Surcharge on PGBP Income (208,12,500/7,00,00,000 x 6,00,00,000 = 178,39,285.71) X 37%	66,00,535.71
Tax Before cess	292,96,517.85
Add: Health and education cess @ 4%	11,71,860.71
Tax Liability	304,68,378.56
Rounded off u/s 288B	304,68,380.00

(c)

Solution:

Computation of Total Income and Tax Liability of Mr. X

Income under the head PGBP	₹ 90,00,000
LTCG 112A	51,00,000
STCG 111A	50,00,000
Dividend from domestic company	100,00,000
Gross Total Income	291,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	291,00,000

Computation of Tax Liability

Tax on LTCG 50,00,000 (51,00,000-1,00,000) @ 10% u/s 112A	5,00,000.00
Tax on STCG 50,00,000 @15% u/s 111A	7,50,000.00
Tax on 1,90,00,000 at slab rate	55,12,500.00
Tax Before Surcharge	67,62,500.00
Add: Surcharge @ 15%	10,14,375.00
Tax Before cess	77,76,875.00
Add: Health and education cess @ 4%	3,11,075.00
Tax Liability	80,87,950.00

Example 4: Mr. X has income as given below:

Income under the head Salary	₹150,00,000
LTCG 112A	₹21,00,000
STCG 111A	₹10,00,000
Dividend from domestic company	₹30,00,000

Compute his tax liability for A. Y. 2023-24.

(b) Suppose income under the head Salary ₹300,00,000

(c) Suppose income under the head Salary ₹500,00,000

Solution:

Computation of Total Income and Tax Liability of Mr. X

Income under the head Salary	₹ 150,00,000
LTCG 112A	21,00,000
STCG 111A	10,00,000
Dividend from domestic company	30,00,000
Gross Total Income	211,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	211,00,000

Computation of Tax Liability

Tax on LTCG 20,00,000 (21,00,000-1,00,000) @ 10% u/s 112A	2,00,000.00
Tax on STCG 10,00,000 @15% u/s 111A	1,50,000.00

Tax on 1,80,00,000 at slab rate	52,12,500.00
Tax Before Surcharge	55,62,500.00
Add: Surcharge @ 15%	8,34,375.00
Tax Before cess	63,96,875.00
Add: Health and education cess @ 4%	2,55,875.00
Tax Liability	66,52,750.00

(b) Computation of Total Income and Tax Liability of Mr. X

	₹
Income under the head Salary	300,00,000
LTCG 112A	21,00,000
STCG 111A	10,00,000
Dividend from domestic company	30,00,000
Gross Total Income	361,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	361,00,000

Taking Dividend tax on average basis for surcharge

Computation of Tax Liability

Tax on LTCG 20,00,000 (21,00,000-1,00,000) @ 10% u/s 112A	2,00,000.00
Tax on STCG 10,00,000 @15% u/s 111A	1,50,000.00
Tax on 3,30,00,000 at slab rate	97,12,500.00
Tax Before Surcharge	100,62,500.00
Add: Surcharge @ 15% on 3,50,000	52,500.00
Add: Surcharge on Dividend Income (97,12,500/3,30,00,000 x 30,00,000 = 8,82,954.55) X 15%	1,32,443.18
Add: Surcharge on salary Income (97,12,500/330,00,000 x 300,00,000 = 88,29,545.45) X 25%	22,07,386.36
Tax Before cess	124,54,829.54
Add: Health and education cess @ 4%	4,98,193.18
Tax Liability	129,53,022.72
Rounded off u/s 288B	129,53,020.00

(c) Computation of Total Income and Tax Liability of Mr. X

	₹
Income under the head Salary	500,00,000
LTCG 112A	21,00,000
STCG 111A	10,00,000
Dividend from domestic company	30,00,000
Gross Total Income	561,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	561,00,000

Taking Dividend tax on average basis for surcharge

Computation of Tax Liability

Tax on LTCG 20,00,000 (21,00,000-1,00,000) @ 10% u/s 112A	2,00,000.00
Tax on STCG 10,00,000 @15% u/s 111A	1,50,000.00
Tax on 5,30,00,000 at slab rate	157,12,500.00
Tax Before Surcharge	160,62,500.00
Add: Surcharge @ 15% on 3,50,000	52,500.00
Add: Surcharge on Dividend Income (157,12,500/5,30,00,000 x 30,00,000 = 8,89,386.79) X 15%	1,33,408.02
Add: Surcharge on Salary Income (157,12,500/530,00,000 x 500,00,000 = 148,23,113.21) X 25%	37,05,778.30
Tax Before cess	199,54,186.32
Add: Health and education cess @ 4%	7,98,167.45

Tax Liability	207,52,353.77
Rounded off u/s 288B	207,52,350.00

Note: The above solution is calculated on following average basis. Students can solve through other methods also

Example 5: Mr. X has income from business ₹ 203 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business	203,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	274,00,000

Tax liability on 203,00,000 at slab rate		
2,50,000	Nil	
2,50,000	12,500	
5,00,000	1,00,000	
193,00,000	57,90,000	
Total		59,02,500
Add: Surcharge @ 25%		14,75,625
Total		73,78,125

Marginal Relief		
Tax on ₹ 203 lakhs at slab rate + surcharge 25%	73,78,125	
Tax on ₹ 200 lakhs at slab rate + surcharge 15%	66,84,375	
Increase in Tax Liability	6,93,750	
Increase in income	3,00,000	
Marginal Relief		(3,93,750)

		69,84,375
Tax on short term capital gain under section 111A 30,00,000 X 15%		4,50,000
Add: Surcharge @ 15%		67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%		4,00,000
Add: Surcharge @ 15%		60,000
		79,61,875
Add: HEC @ 4%		3,18,475
Tax liability		82,80,350

Example 6: Mr. X has income from business ₹ 501 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business	501,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	572,00,000

Computation of Tax Liability

Total Income	501,00,000
Tax on ₹501,00,000 at slab rate	1,48,42,500
Add: Surcharge @ 37%	54,91,725

Tax before marginal relief	203,34,225
Less: Marginal Relief	(17,18,600)

Working Note:	
Tax + surcharge @37% on income of ₹501,00,000	203,34,225
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	18,18,600
Increase in income	1,00,000
Marginal Relief (18,18,600 – 1,00,000)	17,18,600

Tax after marginal relief	186,15,625
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax Liability	195,93,125
Add: HEC @ 4%	7,83,725
Tax Liability	203,76,850

Example 7: Mr. X has income from business ₹ 505 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business	505,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	576,00,000

Computation of Tax Liability

Total Income	505,00,000
Tax on ₹505,00,000 at slab rate	149,62,500
Add: Surcharge @ 37%	55,36,125
Tax before marginal relief	204,98,625
Less: Marginal Relief	(14,83,000)

Working Note:	
Tax + surcharge @37% on income of ₹505,00,000	2,04,98,625
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	19,83,000
Increase in income	5,00,000
Marginal Relief (19,83,000 – 5,00,000)	14,83,000

Tax after marginal relief	190,15,625
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax liability before HEC	199,93,125
Add: HEC @ 4%	7,99,725
Tax Liability	207,92,850

Example 8: Mr. X has income from business ₹ 550 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business	550,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	621,00,000

Computation of Tax Liability

Total Income	550,00,000
Tax on ₹550,00,000 at slab rate	163,12,500
Add: Surcharge @ 37%	60,35,625
Tax on normal income	223,48,125
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax liability before HEC	233,25,625
Add: HEC @ 4%	9,33,025
Tax Liability	242,58,650

Question 10: Write a note on taxability of income of Partnership Firm/Limited Liability Partnership Firm.

Answer: Partnership firm/LLP

Long term capital gains are taxable @ **20%**, STCG u/s 111A shall be taxable @ **15%** , LTCG u/s 112A shall be taxable in excess of 1,00,000 @ **10%** and casual income @ **30%** and other incomes are also taxable @ **30%**.

Surcharge shall be applicable @ **12%** provided total income is exceeding **₹ 1 crore**.

Marginal Relief

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

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

Deductions under section 80C to 80U shall be allowed in the normal manner.

Partnership firm is regulated through Partnership Act,1932 and Limited Liability Partnership firm is regulated through Limited Liability Partnership Act, 2008.

Question 11: Write a note on taxability of income of domestic company.

Answer: Domestic Company

Long term capital gains are taxable @ **20%**, STCG u/s 111A shall be taxable @ **15%** , LTCG u/s 112A shall be taxable in excess of 1,00,000 @ **10%** 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 section 80C to 80U shall be allowed in the normal manner.

(If total turnover or gross receipts in P.Y. 2019-20 does not exceed 400 crores, tax rate shall be 25% instead

of 30%).

As per section 115BAA, In case of domestic companies tax shall be payable @ 22% provided company shall not avail any exemption and deductions. Rate of surcharge shall be 10% irrespective of income. HEC @ 4%.

As per section 115BAB, In case of domestic companies which has been setup and registered on or after 01.10.2019 and is a manufacturing concern, tax shall be payable @ 15% provided company shall not avail any exemption and deductions. Rate of surcharge shall be 10% irrespective of income. HEC @ 4%.

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 @ 20%, STCG u/s 111A shall be taxable @ 15%, LTCG u/s 112A shall be taxable in excess of 1,00,000 @ 10% and casual income @ 30% and other incomes are taxable @ 40%.

Surcharge shall be applicable

- @ **2%** provided total income is exceeding **₹100 lakhs but it is upto ₹1000 lakhs.**
- @ **5%** 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 section 80C to 80U shall be allowed in the normal manner.

Question 13: Explain meaning of domestic company.

Answer: Meaning of domestic company

As per section 2(22A), "Domestic company" means an Indian company, or any other company which, in respect of its income liable to tax under this Act, has made the prescribed arrangements for the declaration and payment, within India, of the dividends (including dividends on preference shares) payable out of such income.

Prescribed arrangements for declaration and payment of dividends within India. Rule 27

The arrangements referred to in [sections 194 and 236] to be made by a company for the declaration and payment of dividends (including dividends on preference shares) within India shall be as follows :

- (1) The share-register of the company for all shareholders shall be regularly maintained at its principal place of business within India, in respect of any assessment year from a date not later than the 1st day of April of such year.
- (2) The general meeting for passing the accounts of the previous year relevant to the assessment year and for declaring any dividends in respect thereof shall be held only at a place within India.
- (3) The dividends declared, if any, shall be payable only within India to all shareholders.

If any foreign company has complied with all the above conditions, it will be considered to be domestic company otherwise it will be considered to be foreign company.

Illustration 16 (A): Compute tax liability of ABC Ltd. a domestic company in the following situations:

- (i) The company has income under the head Business/Profession ₹50,000.
- (ii) The company has income under the head Business/Profession ₹1,00,000.
- (iii) The company has income under the head Business/Profession ₹500,00,000.
- (iv) The company has income under the head Business/Profession ₹100,00,000.
- (v) The company has long term capital gains of ₹50,000.
- (vi) The company has long term capital gains of ₹200,00,000.
- (vii) The company has long term capital gains of ₹5,00,000.
- (viii) The company has long term capital gains of ₹10,20,000.
- (ix) The company has income under the head Business/Profession ₹11 crore.

Solution:

(i) Computation of Tax Liability

	₹
Income under the head Business/Profession	50,000
Total Income	50,000
Tax on ₹50,000 @ 30%	15,000
Add: HEC @ 4%	600
Tax Liability	15,600

(ii) Computation of Tax Liability

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
Tax on ₹1,00,000 @ 30%	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200

(iii) Computation of Tax Liability

Income under the head Business/Profession	500,00,000
Total Income	500,00,000

Tax on ₹500,00,000 @ 30%	150,00,000
Add: Surcharge @ 7%	10,50,000
Add: HEC @ 4%	6,42,000
Tax Liability	166,92,000

(iv) Computation of Tax Liability

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
Tax on ₹100,00,000 @ 30%	30,00,000
Add: HEC @ 4%	1,20,000
Tax Liability	31,20,000

(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 @ 20%	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(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 @ 20%	40,00,000
Add: Surcharge @ 7%	2,80,000
Add: HEC @ 4%	1,71,200
Tax Liability	44,51,200

(vii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 20%	1,00,000
Add: HEC @ 4%	4,000
Tax Liability	1,04,000

(viii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 20%	2,04,000
Add: HEC @ 4%	8,160
Tax Liability	2,12,160

(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 16(B): Presume in all the above situations the assessee is a partnership firm .

Solution:

₹

(i) Computation of Tax Liability

Income under the head Business/Profession	50,000
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Total Income	50,000
Tax on ₹50,000 @ 30%	15,000
Add: HEC @ 4%	600
Tax Liability	15,600

(ii) Computation of Tax Liability

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
Tax on ₹1,00,000 @ 30%	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200

(iii) Computation of Tax Liability

Income under the head Business/Profession	500,00,000
Total Income	500,00,000
Tax on ₹500,00,000 @ 30%	150,00,000
Add: Surcharge @ 12%	18,00,000
Tax before health & education cess	168,00,000
Add: HEC @ 4%	6,72,000
Tax Liability	174,72,000

(iv) Computation of Tax Liability

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
Tax on ₹100,00,000 @ 30%	30,00,000
Add: HEC @ 4%	1,20,000
Tax Liability	31,20,000

(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 @ 20%	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(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 @ 20%	40,00,000
Add: Surcharge @ 12%	4,80,000
Tax before health & education cess	44,80,000
Add: HEC @ 4%	1,79,200
Tax Liability	46,59,200

(vii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 20%	1,00,000
Add: HEC @ 4%	4,000
Tax Liability	1,04,000

(viii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 20%	2,04,000

Add: HEC @ 4%	8,160
Tax Liability	2,12,160

(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 16(C): 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
Tax on ₹50,000 @ 40%	20,000
Add: HEC @ 4%	800
Tax Liability	20,800

(ii) Computation of Tax Liability

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
Tax on ₹1,00,000 @ 40%	40,000
Add: HEC @ 4%	1,600
Tax Liability	41,600

(iii) Computation of Tax Liability

Income under the head Business/Profession	500,00,000
Total Income	500,00,000
Tax on ₹500,00,000 @ 40%	200,00,000
Add: Surcharge @ 2%	4,00,000
Add: HEC @ 4%	8,16,000
Tax Liability	212,16,000

(iv) Computation of Tax Liability

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
Tax on ₹100,00,000 @ 40%	40,00,000
Add: HEC @ 4%	1,60,000
Tax Liability	41,60,000

(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 @ 20%	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(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 @ 20%	40,00,000

Add: Surcharge @ 2%	80,000
Add: HEC @ 4%	1,63,200
Tax Liability	42,43,200

(vii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 20%	1,00,000
Add: HEC @ 4%	4,000
Tax Liability	1,04,000

(viii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 20%	2,04,000
Add: HEC @ 4%	8,160
Tax Liability	2,12,160

(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 @ 40%	440,00,000
Add: Surcharge @ 5%	22,00,000
Tax before health & education cess	462,00,000
Add: HEC @ 4%	18,48,000
Tax Liability	480,48,000

Illustration 17: X (HUF) has incomes as given below:

1. Income under the head Business/Profession ₹5,00,000
 2. Income under the head House Property ₹3,00,000
 3. Long term capital gains ₹4,00,000
 4. Short term capital gains under section 111A ₹3,00,000
 5. Casual Income ₹2,00,000
 6. Deductions allowed under section 80C to 80U ₹35,000
- Compute tax liability of HUF for the assessment year 2023-24.

Solution:

Computation of Total Income

	₹	₹
Income under the head Business/Profession		5,00,000.00
Income under the head House Property		3,00,000.00
Income under the head Capital Gains		
Long term capital gains	4,00,000	
Short term capital gains u/s 111A	3,00,000	7,00,000.00
Income under the head Other Sources (Casual Income)		2,00,000.00
Gross Total Income		17,00,000.00
Less: Deduction u/s 80C to 80U		(35,000.00)
Total Income		16,65,000.00

Computation of Tax Liability

Tax on LTCG ₹4,00,000 @ 20% u/s 112	80,000.00
Tax on STCG ₹3,00,000 @ 15% u/s 111A	45,000.00
Tax on Casual income ₹2,00,000 @ 30% u/s 115BB	60,000.00
Tax on ₹7,65,000 at slab rate	65,500.00
Tax before health & education cess	2,50,500.00
Add: HEC @ 4%	10,020.00

Tax Liability

2,60,520.00

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 ₹2,50,000	NIL
On next ₹2,50,000	5%
On next ₹5,00,000	20%
On Balance amount	30%

Slab rate of senior citizen is not applicable to HUF even if age of Karta or its member is exceeding 60 years or 80 years.

Surcharge shall be applicable

@ 10% if total income has exceeded ₹50 lakhs but upto ₹100 lakhs.

@ 15% if total income has exceeded ₹100 lakhs but upto ₹200 lakhs.

@ 25% if total income has exceeded ₹200 lakhs but upto ₹500 lakhs.

@ 37% if total income has exceeded ₹500 lakhs.

Surcharge of 25% or 37% shall be applicable only if total income excluding short term capital gain under section 111A and long term capital gain under section 112A and dividend income, is exceeding ₹ 200 Lakhs or ₹ 500 Lakhs

All other provisions shall be similar to individual but rebate under section 87A is not allowed. Tax rates for LTCG /LTCG 112A/ STCG u/s 111A and casual income are the same for all the persons.

If normal income of resident HUF is less than the exemption limit, the difference of the amount shall be allowed to be deducted from long term capital gain and if long term capital gains are not sufficient, it will be allowed to be adjusted from short term capital gains under section 111A or long term capital gains u/s 112A but it will not be allowed to be adjusted from casual income.

(What is HUF is given in the Hindu Law and it is not covered in the syllabus)

Example

XY HUF has income under the head business/profession ₹20 lakhs and its Karta Mr. X has individual income ₹12 lakhs, in this case tax liability of HUF and that of Karta shall be

Tax liability of HUF ₹20 lakhs at slab rate	4,12,500
Add: HEC @ 4%	16,500
Tax Liability	4,29,000
Tax Liability of Karta ₹12 lakhs at slab rate	1,72,500
Add: HEC @ 4%	6,900
Tax Liability	1,79,400

Question 15: Write a note on Computation of Tax Liability of Body of Individuals/Association of Persons.**Answer: Tax liability of BOI/AOP**

Body of individual means a group of individuals which is neither a company nor a partnership firm. If it is registered in some other Act, it will be called incorporated BOI. E.g. cooperative society or Trust etc. If such a group includes persons other than individual also, it will be called AOP.

In general normal income shall be taxable at normal slab rate but rate may change as per provisions of section 167B. (NOT COVERED IN SYLLABUS)

Surcharge shall be applicable

@ 10% if total income has exceeded ₹50 lakhs but upto ₹100 lakhs.

@ 15% if total income has exceeded ₹100 lakhs but upto ₹200 lakhs.

@ 25% if total income has exceeded ₹200 lakhs but upto ₹500 lakhs.

@ 37% if total income has exceeded ₹500 lakhs.

Surcharge of 25% or 37% shall be applicable only if total income excluding short term capital gain under section 111A and long term capital gain under section 112A and dividend income, is exceeding ₹ 200 Lakhs or ₹ 500 Lakhs

Deductions under section 80C to 80U shall be allowed in the normal manner.

Question 16: Write a note on Computation of Tax Liability of Local Authority.

Answer: Tax liability of local authority

In order to maintain any town or city, there is always some authority responsible and such authority is called local authority e.g. MCD in Delhi. Such authority is allowed to collect house tax with regard to every type of house property and also some other tax are collected by such authority. In general income of such authority is exempt from income tax under section 10(20) but if such authority is doing any business, its income is taxable just like a partnership firm. Deductions under section 80C to 80U shall be allowed in the normal manner.

Question 17: Explain meaning of Person Section 2(31).

Answer: Meaning of Person Section 2(31)

“Person” includes—

- (i) an individual,
- (ii) a Hindu undivided family,
- (iii) a company,
- (iv) a firm,
- (v) an association of persons or a body of individuals, whether incorporated or not,
- (vi) a local authority,
- (vii) every artificial juridical person, not covered above and income is taxable as slab rate (juridical means legal) e.g. ICAI or Delhi University etc.

Question 18 [V. Imp.]: Discuss Partial Integration of Agricultural Income?

Or

Discuss Indirect Taxing of Agricultural Income?

Or

Under the Constitution, the power to levy a tax on agricultural income vests in the States. However, Parliament has also levied a tax on such income. Explain how this has been achieved?

Answer:

Agricultural Income Section 10(1)

Under section 10(1), any **agricultural income in India is fully exempt** from income tax but if the agricultural income is from outside India, it is chargeable to tax. (As per entry no. 82 of Union List, Central Government has the power to levy income tax on income except agricultural income and power to levy tax on agricultural income has been given to the State Government vide entry no. 46 of State List)

Indirect taxing of agricultural income or partial integration of agricultural income (Under the constitution, the power to levy a tax on agricultural income vests in the states. However, parliament has also levied a tax on such income. Explain how this has been achieved?)

If any person has agricultural income as well as non-agricultural income, his tax liability shall be computed in the manner given below:

1. Compute tax on the total of agricultural income and non- agricultural income considering it to be total income of the assessee.
2. Compute tax on exemption limit (₹2,50,000 / 3,00,000 / 5,00,000) and agricultural income considering it to be total income.
3. Deduct tax computed under Step 2 from Step 1 and apply surcharge if any and allow rebate if any and

- health & education cess.
4. Long term capital gain, casual income and short term capital gain u/s 111A shall not be taken into consideration for the purpose of partial integration
 5. If Agricultural income is upto ₹5,000, or non-agricultural income is upto the limit not chargeable to tax (₹2,50,000/3,00,000/5,00,000), partial integration is not applicable.
 6. Partial integration is not applicable in case of a partnership firm or a company.

Power to levy taxes

The Constitution of India, in Article 265 lays down that “No tax shall be levied or collected except by authority of law.” Accordingly for levy of any tax, a law needs to be framed by the government.

Constitution of India gives the power to levy and collect taxes, whether direct or indirect, to the Central and State Government. The Parliament and State Legislatures are empowered to make laws on the matters enumerated in the Seventh Schedule by virtue of Article 246 of the Constitution of India.

Seventh Schedule to Article 246 contains three lists which enumerate the matters under which the Parliament and the State Legislatures have the authority to make laws for the purpose of levy of taxes.

The following are the lists:

- (i) Union List: Parliament has the exclusive power to make laws on the matters contained in Union List.
- (ii) State List: The Legislatures of any State has the exclusive power to make laws on the matters contained in the State List.
- (iii) Concurrent List: Both Parliament and State Legislatures have the power to make laws on the matters contained in the Concurrent list.

Income-tax is the most significant direct tax. Entry 82 of the Union List i.e., List I in the Seventh Schedule to Article 246 of the Constitution of India has given the power to the Parliament to make laws on taxes on income other than agricultural income.

Illustration 18: Compute tax liability in the following cases:

- (i) Mr. X has income under the head business/profession ₹ 5,50,000 and agricultural Income ₹ 2,50,000.
- (ii) Mr. Y has income under the head business/profession ₹ 10,00,000 and agricultural Income ₹ 2,50,000
- (iii) Mr. Z has income under the head business/profession ₹ 10,00,000 and agricultural Income ₹ 2,50,000.
Deductions allowed under section 80C to 80U ₹ 1,00,000.
- (iv) Mr. A has income under the head business/profession ₹ 5,50,000 and agricultural Income ₹ 10,00,000.
- (v) Mr. A has income under the head business/profession ₹ 2,00,000 and agricultural Income ₹ 10,00,000.
- (vi) Mr. A has LTCG ₹ 10,00,000 and agricultural Income ₹ 10,00,000.
- (vii) Mr. B, a Non - Resident has LTCG ₹ 10,00,000 and agricultural Income ₹ 10,00,000.
- (viii) Mr. A has Casual Income ₹ 10,00,000 and agricultural Income ₹ 10,00,000.

Solution:

(i) Computation of Total Income

Income under the head Business/Profession	₹ 5,50,000
Gross Total Income	5,50,000
Less: Deduction u/s 80C	Nil
Total Income	5,50,000
Agricultural Income	2,50,000

Computation of Tax Liability

Normal income 5,50,000	
Step 1. Tax on (5,50,000 + 2,50,000) at slab rate	72,500.00
Step 2. Tax on (₹2,50,000 + 2,50,000) at slab rates	(12,500.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	60,000.00
Tax before health & education cess	60,000.00
Add: HEC @ 4%	2,400.00
Tax Liability	62,400.00

(ii) Computation of Total Income

Income under the head Business/Profession	10,00,000
Gross Total Income	10,00,000
Less: Deduction u/s 80C	Nil
Total Income	10,00,000
Agricultural Income	2,50,000

Computation of Tax Liability

Normal income 10,00,000	
Step 1. Tax on (10,00,000 + 2,50,000) at slab rate	1,87,500.00
Step 2. Tax on (₹2,50,000 + 2,50,000) at slab rates	(12,500.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	1,75,000.00
Tax before health & education cess	1,75,000.00
Add: HEC @ 4%	7,000.00
Tax Liability	1,82,000.00

(iii) Computation of Total Income

Income under the head Business/Profession	10,00,000
Gross Total Income	10,00,000
Less: Deduction u/s 80C	(1,00,000)
Total Income	9,00,000
Agricultural Income	2,50,000

Computation of Tax Liability

Normal income 9,00,000	
Step 1. Tax on (9,00,000 + 2,50,000) at slab rate	1,57,500.00
Step 2. Tax on (₹2,50,000 + 2,50,000) at slab rates	(12,500.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	1,45,000.00
Tax before health & education cess	1,45,000.00
Add: HEC @ 4%	5,800.00
Tax Liability	1,50,800.00

(iv) Computation of Total Income

Income under the head Business/Profession	5,50,000
Gross Total Income	5,50,000
Less: Deduction u/s 80C	Nil
Total Income	5,50,000
Agricultural Income	10,00,000

Computation of Tax Liability

Normal income 5,50,000	
Step 1. Tax on (5,50,000 + 10,00,000) at slab rate	2,77,500.00
Step 2. Tax on (₹2,50,000 + 10,00,000) at slab rates	(1,87,500.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	90,000.00
Tax before health & education cess	90,000.00
Add: HEC @ 4%	3,600.00
Tax Liability	93,600.00

(v) There will be no partial Integration as normal income is less than the exemption limit and Tax Liability is Nil.

(vi) There will be no partial Integration as normal income is Nil

Computation of Total Income

Income under the head Capital Gains (LTCG)	10,00,000
Gross Total Income	10,00,000

Less: Deduction u/s 80C	Nil
Total Income	10,00,000

Computation of Tax Liability

Tax on LTCG ₹ 7,50,000 (₹10,00,000- ₹ 2,50,000) @ 20% u/s 112	1,50,000
Add: HEC @ 4%	6,000
Tax Liability	1,56,000

(vii) There will be no partial Integration as normal income is Nil

Computation of Total Income

Income under the head Capital Gains (LTCG)	10,00,000
Gross Total Income	10,00,000
Less: Deduction u/s 80C	Nil
Total Income	10,00,000

Computation of Tax Liability

Tax on LTCG ₹10,00,000 @ 20% u/s 112	2,00,000
Add: HEC @ 4%	8,000
Tax Liability	2,08,000

(viii) There will be no partial Integration as normal income is Nil

Computation of Total Income

Income under the head Other Sources (Casual Income)	10,00,000
Gross Total Income	10,00,000
Less: Deduction u/s 80C	Nil
Total Income	10,00,000

Computation of Tax Liability

Tax on Casual Income ₹10,00,000 @ 30%	3,00,000
Add: HEC @ 4%	12,000
Tax Liability	3,12,000

Illustration 19: (a) Mr. X, aged 68 years, has income under the head House Property ₹5,25,000, agricultural income of ₹1,00,000, Long term capital gain amounting to ₹45,000 and casual income ₹35,000. He is eligible for deduction under section 80C ₹20,000.

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

Solution:

₹

Computation of Total Income

Income under the head House Property	5,25,000
Income under the head Capital Gains (Long term capital gain)	45,000
Income under the head Other Sources (Casual Income)	35,000
Gross Total Income	6,05,000
Less: Deduction u/s 80C	(20,000)
Total Income	5,85,000
Agricultural Income	1,00,000

Computation of Tax Liability

Tax on casual income ₹35,000 @ 30% u/s 115BB	10,500.00
Tax on long term capital gain ₹45,000 @ 20% u/s 112	9,000.00
Normal income 5,05,000	
Step 1. Tax on (5,05,000 + 1,00,000) at slab rate	31,000.00
Step 2. Tax on (₹3,00,000 + 1,00,000) at slab rates	(5,000.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	26,000.00
Tax before health & education cess	45,500.00

Add: HEC @ 4%	1,820.00
Tax Liability	47,320.00

(b) Presume in the above question, Mr. X is Non Resident.

Solution:

₹

Computation of Total Income

Income under the head House Property	5,25,000
Income under the head Capital Gains (LTCG)	45,000
Income under the head Other Sources (Casual Income)	35,000
Gross Total Income	6,05,000
Less: Deduction u/s 80C	(20,000)
Total Income	5,85,000
Agricultural Income	1,00,000

Computation of Tax Liability

Tax on casual income ₹35,000 @ 30% u/s 115BB	10,500.00
Tax on long term capital gain ₹45,000 @ 20% u/s 112	9,000.00
Normal income 5,05,000	
Step 1. Tax on (5,05,000 + 1,00,000)	33,500.00
Step 2. Tax on (₹2,50,000 + 1,00,000) at slab rates	(5,000.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	28,500.00
Tax before health & education cess	48,000.00
Add: HEC @ 4%	1,920.00
Tax Liability	49,920.00

(c) Presume in the above question, Mr. X is resident and do not have any income from house property.

Solution:

₹

There will be no partial integration.

Computation of Total Income

Income under the head Capital Gains (LTCG)	45,000
Income under the head Other Sources (casual income)	35,000
Gross Total Income	80,000
Less: Deduction u/s 80C to 80U	NIL
Total Income	80,000
Agricultural Income	1,00,000

Computation of Tax Liability

Tax on casual income ₹35,000 @ 30% u/s 115BB	10,500
Tax on long term capital gain (₹45,000- 45,000)	Nil
Normal income Nil	
Tax on normal income	Nil
Less: Rebate u/s 87A	(10,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

Illustration 20: Mrs. X has income asunder –

Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	1,09,000
Income under the head Other Sources (lottery)	7,000
Agricultural income	1,05,000
Deduction allowed under section 80C to 80U	7,000

Compute her tax liability for the assessment year 2023-24 in two situations –

- (i) She is resident
- (ii) She is non-resident.

Solution:

₹

(i) She is resident

Computation of Total Income

Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	1,09,000
Income under the head Other Sources (lottery)	7,000
Gross Total Income	2,98,000
Less: Deduction u/s 80C to 80U	(7,000)
Total Income	2,91,000
Agricultural income	1,05,000

Computation of Tax Liability

Tax on casual income ₹7,000 @ 30% u/s 115BB	2,100.00
Tax on long term capital gain ₹27,000 @ 20% u/s 112	5,400.00
Normal income ₹2,57,000	
Step 1. Tax on (2,57,000 + 1,05,000)	5,600.00
Step 2. Tax on (₹2,50,000 + 1,05,000) at slab rates	(5,250.00)
Step 3. Deduct Tax at Step 2 from tax at Step 1	350.00
Less: Rebate u/s 87A	(7,850.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(ii) She is non-resident

Computation of Total Income

Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	1,09,000
Income under the head Other Sources (Casual Income)	7,000
Gross Total Income	2,98,000
Less: Deduction u/s 80C to 80U	(7,000)
Total Income	2,91,000
Agricultural income	1,05,000

Computation of Tax Liability

Tax on casual income ₹7,000 @ 30% u/s 115BB	2,100.00
Tax on long term capital gain ₹27,000 @ 20% u/s 112	5,400.00
Normal income ₹2,57,000	
Step 1. Tax on (2,57,000 + 1,05,000)	5,600.00
Step 2. Tax on (₹2,50,000 + 1,05,000) at slab rates	(5,250.00)
Step 3. Deduct Tax at Step 2 from tax at Step 1	350.00
Tax before health & education cess	7,850.00
Add: HEC @ 4%	314.00
Tax Liability	8,164.00
Rounded off u/s 288B	8,160.00

Note: Rebate under section 87A is not allowed to non-resident.

Illustration 21: Mr. X has agricultural income of ₹4,900 and non-agricultural income of ₹2,65,000. Compute his tax liability for the assessment year 2023-24.

Solution:

	₹
Agricultural Income	4,900
Non Agricultural income	2,65,000

In this case, Agricultural income is upto ₹5000/-, thereby, partial integration shall not be applicable.

Computation of Tax Liability

Tax on ₹2,65,000 at slab rate	750
Less: Rebate u/s 87A	(750)
Tax Liability	Nil

Illustration 22: Mr. X has agricultural income of ₹5,00,000 and non-agricultural income of ₹2,50,000. Compute his tax liability for the assessment year 2023-24.

Solution:

His tax liability shall be nil, since his non-agricultural income is ₹2,50,000 and partial integration is not applicable.

Illustration 23: Mr. X (aged 70 years) has agricultural income of ₹3,80,000 and non-agricultural income of ₹3,00,000.

Compute his tax liability for the assessment year 2023-24.

Solution:

His tax liability shall be nil, since his non-agricultural income is ₹3,00,000 and partial integration is not applicable.

Illustration 24: Mrs. X has agricultural income of ₹1,00,000, income under the head salary amounting to ₹3,05,000, long term capital gain of ₹10,00,000 and casual income of ₹1,00,000 (winnings of a game show on TV).

Compute her tax liability for the assessment year 2023-24. Her date of birth is 01.04.1963.

Solution:

Computation of Total Income

	₹
Income under the head Salary	3,05,000.00
Income under the head Capital Gains (LTCG)	10,00,000.00
Income under the head Other Sources (Casual Income)	1,00,000.00
Gross Total Income	14,05,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	14,05,000.00
Agricultural Income	1,00,000.00

Computation of Tax Liability

Tax on casual income ₹1,00,000 @ 30% u/s 115BB	30,000.00
Tax on long term capital gain of ₹10,00,000 @ 20% u/s 112	2,00,000.00
Normal income ₹3,05,000	
Step 1. Tax on (3,05,000 + 1,00,000)	5,250.00
Step 2. Tax on (₹3,00,000 + 1,00,000) at slab rates	(5,000.00)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	250.00
Tax before health & education cess	2,30,250.00
Add: HEC @ 4%	9,210.00
Tax Liability	2,39,460.00

Note: 1. Casual income shall include all the activities as per section 2(24)(ix).

Illustration 25: Mr. X has income from business ₹102,00,000 and agricultural income ₹10,00,000. Compute his tax liability

Solution:

Total income	102,00,000
Step 1. Tax on (agricultural + non agricultural income)	

i.e. Tax on ₹ 112,00,000/- at slab rates	31,72,500
Step 2. Tax on (₹2,50,000 + agricultural income) at slab rates	(1,87,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	29,85,000
Add: Surcharge @ 15%	4,47,750
Tax + surcharge before HEC	34,32,750
Marginal relief	(15,250)

Working Note:

Tax + surcharge on income ₹102,00,000	34,32,750
Tax + surcharge if total income was ₹100 lakhs	
100,00,000 + 10,00,000 = 110,00,000	31,12,500
2,50,000 + 10,00,000 = 12,50,000	(1,87,500)
Tax	29,25,000
Tax + surcharge @10% on ₹100 lakhs	(32,17,500)
Increase in tax	2,15,250
Increase in income 102,00,000 – 100,00,000 =	(2,00,000)
Marginal relief (2,15,250 – 2,00,000)	15,250

Tax before health & education cess	34,17,500
Add: HEC @ 4%	1,36,700
Tax Liability	35,54,200

Question 19: Write a note on taxability as per section 115BAC.

Answer: An Individual or a Hindu undivided family shall be allowed to compute tax liability at the rates given below. But in that case many of the exemptions and deductions listed u/s 115BAC shall not be allowed.

at the option of such person be computed at the rate of tax given below:

If total Income upto ₹2,50,000	Nil
On next ₹2,50,000	5%
On next ₹2,50,000	10%
On next ₹2,50,000	15%
On next ₹2,50,000	20%
On next ₹2,50,000	25%
On Balance amount	30%

Example

- (i) Mr. X has total income of ₹6,00,000
- (ii) Mr. X has total income of ₹8,00,000
- (iii) Mr. X has total income of ₹10,00,000
- (iv) Mr. X has total income of ₹12,00,000
- (v) Mr. X has total income of ₹20,00,000

(b) Presume in above all cases Mr. X has opted for section 115BAC.

Solution:

(i) Total income	6,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹1,00,000 @ 20%	20,000
Tax before health and education cess	32,500
Add: health & education cess @ 4%	1,300
Tax Liability	33,800

(b) Tax liability as per section 115BAC

Total income	6,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹1,00,000 @ 10%	10,000

Tax before health and education cess	22,500
Add: health & education cess @ 4%	900
Tax Liability	23,400

(ii) Total income	8,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹3,00,000 @ 20%	60,000
Tax before health and education cess	72,500
Add: health & education cess @ 4%	2,900
Tax Liability	75,400

(b) Tax liability as per section 115BAC

Total income	8,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹2,50,000 @ 10%	25,000
On balance ₹50,000 @ 15%	7,500
Tax before health and education cess	45,000
Add: health & education cess @ 4%	1,800
Tax Liability	46,800

(iii) Total income	10,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹5,00,000 @ 20%	1,00,000
Tax before health and education cess	1,12,500
Add: health & education cess @ 4%	4,500
Tax Liability	1,17,000

(b) Tax liability as per section 115BAC

Total income	10,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹2,50,000 @ 10%	25,000
On balance ₹2,50,000 @ 15%	37,500
Tax before health and education cess	75,000
Add: health & education cess @ 4%	3,000
Tax Liability	78,000

(iv) Total income	12,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹5,00,000 @ 20%	1,00,000
On balance ₹2,00,000 @ 30%	60,000
Tax before health and education cess	1,72,500
Add: health & education cess @ 4%	6,900
Tax Liability	1,79,400

(b) Tax liability as per section 115BAC

Total income	12,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹2,50,000 @ 10%	25,000

On next ₹2,50,000 @ 15%	37,500
On balance ₹2,00,000 @ 20%	40,000
Tax before health and education cess	1,15,000
Add: health & education cess @ 4%	4,600
Tax Liability	1,19,600

(v) Total income	20,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On balance ₹5,00,000 @ 20%	1,00,000
On balance ₹10,00,000 @ 30%	3,00,000
Tax before health and education cess	4,12,500
Add: health & education cess @ 4%	16,500
Tax Liability	4,29,000

(b) Tax liability as per section 115BAC

Total income	20,00,000
On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹2,50,000 @ 10%	25,000
On next ₹2,50,000 @ 15%	37,500
On next ₹2,50,000 @ 20%	50,000
On next ₹2,50,000 @ 25%	62,500
On balance ₹5,00,000 @ 30%	1,50,000
Tax before health and education cess	3,37,500
Add: health & education cess @ 4%	13,500
Tax Liability	3,51,000

Illustration 26:

Mr. X has income as given below:

Income under the head Salary	4,00,000
Income under the head House Property	5,00,000
Income under the head Business/Profession	6,30,253

Deductions allowed under section 80C to 80U are ₹1,10,000.

Compute the income and the tax liability as per section 115BAC for previous year 2022-23.

Solution:

Computation of Total Income of Mr. X

Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U (Not Allowed)	Nil
Total Income	15,30,253.00
Rounded off u/s 288A	15,30,250.00

Computation of Tax Liability as per section 115BAC

On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹2,50,000 @ 10%	25,000
On next ₹2,50,000 @ 15%	37,500
On next ₹2,50,000 @ 20%	50,000
On next ₹2,50,000 @ 25%	62,500
On balance ₹30,250 @ 30%	9,075

Tax before health and education cess	1,96,575
Add: health & education cess @ 4%	7,863
Tax Liability	2,04,438
Rounded off u/s 288B	2,04,440

Illustration 27:

Mr. X has income as given below:

Income under the head Salary	5,00,000
Income under the head House Property	6,00,000
Income under the head Business/Profession	3,30,500

Deductions allowed under section 80C to 80U are ₹1,10,000.

Compute the income the tax liability as per section 115BAC for previous year 2022-23.

Solution:

Computation of Total Income of Mr. X
Previous Year 2022-23, Assessment Year 2023-24

	₹
Income under the head Salary	5,00,000.00
Income under the head House Property	6,00,000.00
Income under the Business/Profession	3,30,500.00
Gross Total Income	14,30,500.00
Less: Deduction u/s 80C to 80U (Not Allowed)	Nil
Total Income	14,30,500.00

Computation of Tax Liability as per section 115BAC

On first ₹2,50,000	Nil
On next ₹2,50,000 @ 5%	12,500
On next ₹2,50,000 @ 10%	25,000
On next ₹2,50,000 @ 15%	37,500
On next ₹2,50,000 @ 20%	50,000
On balance ₹1,80,500 @ 25%	45,125
Tax before health and education cess	1,70,125
Add: health & education cess @ 4%	6,805
Tax Liability	1,76,930

MULTIPLE CHOICE QUESTIONS

1. The basic source of income-tax law is -

- (a) Income-tax Act, 1961
- (b) Income-tax Rules, 1962
- (c) Circulars/Notifications issued by CBDT
- (d) Judgments of Courts

2. A domestic company means -

- (a) Only an Indian company
- (b) Both Indian company and a foreign company having a branch in India
- (c) Both Indian company and a foreign company having business connection in India
- (d) Both Indian company and a foreign company which has made the prescribed arrangement for declaration and payment of dividends in India out of the income chargeable to tax in India

3. The rates of income-tax are mentioned in -

- (a) The Income-tax Act, 1961 only
- (b) Both Income-tax Act, 1961 and Income-tax Rules, 1962
- (c) The First Schedule to the Annual Finance Act
- (d) Both Income-tax Act, 1961 and the First Schedule to the Annual Finance Act

4. The surcharge applicable in the case of an individual is -

- (a) 10% of tax payable if total income exceeds ₹50 lakhs but does not exceed ₹1 crore
- (b) 10% of tax payable if total income exceeds ₹1 crore but does not exceed ₹2 crore
- (c) 15% of tax payable if total income exceeds ₹1 crore but does not exceed ₹2 crore
- (d) Both (a) and (c), as the case may be.

5. In respect of a non-resident assessee, who is of the age of 60 years or more but less than 80 years at any time during the previous year 2022-23, -

- (a) Basic exemption of ₹2,50,000 is available
- (b) Basic exemption of ₹3,00,000 is available
- (c) Basic exemption of ₹5,00,000 is available
- (d) No basic exemption limit would be available

6. In case of a domestic company whose gross receipts for the P.Y. 2019-20 is upto ₹400 crores, the rate of tax applicable is -

- (a) 29% , (b) 25% , (c) 30% , (d) None of the above

7. The surcharge applicable to a domestic company for A.Y. 2023-24 is -

- (a) 5%, if total income exceeds ₹1 crore.
- (b) 10%, if the total income exceeds ₹1 crore
- (c) 7%, if the total income exceeds ₹1 crore but does not exceed ₹10 crore, and 15%, if the total income exceeds ₹10 crore.
- (d) 7%, if the total income exceeds ₹1 crore but does not exceed ₹10 crore, and 12%, if the total income exceeds ₹10 crore.

8. The surcharge applicable to a foreign company for A.Y. 2023-24 is -

- (a) 5%, if the total income exceeds ₹1 crore.
- (b) 10%, if the total income exceeds ₹1 crore.
- (c) 2%, if the total income exceeds ₹1 crore but does not exceed ₹10 crore and 5% if the total income exceeds ₹10 crore.
- (d) 2%, if the total income exceeds ₹10 crore.

9. The rate of tax applicable to a partnership firm for A.Y. 2023-24 is -

- (a) 25%
- (b) 30%
- (c) 35%
- (d) 40%

10. Where the total income of an artificial juridical person is ₹3,10,000, the income-tax before cess payable is ₹..... and surcharge payable is ₹.....

- (a) ₹3,000; surcharge – nil.

- (b) ₹6,000; surcharge – nil.
- (c) ₹500; surcharge – nil
- (d) ₹93,000; surcharge – ₹4650

11. What is the basic exemption limit for a woman assessee for A.Y. 2023-24, who turned 60 years on 31.03.2023?

- (a) ₹2,00,000
- (b) ₹3,00,000
- (c) ₹2,50,000
- (d) ₹5,00,000

12. What is the rate of surcharge applicable to individuals having total income exceeding ₹1 crore but does not exceed ₹2 crore?

- (a) 15%, (b) 12% , (c) 10% , (d) 2%

13. What is the basic exemption limit for Mrs. X, a resident individual who is of the age of 80 years as on 31.3.2023?

- (a) ₹5,00,000
- (b) ₹2,40,000
- (c) ₹3,00,000
- (d) ₹2,50,000

14. Tax Liability of a resident individual having LTCG 3.5 Lakh shall be

- (a) ₹7,800
- (b) ₹72,800
- (c) ₹18,200
- (d) ₹20,800

15. The maximum amount of rebate allowable under section 87A for A.Y. 2023-24 is -

- (a) ₹2,000, if the total income does not exceed ₹5 lakh
- (b) ₹5,000, if the total income does not exceed ₹5 lakh
- (c) ₹12,500, if the total income does not exceed ₹5 lakh
- (d) ₹2,500, if the total income does not exceed ₹3.5 lakh

16. If Mr. Y's total income for A.Y. 2023-24 is ₹52 Lakhs, surcharge is payable at the rate of -

- (a) 15%
- (b) 12%
- (c) 10%
- (d) 2%

17. Unexhausted basic exemption limit of a non-resident individual can be adjusted against –

- (a) only LTCG taxable @20% u/s 112
- (b) only STCG taxable @15% u/s 111A
- (c) only LTCG taxable @ 10% u/s 112A
- (d) casual income taxable @30% u/s 115BB
- (e) none of these

18. Unexhausted basic exemption limit of a resident individual can be adjusted against –

- (a) only LTCG taxable @20% u/s 112
- (b) only STCG taxable @15% u/s 111A
- (c) only LTCG taxable @ 10% u/s 112A
- (d) From (a) or (b) or (c)
- (e) Casual income taxable @ 30% u/s 115BB

19. The concept of partial integration of agricultural income with non-agricultural income is applicable to -

- (a) only individuals & HUF
- (b) only firms and companies
- (c) Individuals, HUF, AOPs/BOIs & Artificial juridical persons
- (d) All persons

20. What is the basic exemption limit for Mr. X, a resident individual who has completed the age of 60 years as on 31.03.2024?

- (a) ₹5,00,000
- (b) ₹2,40,000
- (c) ₹3,00,000
- (d) ₹2,50,000

21. Rebate u/s 87A shall be allowed to

- (a) all persons
- (b) only individual
- (c) only resident individual
- (d) resident individual & HUF

22. Rebate u/s 87A shall be allowed if total income is

- (a) less than ₹5,00,000
- (b) less than ₹3,50,000
- (c) upto ₹5,00,000
- (d) upto ₹3,50,000

23. Marginal relief shall be allowed to

- (a) all persons
- (b) only individual
- (c) individual & HUF
- (d) non -resident

24. Mr. X has agricultural Income of ₹4,900 and non – agricultural income of ₹2,65,000. Tax Payable shall be

- (a) Nil
- (b) ₹780
- (c) ₹1,030
- (d) ₹14,030

25. Mr. X has agricultural Income of ₹1,00,000 and non – agricultural income of ₹2,45,000. Tax Payable shall be

- (a) Nil
- (b) ₹4,940
- (c) ₹2,340
- (d) ₹17,940

26. Tax Liability of a resident individual having only STCG 111A 3.5 Lakh shall be

- (a) ₹2,600
- (b) ₹15,600
- (c) ₹54,600
- (d) ₹13,000

27. Tax Liability of a resident individual having only casual income 3.5 Lakh shall be

- (a) ₹96,200
- (b) ₹18,200
- (c) ₹31,200
- (d) ₹1,09,200

28. Tax Liability of a non - resident individual having only STCG 111A 3.5 Lakh shall be

- (a) ₹15,600
- (b) ₹2,600
- (c) ₹54,600
- (d) ₹52,000

29. The rate of tax applicable to a limited liability partnership (LLP) for A.Y. 2023- 24 is -

- (a) 25%
- (b) 30%
- (c) 40%
- (d) at slab rate

30. Mr. Devansh has agricultural income of ₹2,30,000 and business income of ₹2,45,000. Which of the following statements are correct?

- (a) Agricultural income has to be aggregated with business income for tax rate purposes
- (b) No aggregation is required since agricultural income is less than basic exemption limit.
- (c) No aggregation is required since business income is less than basic exemption limit.
- (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds ₹5,000

Solution given on our website www.mkgeducation.com icon no. 11

PRACTICE PROBLEMS**TOTAL PROBLEMS 18****Problem 1.**

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹22,00,000
- (ii) Mr. X (non-resident) has total income of ₹22,00,000
- (iii) Mrs. X (resident) has total income of ₹22,00,000
- (iv) Mrs. X (non-resident) has total income of ₹22,00,000
- (v) Mr. X (resident), aged 60 years has total income of ₹22,00,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹22,00,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹22,00,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹22,00,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹22,00,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹22,00,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹22,00,000
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹22,00,000

Answer = (i) Tax Liability: ₹4,91,400; (ii) ₹4,91,400; (iii) ₹4,91,400; (iv) ₹4,91,400; (v) ₹4,88,800; (vi) ₹4,88,800; (vii) ₹4,91,400; (viii) ₹4,91,400; (ix) ₹4,78,400; (x) ₹4,78,400; (xi) ₹4,91,400; (xii) ₹4,91,400

Problem 2.

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹100,05,000
- (ii) Mr. X (non-resident) has total income of ₹102,00,000
- (iii) Mrs. X (resident) has total income of ₹90,00,000
- (iv) Mrs. X (non-resident) has total income of ₹4,98,000
- (v) Mr. X (resident), aged 60 years has total income of ₹4,05,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹102,05,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹25,00,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹4,50,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹3,80,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹110,00,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹99,99,000
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹12,00,000
- (xiii) Mr. X (resident) has total income of ₹202,00,000
- (xiv) Mr. X (resident) has total income of ₹502,00,000

Answer = (i) Tax Liability: ₹32,22,700; (ii) ₹34,25,500; (iii) ₹28,74,300; (iv) ₹12,900; (v) Nil (vi) ₹34,27,840; (vii) ₹5,85,000; (viii) ₹10,400; (ix) Nil; (x) ₹37,07,600; (xi) ₹32,17,160; (xii) ₹1,79,400; (xiii) ₹71,59,750; (xiv) ₹1,94,64,250

Problem 3.

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹50,20,000
- (ii) Mr. X (non-resident) has total income of ₹53,00,000
- (iii) Mrs. X (resident), aged 60 years has total income of ₹51,00,000
- (iv) Mr. X (resident), aged 80 years has total income of ₹54,00,000
- (v) Mr. X (non-resident), aged 80 years has total income of ₹51,22,000
- (vi) Mrs. X (non-resident), has total income of ₹50,80,000

Answer = (i) Tax Liability: ₹13,85,800; (ii) ₹16,04,460; (iii) ₹14,66,400; (iv) ₹16,24,480; (v) ₹14,91,880; (vi) ₹14,48,200

Problem 4.

Compute tax liability in the following cases for the assessment year 2023-24.

- (i) Mr. X (resident) has total income of ₹4,90,000
- (ii) Mr. X (non-resident) has total income of ₹4,90,000
- (iii) Mrs. X (resident) has total income of ₹4,90,000
- (iv) Mrs. X (non-resident) has total income of ₹4,90,000
- (v) Mr. X (resident), aged 60 years has total income of ₹4,90,000
- (vi) Mrs. X (resident), aged 60 years has total income of ₹4,90,000
- (vii) Mr. X (non-resident), aged 60 years has total income of ₹4,90,000
- (viii) Mrs. X (non-resident), aged 60 years has total income of ₹4,90,000
- (ix) Mr. X (resident), aged 80 years has total income of ₹4,90,000
- (x) Mrs. X (resident), aged 80 years has total income of ₹4,90,000
- (xi) Mr. X (non-resident), aged 80 years has total income of ₹4,90,000
- (xii) Mrs. X (non-resident), aged 80 years has total income of ₹4,90,000

Answer = (i) Tax Liability: Nil; (ii) ₹12,480; (iii) Nil; (iv) ₹12,480; (v) Nil; (vi) Nil; (vii) ₹12,480; (viii) ₹12,480; (ix) Nil; (x) Nil; (xi) ₹12,480; (xii) ₹12,480

Problem 5.

Mr. X has income asunder:

	₹
• Income under the head salary	2,40,000
• Income under the head house property	1,55,000
• Income under the head business/profession	3,30,000
• Long term capital gains	1,20,000
• Short term capital gains	35,000
• Casual income (winnings of lottery)	65,000
Deductions allowed under section 80C to 80U	45,000

Compute his tax liability for the assessment year 2023-24.

Answer = Tax Liability: ₹1,02,960

(b) Presume the assessee is Mrs. X.

Answer = Tax Liability: ₹1,02,960

(c) Presume the assessee is Mr. X, aged 65 years.

Answer = Tax Liability: ₹1,00,360

(d) Presume the assessee is Mrs. X (non-resident).

Answer = Tax Liability: ₹1,02,960

(e) Presume the assessee is Mr. X (non-resident) aged 65 years.

Answer = Tax Liability: ₹1,02,960

(f) Presume the assessee is Mr. X, aged 85 years.

Answer = Tax Liability: ₹89,960

(g) Presume the assessee is Mr. X (non-resident) aged 85 years.

Answer = Tax Liability: ₹1,02,960

Problem 6.

Compute tax liability for the assessment year 2023-24 in the following situations:

(i) Mr. X is resident in India and has income under the head house property ₹50,000 and income under the head salary ₹30,000 and long term capital gains ₹8,00,000.

(ii) Presume in the above situation the assessee is Mrs. X.

(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.

(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.

(v) Presume in the above situation the assessee is Mrs. X and she is aged about 87 years.

(vi) Presume in the above situation the assessee is Mr. X and he is aged about 87 years.

(vii) Presume in all the above situations, the assessee is non-resident in India.

Answer = (i) ₹1,31,040; (ii) ₹1,31,040; (iii) ₹1,20,640; (iv) ₹1,20,640; (v) ₹79,040; (vi) ₹79,040; (vii) ₹1,66,400; Situation (i): ₹1,66,400; Situation (ii): ₹1,66,400; Situation (iii): ₹1,66,400; Situation (iv): ₹1,66,400; (v): ₹1,66,400; Situation (vi): ₹1,66,400

Problem 7.

Compute tax liability for the assessment year 2023-24 in the following situations:

(i) Mr. X is resident in India and his incomes are as follows:

- (a) Income under the head Salary ₹90,000
- (b) Income under the head House Property ₹60,000
- (c) Long term capital gains ₹2,30,000
- (d) Short term capital gain under section 111A ₹2,40,000
- (e) Casual Income ₹70,000
- (f) Deduction under section 80C to 80U ₹2,00,000 .

(ii) Presume in the above situation the assessee is Mrs. X.

(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.

(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.

(v) Presume in the above situation the assessee is Mr. X and he is aged about 70 years old and he is non-resident.

(vi) Presume in the above situation the assessee is Mrs. X and she is aged about 82 years.

(vii) Presume in the above situation the assessee is Mr. X and he is aged about 82 years.

(viii) Presume in the above situation the assessee is Mr. X and he is aged about 82 years old and he is non-resident.

Answer = (i) ₹56,160; (ii) ₹56,160; (iii) ₹48,360; (iv) ₹48,360; (v) ₹1,07,120; (vi) ₹21,840; (vii) ₹21,840; (viii) ₹1,07,120

Problem 8

Compute tax liability in the following situations:

(i) Mrs. X has income under the head House Property ₹8,42,324.

(ii) Mr. X has income under the head Business Profession ₹14,42,336.

(iii) Mr. X aged 66 years has long term capital gains ₹11,35,335.

(iv) Mr. X has long term capital gains of ₹13,35,334.90.

(v) Mrs. X has short term capital gains under section 111A ₹10,20,335.

(vi) Mrs. X, non-resident, has long term capital gains ₹5,40,337.

(vii) Mr. X, non-resident, aged about 66 years has winning of a lottery ₹7,20,000.

(viii) Mr. X aged 86 years has long term capital gains ₹15,65,385.

(ix) Mr. X, non-resident, aged about 90 years has winning of a lottery ₹10,20,000.

Answer = (i) ₹84,200; (ii) ₹2,55,010; (iii) ₹1,73,750; (iv) ₹2,25,750; (v) ₹1,20,170; (vi) ₹1,12,390; (vii) ₹2,24,640; (viii) ₹2,21,600; (ix) ₹3,18,240

Problem 9.

Compute tax liability of ABC Ltd. a domestic company in the following situations for assessment year 2023-24:

(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) ₹155,79,200; (vi)

₹31,200; (vii) ₹1,24,800; (viii) ₹2,14,240; (ix) ₹133,53,600

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

Answer = (i) Tax Liability: ₹29,120; (ii) ₹63,64,800; (iii) ₹2,49,600; (iv) ₹4,28,480; (v) ₹148,51,200; (vi) ₹31,200; (vii) ₹1,24,800; (viii) ₹2,14,240; (ix) ₹127,29,600

Problem 10.

ABC (HUF) has incomes as given below:

1. Income under the head Business/Profession ₹6,00,000
2. Income under the head House Property ₹4,00,000
3. Long term capital gains ₹4,50,000
4. Short term capital gains under section 111A ₹3,50,000
5. Casual Income ₹3,50,000
6. Deductions allowed under section 80C to 80U ₹1,25,000

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

Answer = Tax Liability: ₹3,48,400

Problem 11.

Mr. X has income under the head salary ₹3,00,000 and income under the head house property ₹16,00,000 and long term capital gain ₹1,00,000 and agricultural income ₹4,00,000. Deductions allowed under section 80C to 80U ₹60,000.

Compute his income and tax liability for Assessment Year 2023-24.

Answer = Total Income: ₹19,40,000; Tax Liability: ₹4,80,480

(b) Presume assessee is Mrs. X and is aged 64 years.

Answer = Total Income: ₹19,40,000; Tax Liability: ₹4,70,080

Problem 12.

Mr. X has income under the head house property ₹3,00,000 and long term capital gain ₹5,00,000 and agricultural income ₹3,00,000. Deductions under section 80C to 80U ₹1,00,000.

Compute his income and tax liability for Assessment Year 2023-24.

Answer = Total Income: ₹7,00,000; Tax Liability: ₹93,600

(b) Presume Mr. X is aged 82 years

Answer = Total Income: ₹7,00,000; Tax Liability: ₹41,600

Problem 13.

Mrs. X has casual income ₹5,00,000 and short term capital gain under section 111A ₹7,00,000 and agricultural income ₹3,00,000.

Compute her tax liability for Assessment Year 2023-24.

Answer = Tax Liability: ₹2,26,200

(b) Presume she is non-resident and is aged 63 years.

Answer = Tax Liability: ₹2,65,200

Problem 14.

Mr. X has agricultural income ₹10,00,000 and income from business ₹12,00,000 and casual income ₹5,00,000 and he has completed the age of 80 years on 31.03.2023. Compute his tax liability Assessment Year 2023-24.

Answer = Tax Liability: ₹3,74,400

Problem 15.

Mrs. X has income as given below:

	₹
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000
Short Term Capital Gain	50,000
Short Term Capital Gain 111A	2,00,000
Long Term Capital Gain	1,50,000
Casual Income	70,000
Deduction u/s 80C to 80U	1,10,000
Agricultural Income	5,00,000

Compute her Tax Liability for the A.Y.2023-24

Answer = Tax Liability: ₹1,02,960

(b) Presume in above she is aged 81 years.

Answer = Tax Liability: ₹51,480

(c) Presume in (a) above she is Non Resident and deduction u/s 80C-80U is ₹3,00,000.

Answer = Tax Liability: ₹84,240

Problem 16.

Mrs. X has income under the head house property ₹2,00,000 and long term capital gain ₹10,00,000 and agricultural income ₹7,00,000. Deduction under section 80C to 80U ₹60,000.

Compute her income and tax liability for Assessment Year 2023-24.

Answer = Total Income: ₹11,40,000; Tax Liability: ₹1,85,120

(b) Presume Mrs. X is aged 79 years and income under the head house property is ₹10,00,000

Answer = Total Income: ₹19,40,000; Tax Liability: ₹4,07,680

Problem 17.

ABC (HUF) has incomes as given below:

1. Income under the head Business/Profession ₹6,00,000
2. Income under the head House Property ₹4,00,000
3. Long term capital gains ₹4,50,000
4. Short term capital gains under section 111A ₹3,50,000
5. Casual Income ₹3,50,000
6. Deductions allowed under section 80C to 80U ₹1,25,000

Compute tax liability of HUF for the assessment year 2023-24 as per section 115BAC

Answer = Tax Liability: 3,35,400

Problem 18.

Mrs. X has income as given below:

	₹
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000
Income under the head business profession	9,00,000
Deduction u/s 80C to 80U	1,00,000

Compute her Tax Liability as per section 115BAC for the A.Y.2023-24

Answer = Tax Liability: ₹1,43,000

Solution given on our website www.mkgeducation.com icon no. 11

EXAMINATION QUESTIONS

MAY – 2019 (OLD COURSE)

Question 5 (a)**Marks 3**

Miss Himanshi (68 years) is a resident individual. During the assessment year 2023-24, she has income from Long-term capital gain on transfer of equity shares ₹3,80,000 (Securities transaction has been paid on acquisition and transfer of the said shares) and income from Other sources ₹ 2,75,000.

Compute her tax liability for Assessment year 2023-24.

Solution:**Computation of Total Income**

	₹
Long term capital gains u/s 112A	3,80,000
Income from other sources	2,75,000
Gross Total Income	6,55,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	6,55,000

Computation of Tax Liability

Tax on Loan term capital gains 2,55,000 (3,80,000-1,00,000-25,000) @ 10% u/s 112A	25,500
Tax on normal income Nil (2,75,000-2,75,000)	Nil
Tax before health & education cess	25,500
Add: HEC @ 4%	1,020
Tax Liability	26,520

Note:

1. Rebate u/s 87A shall not be allowed since income is more than ₹5,00,000.
2. Basic exemption allowed is ₹3,00,000 as Miss Himanshi is 68 years old.

NOV – 2018 (NEW COURSE)

Question 6 (c)**Marks 5**

Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2023-24:

Income under the head Salary	27,88,000
Income under the head House Property	15,80,000
Income under the head Other sources	7,22,000

He has not claimed any deduction under chapter VIA. You are required to compute tax liability of Mr. Rajat Saini as per the provisions of Income Tax Act, 1961.

Solution:**Computation of Total Income**

	₹
Income under the head Salary	27,88,000
Income under the head House Property	15,80,000
Income under the head Other sources	7,22,000
Gross Total Income	50,90,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	50,90,000

Computation of Tax Liability

Total Income	50,90,000
Tax on ₹50,90,000 at slab rate	13,39,500
Add: Surcharge @ 10%	1,33,950
Tax before marginal relief	14,73,450

Less: Marginal Relief (70,950)

Working Note:	
Tax + surcharge on income of ₹50,90,000	14,73,450
Tax on income of ₹50,00,000	(13,12,500)
Increase in tax	1,60,950
Increase in income	90,000
Marginal Relief (1,60,950 –90,000)	70,950

Tax after marginal relief 14,02,500
 Add: HEC @ 4% 56,100
 Tax Liability 14,58,600

NOV – 2011

Question 7 (4 Marks)

Discuss the taxability of agricultural income under the Income Tax Act, 1961. How will income be computed where an individual derives agricultural and non-agricultural income?

Answer: Under section 10(1), any agricultural income in India is fully exempt from income tax but if the agricultural income is from outside India, it is chargeable to tax.

Indirect taxing of agricultural income or partial integration of agricultural income (Under the constitution, the power to levy a tax on agricultural income vests in the states. However, parliament has also levied a tax on such income. Explain how this has been achieved?)

If any person has agricultural income as well as non-agricultural income, his tax liability shall be computed in the manner given below:

1. Compute tax on the total of agricultural income and non- agricultural income considering it to be total income of the assessee.
2. Compute tax on exemption limit (₹2,50,000 / 3,00,000 / 5,00,000) and agricultural income considering it to be total income.
3. Deduct tax computed under Step 2 from Step 1 and apply health & education cess.
4. Long term capital gain, casual income and short term capital gain u/s 111A shall not be taken into consideration for the purpose of partial integration
5. If Agricultural income is upto ₹5,000, or non-agricultural income is upto the limit not chargeable to tax (₹2,50,000/3,00,000/5,00,000), partial integration is not applicable.
6. Partial integration is not applicable in case of a partnership firm or a company.

MAY – 2007

Question 3 (4 Marks)

The broad break-up of tax and allied details of Mrs. X, born on 31st March, 1962 are as under: ₹

Long-term capital gains on sale of house	2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid)	30,000
Prize winning from a T.V. show	20,000
Business income	2,90,000
Net agricultural income	4,40,000
Deduction allowed under section 80C to 80U	60,000

Compute the tax payable by Mrs. X for the assessment year 2023-24.

Answer. Computation of Total Income

Business Income	2,90,000
Long term capital gain on sale of house	2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid)	30,000
Casual Income (Prize winning from a T.V. show)	20,000
Gross Total Income	5,40,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	4,80,000

Computation of tax payable by Mrs. X for the A.Y. 2023-24

Particulars	₹
(i) Tax on long-term capital gain of ₹1,30,000 (2,00,000 – 70,000) @ 20%	26,000
(ii) Tax on short term capital gain of ₹30,000 @ 15%	4,500
(iii) Tax on winnings of ₹20,000 from a T.V. show @ 30%	6,000
(iv) Tax on balance income of ₹2,30,000 at slab rate	Nil
Deficiency of ₹70,000 has been allowed from LTCG	
Amount of tax before Rebate	36,500
Less: Rebate u/s 87A	(12,500)
Tax before HEC	24,000
Add: HEC @ 4%	960
Tax payable by Mrs. X	24,960

(i) Mrs. X has completed 60 years of age on 31st March, 2023 i.e. she has completed the age of 60 years on during the previous year. Therefore, she is entitled to the higher basic exemption limit of ₹3,00,000.

(ii) Partial integration is not applicable because her non-agricultural income is not exceeding the exemption limit of ₹3,00,000.

(b) Presume income from business is ₹5,00,000.

Computation of Gross Total Income

Business Income	5,00,000
Long term capital gain on sale of house	2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid)	30,000
Casual Income (Prize winning from a T.V. show)	20,000
Gross Total Income	7,50,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	6,90,000

Computation of tax payable by Mrs. X for the A.Y. 2023-24

Particulars	₹
(i) Tax on long-term capital gain of ₹2,00,000 @ 20%	40,000
(ii) Tax on short term capital gain of ₹30,000 @ 15%	4,500
(iii) Tax on winnings of ₹20,000 from a T.V. show @ 30%	6,000
(iv) Tax on balance income of ₹4,40,000	
1. Tax on 4,40,000 + 4,40,000 = 8,80,000	86,000
2. Tax on 3,00,000 + 4,40,000 = 7,40,000	(58,000)
Tax at step no.1 minus tax at step no.2	28,000
Amount of tax before HEC	78,500
Add: HEC @ 4%	3,140
Tax payable by Mrs. X	81,640

Mrs. X has completed 60 years of age on 31st March, 2023 i.e. she has completed the age of 60 years during the previous year. Therefore, she is entitled to the higher basic exemption limit of ₹3,00,000.

MAY – 2006

Question 2

(3 Marks)

(a) The total income of Mrs. X computed for the assessment year 2023-24 is ₹3,80,000, which includes the following:

Long-term capital gains	30,000
Winnings from lotteries	20,000
Short-term capital gains covered by Sec. 111A	10,000
Agricultural income earned by her was ₹50,000.	

Compute the tax payable by Mrs. X.

Solution: Computation of tax payable by Mrs. X for the A.Y. 2023-24

Particulars	₹
Tax on lottery income of ₹20,000 @ 30%	6,000
Tax on long-term capital gain of ₹30,000 @ 20%	6,000
Tax on short-term capital gain covered u/s 111A @ 15% of ₹10,000	1,500

Normal income ₹3,20,000	
Tax on (₹3,20,000 + ₹50,000) at slab rate	6,000
Tax on (₹2,50,000 + ₹50,000) at slab rate	(2,500)
Tax on normal income (6,000 – 2,500)	3,500
Tax before rebate	17,000
Less: Rebate u/s 87A	(12,500)
Tax before HEC	4,500
Add: HEC @ 4%	180
Tax payable by Mrs. X	4,680

TAXABILITY OF GIFT

SECTION 56

TAXABILITY OF GIFT

SECTION 56(2)(x)

Question 1: Explain taxability of gift.

Answer:

Gift received by *any person* shall be taxable and the gifts shall be divided into 3 parts.

1. Gift of sum of money

2. Gift of any property other than immovable property

3. Gift of immovable property

Taxability is as given below:

1. Gift of sum of money

If any *person* has received any **sum of money** from one or more persons without consideration and the aggregate value of all such gifts received during the year exceeds fifty thousand rupees, the whole of the aggregate value of such sum shall be taxable under the head Other Sources but if the aggregate value is upto ₹50,000, entire amount shall be exempt from income tax. E.g. Mr. X has received 3 gifts of ₹15,000 each from his 3 friends, entire amount of ₹45,000 is exempt from income tax but if he has received 3 gifts of ₹20,000 each, entire amount of ₹60,000 shall be taxable. Further it will be considered to be normal income.

2. Gift of any property other than immovable property

If any *person* has received gift of any property other than immovable property without consideration and the aggregate fair market value of such properties received during a particular year exceeds ₹50,000, it will be taxable under the head Other Sources but if aggregate value of all such properties is upto ₹50,000, it will be exempt from income tax.

If the consideration is less than the aggregate fair market value of such properties by an amount exceeding ₹50,000, aggregate fair market value as exceeds such consideration shall be taxable under the head Other Sources. Further it will be considered to be normal income.

3. Gift of immovable property

If any *person* has received any **immovable property** without consideration, it will be exempt if stamp duty value is upto ₹50,000 but if the stamp duty value exceeds fifty thousand rupees, entire stamp duty value shall be taxable under the head Other Sources. Value of individual immovable property shall be taken into consideration instead of aggregate value of all such properties.

(If any person is selling immovable property, its **Conveyance Deed** shall be prepared in the office of Registrar and some tax has to be paid to the State Government for transferring the property and it is called stamp duty and the value on which such duty is charged is called stamp duty value (also called circle rate). A person may not disclose the right value hence the value is determined by State Government.)

If immovable property has been received for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees and also stamp duty value is exceeding by more than **10% of the actual consideration**, in such cases taxable amount shall be the stamp duty value of such property as exceeds such consideration.

Example

(i) Mr. X purchased immovable property for ₹3,00,000 but stamp duty value is ₹5,00,000, taxable amount shall be ₹2,00,000

(ii) Mr. X has sold immovable property to Mr. Y for ₹100,00,000 but stamp duty value is ₹110,00,000, in this taxable amount shall be Nil because stamp duty value is not exceeding the actual consideration by more

than 10% but if stamp duty value is ₹ 111,00,000, taxable amount shall be ₹ 11,00,000 because stamp duty is exceeding by more than 10% of actual consideration.

If the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same and in such cases, the stamp duty value on the date of the agreement shall be taken into consideration but part of consideration should have been paid *by account payee cheque, an account payee bank draft or by use of electronic clearing system through a bank account or through such other electronic modes as may be prescribed. (Other electronic mode means Credit Card, Debit Card, Net Banking, IMPS (Immediate Payment Service), UPI (Unified Payment Interface), RTGS (Real Time Gross Settlement), NEFT (National Electronic Funds Transfer), and BHIM (Bharat Interface for Money) Aadhaar Pay)* on or before the date of agreement. E.g. Mr. X has entered into agreement with a builder ABC Limited on 01.07.2016 for purchase of one building for ₹20,00,000 but stamp duty value was ₹27,00,000 and advance of ₹3,00,000 was given by account payee cheque but property was transferred in his name on 01.07.2022 and on that date stamp duty value was ₹35,00,000, in this case amount of gift shall be ₹7,00,000 (27,00,000 – 20,00,000). (Difference amount is more than ₹50,000 and more than 10% of the consideration). Similarly, it will also be considered to be normal income.

The gift is exempt in the following cases

(a) If any individual has received any gift from any of his relative, it will be exempt from income tax. The term relative shall include

- (a) spouse of the individual;
- (b) brother or sister of the individual;
- (c) brother or sister of the spouse of the individual;
- (d) brother or sister of either of the parents of the individual;
- (e) any lineal ascendant or descendant of the individual; (ascendant means mother/ father/ grand mother / grand father and so on: Descendant means son / daughter / grand son / grand daughter etc.)
- (f) any lineal ascendant or descendant of the spouse of the individual;
- (g) spouse of the person referred to in items (b) to (f)

Whether mother's parents shall be included in lineal ascended is a question of law.

(b) If any individual has received any gift from any person of any amount on the occasion of his/her marriage. If gift is received by the parents of such individual, in that case it will be taxable. If any individual has received gift on the occasion of anniversary, it will be taxable.

(c) If any person has received any gift under a will/ inheritance, it will be exempt from income tax.

(d) in contemplation of death of the payer or donor (Contemplation of Death means the apprehension of an individual that his life will end in the immediate future by a particular illness etc.)

(e) from any local authority or charitable hospital or charitable educational institution or charitable trust or other similar organisation.

(f) If an individual has received from any person in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, for any illness related to COVID-19 subject to such conditions, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

(g) If a member of the family of a deceased person has received,—

(A) from the employer of the deceased person; or

(B) from any other person or persons to the extent that such sum or aggregate of such sums does not exceed ten lakh rupees,

where the cause of death of such person is illness related to COVID-19 and the payment is—

(i) received within twelve months from the date of death of such person; and

(ii) subject to such other conditions, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.—For the purposes of clauses (XII) and (XIII) of this proviso, “family”, in relation to an individual, shall have the same meaning as assigned to it in Explanation 1 to clause (5) of section 10.’;

Question 2: Explain meaning of property.**Answer:****"PROPERTY"** means the following capital asset of the assessee, namely:—

- (i) immovable property being land or building or both;
- (ii) shares and securities;
- (iii) jewellery;
- (iv) archaeological collections (relating to past/ ancient)
- (v) drawings (a picture or diagram made with a pencil, pen, or crayon without paint.)
- (vi) paintings;
- (vii) sculptures;
- (viii) any work of art; or
- (ix) bullion (Gold and silver in the form of biscuits / bricks / bars)

If any person has received gift of any other property, it will not be taxable e.g. motor car or plant and machinery or a watch or a mobile phone etc.

E.g. Mr. X received a mobile phone valued ₹70,000 from his friend, in this case, it will be exempt from income tax.

Question 3: Write a note on Taxability of gift received by HUF from its members.**Answer:**

If any **Hindu undivided family** has received any gift from any of its members, it will be exempt from income tax. E.g. One HUF has received cash gift of ₹10,00,000 from one of its members, it will be exempt from income tax.

If HUF has given gift to its member, it will be taxable.

Question 4: Write a note on Taxability of stock-in-trade.**Answer:**

If any person has received any asset as stock-in-trade, it will not be taxable as gift e.g. Mr. X is a dealer in gold and he has purchased gold for ₹20 lakhs but market value is ₹ 27 lakhs, in this case it will not be taxable as gift (because cost will be shown in the books as ₹20 lakhs and entire profit on sale shall be taxable under the head business/profession.)

MTP NOV -2020

2. From the following transactions relating to Mrs. Natasha, determine the amount chargeable to tax in her hands for the A.Y. 2023-24. Your answer should be supported by reason:

- (i) On 1-1-2023, being her birthday, she received a gift of ₹ 40,000 by means of cheque from her father's maternal uncle.
- (ii) On 12-2-2023, she acquired a vacant site from her friend for ₹1,32,000. The State stamp valuation authority fixed the value of site at ₹ 2,00,000 for stamp duty purpose.
- (iii) She bought 50 equity shares of a private company from another friend for ₹ 75,000. The fair market value of such shares on the date of purchase was ₹ 1,33,000. **(3 Marks)**

Answer:**Computation of amount chargeable to tax in hands of Mrs. Natasha for A.Y. 2023-24**

	Particulars	₹
(i)	Even though father's maternal uncle does not fall within the definition of "relative" under section 56(2)(x), gift of ₹40,000 received from him by cheque is not chargeable to tax since the aggregate sum of money received by Mrs. Natasha without consideration from non-relatives (other than on the occasion of marriage) during the previous year 2022-23 does not exceed ₹ 50,000	Nil
(ii)	Purchase of vacant site for inadequate consideration on 12.2.2023 would attract the	68,000

	provisions of section 56(2)(x). Where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount and the difference between stamp duty value and consideration is more the higher of ₹50,000 and 10% of consideration, the difference between the stamp duty value and consideration is chargeable to tax in the hands of Individual. Therefore, in the given case ₹ 68,000 (₹ 2,00,000 - ₹ 1,32,000) is taxable in the hands of Mrs. Natasha, since the difference exceeds ₹50,000, being the higher of ₹50,000 and 10% of consideration.	
(iii)	Since shares are included in the definition of “property” and difference between the purchase value and fair market value of shares is ₹ 58,000 (₹ 1,33,000 - ₹ 75,000) i.e. it exceeds ₹ 50,000, the difference would be taxable under section 56(2)(x).	58,000
Amount chargeable to tax		1,26,000

Illustration 1: Mr. X, a dealer in shares, received the following without consideration during the P.Y.2022-23 from his friend Mr. Y, -

- (1) Cash gift of ₹ 75,000 on his anniversary, 15th April, 2022.
- (2) Bullion, the fair market value of which was ₹ 60,000, on his birthday, 19th June, 2022.
- (3) A plot of land at Faridabad on 1st July, 2022, the stamp value of which is ₹ 5 lakh on that date. Mr. Y had purchased the land in April, 2015.

Mr. X purchased from his friend Z, who is also a dealer in shares, 1000 shares of X Ltd. @ ₹ 400 each on 19th June, 2022, the fair market value of which was ₹ 600 each on that date.

- (4) Mr. X sold these shares in the course of his business on 23rd June, 2022.
- (5) On 1st November, 2022, Mr. X took possession of property (building) booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2022 was ₹ 32 lakh and on the date of booking was ₹ 23 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.

Compute the income of Mr. X chargeable under the head “Income from other sources” for A.Y.2023-24.

Solution:

	Particulars	₹
(1)	Cash gift is taxable	75,000
(2)	Since bullion is included in the definition of property, it is taxable.	60,000
(3)	Stamp duty value of plot of land at Faridabad is taxable.	5,00,000
(4)	Difference of ₹ 2 lakh in the value of shares of X Ltd. purchased from Mr. Z, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. X. Since Mr. X is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. X.	-
(5)	Difference between the stamp duty value of ₹23 lakh on the date of booking and the actual consideration of ₹20 lakh paid is taxable. (Difference amount is more than ₹50,000 and more than 10% of the consideration)	3,00,000
Income from Other Sources		9,35,000

Illustration 2: Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961 -

(i) X HUF received ₹ 75,000 in cash from niece of Mr. X (i.e., daughter of Mr. X’s sister). Mr. X is the Karta of the HUF.

(ii) Miss. X, a member of her father’s HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is ₹ 9,00,000.

(iii) Mr. X received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was ₹ 100 per share. He also received jewellery worth ₹45,000 (FMV) from his nephew on the same day.

(iv) X HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is ₹ 5,25,000.

Solution:

	Taxable/ Non-taxable	Amount liable to tax (₹)	Reason
(i)	Taxable	75,000	Sum of money exceeding ₹50,000 received without consideration from a non-relative is taxable under section 56(2)(x). Daughter of Mr. X's sister is not a relative of X HUF, since she is not a member of X HUF.
(ii)	Non-taxable	Nil	Immovable property received without consideration by a HUF from its relative is not taxable under section 56(2)(x). Since Miss. X is a member of the HUF, she is a relative of the HUF.
(iii)	Taxable	55,000	As per provisions of section 56(2)(x), in case the aggregate fair market value of property, other than immovable property, received without consideration exceeds ₹50,000, the whole of the aggregate value shall be taxable. In this case, the aggregate fair market value of shares (₹10,000) and jewellery (₹45,000) exceeds ₹50,000. Hence, the entire amount of ₹55,000 shall be taxable.
(iv)	Non-taxable	Nil	Car is not included in the definition of property for the purpose of section 56(2)(x), therefore, the same shall not be taxable.

Illustration 3: Discuss taxability in the following cases:

(i) Mr. X has received three gifts from his three friends

(a) ₹55,000 in cash

(b) Land with market value ₹5,00,000 but the value for the purpose of charging stamp duty ₹4,00,000.

(c) Jewellery with market value ₹3,00,000

In this case, taxable amount shall be $55,000 + 4,00,000 + 3,00,000 = 7,55,000$

(ii) Mr. X has received gift of ₹50,000 in cash from his friend, in this case it will not be considered to be his income.

(iii) Mr. X has received gift of ₹1,50,000 in cash from his brother, in this case it will not be considered to be his income.

(iv) Mr. X has received gift of ₹1,50,000 in cash from his mother's sister, in this case it will not be considered to be his income.

(v) Mr. X has received gift of ₹1,50,000 in cash from his father's brother, in this case it will not be considered to be his income.

(vi) Mr. X has received gift of ₹1,50,000 in cash from his cousin, in this case it will be chargeable to tax.

(vii) Mr. X has received gift of ₹1,50,000 in cash from brother of his spouse, in this case it will not be considered to be his income.

(viii) Mr. X has received gift of ₹1,50,000 in cash from his grand father, in this case it will not be considered to be his income.

(ix) Mr. X has received gift of ₹1,50,000 in cash from spouse of his brother, in this case it will not be considered to be his income.

(x) Mr. X has received gift of ₹1,50,000 in cash from husband of his sister, in this case it will not be considered to be his income.

(xi) Mr. X has received gift of ₹1,50,000 in cash from sister of his brother's wife, in this case it will be considered to be his income.

(xii) Mr. X has received gift of ₹1,50,000 in cash from the sister of his spouse, in this case it will not be considered to be his income.

(xiii) Mr. X has received gift of ₹5,000 in cash on his birthday from each of his eleven friends, in this case it will be considered to be his income because the total amount is exceeding ₹50,000.

(xiv) Mr. X has received gift of property valued ₹1,50,000 from his friend, in this case it will be considered to be his income.

(xv) Mr. X has received gift of ₹1,50,000 in cash from his friend on the occasion of his marriage, in this case it will not be considered to be his income.

(xvi) Mr. X has received gift of ₹75,000 in cash and property ₹75,000 from his fiancée, in this case gift in cash will be considered to be his income and the gift as property shall also be considered to be his income.

Question 5: Explain taxability of gift received from employer.

Answer: Gifts to the Employees Section 17(2)(viii) Rule 3(7)(iv)

Gift given by the employer in kind upto ₹5,000 in aggregate during a particular year is exempt and excess over it is taxable. If the employer has given any voucher or token in lieu of which such gift may be received, it will also be exempt in the similar manner.

Gifts in cash or gifts convertible into cash i.e. gift cheques etc. shall be fully chargeable to tax.

E.g. Mr. X is employed in ABC Ltd. and he has received a cash gift of ₹11,000 from his employer, in this case taxable amount shall be ₹11,000 and it will be income under the head Salary and shall be taxable at the normal rate but if Mr. X has received one wrist watch of ₹11,000 from his employer, taxable amount shall be ₹6,000.

Question 6: Explain Taxability of gift received in connection with business/profession.

Answer: Gifts or Perquisites from Clients Section 28

The value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, shall be taxable under the head business profession.

If any person has received any gift or perquisite or benefit either in cash or in kind from any of his clients, it will be considered to be business receipt and shall be taken into consideration while computing income under the head business/profession.

Example: A Doctor has received a gift of ₹ 40,000 from one of his clients, in this case it will be considered to be income under the head business/profession.

Question 7: Explain taxability of scholarship/ award / reward.

Answer: Scholarship Section 10(16)

Any scholarship received by a person for meeting the cost of education shall be exempt from income tax.

Award/ Reward Section 10(17A)

Any award or reward whether in cash or in kind instituted by the Central Government or the State Government shall be exempt from income tax. Similarly any private award or reward shall be exempt from income tax if approved by the Central Government.

MULTIPLE CHOICE QUESTIONS

1. Gift of sum of money is exempt if

- (a) aggregate value during particular year is less ₹50,000
- (b) aggregate value during particular year is upto ₹50,000
- (c) if value of individual gift is upto ₹50,000
- (d) aggregate value during particular year is less ₹1,00,000

2. In case of gift of immovable property, value to be taken into consideration shall be

- (a) market value of individual property
- (b) market value of all the properties
- (c) stamp duty value of individual property
- (d) stamp duty value of all the properties

3. For the purpose of gift, the term relative shall include

- (a) grand father of individual
- (b) brother's son of individual
- (c) brother of father of spouse
- (d) all the above

4. Property for the purpose of gift shall include

- (a) shares and securities
- (b) jewellery
- (c) mobile phone
- (d) work of art
- (e) (a), (b) and (d)

5. Which of the statement is correct

- (a) gift received by an employee is exempt upto ₹10,000
- (b) cash gift received by an employee upto ₹5,000 is exempt
- (c) gift in kind received by an employee upto ₹5,000 is exempt
- (d) gift in kind received by an employee upto ₹50,000 is exempt

6. Which of the statement is correct

- (a) scholarship received by any person is exempt u/s 10(17A)
- (b) award or reward of central government is taxable u/s 28
- (c) gift received by a professional from his client is taxable as per section 28
- (d) gift received by an employee exceeding ₹5,000 is taxable u/h other sources

7. which of the statement is false

- (a) gift received by HUF from its member is exempt
- (b) gift received from sister of spouse is exempt
- (c) gift of motor car received from a friend is exempt
- (d) cash gift upto ₹5,000 received from employer is exempt

8. The term relative do not include

- (a) lineal ascendant or descendant of individual
- (b) lineal ascendant or descendant of spouse of individual
- (c) lineal ascendant or descendant of brother of individual
- (d) none of the above

9. If any person has purchased immovable property for ₹20 lakh but stamp duty value is ₹23 lakhs, in this case taxable amount of gift shall be

- (a) 3 lakh
- (b) 1 lakh
- (c) Nil
- (d) 23 lakh

10. Which of the following gift is taxable

- (a) Mr. X received cash gift ₹51,000 from his friend
- (b) Mr. Y received cash gift ₹51,000 from his fiancée

- (c) Mr. Z received cash gift ₹51,000 from his friend's father
 (d) all the above
 (e) none of the above

11. Mr. Kashyap has acquired a building from his friend on 10.10.2022 for ₹15,00,000. The stamp duty value of the building on the date of purchase is ₹15,70,000. Income chargeable to tax in the hands of Mr. Kashyap is

- (a) ₹ 70,000
 (b) ₹ 50,000
 (c) Nil
 (d) ₹ 20,000

12. Ganesh received ₹60,000 from his friend on the occasion of his birthday

- (a) The entire amount of ₹60,000 is taxable
 (b) ₹50,000 is taxable
 (c) The entire amount is exempt
 (d) ₹10,000 is taxable

13. Mr. Y has received a sum of ₹51,000 on 24.10.2022 from relatives on the occasion of his marriage.

- (a) Entire ₹51,000 is chargeable to tax.
 (b) Only ₹ 1,000 is chargeable to tax
 (c) Entire ₹ 51,000 is exempt from tax
 (d) Only 50% i.e., ₹ 25,500 is chargeable to tax

14. Mr. Mayank has received a sum of ₹ 75,000 on 24.10.2022 from his friend on the occasion of his marriage anniversary.

- (a) Entire ₹ 75,000 is chargeable to tax.
 (b) Entire ₹75,000 is exempt from tax
 (c) Only ₹ 25,000 is chargeable to tax
 (d) Only 50% i.e., ₹ 37,500 is chargeable to tax

15. Ashok took possession of property on 31st August 2022 booked by him three years back at ₹25 lakhs, The Stamp Duty Value (SDV) of the property as on 31st August 2022 was ₹31 lakh and on date of booking it was ₹29 lakh. He had paid ₹2 lakh by A/c payee cheque as down payment on date of booking. Which of the following will be considered as income, if any, and in which previous year

- (a) ₹4 lakhs in P.Y. 2022-23
 (b) ₹4 lakhs in P.Y. 2019-20
 (c) ₹6 lakhs in P.Y. 2021-22
 (d) No income shall be taxable, since down payment was paid by A/c cheque while booking the property

16. Mr. Kishore celebrated his 50th marriage anniversary. On this occasion, his wife received a diamond necklace worth ₹5,00,000 from Kishore's brother. Kishore's son gifted him a luxurious car worth ₹15,00,000, His grandchildren gifted them a new furniture set worth ₹3,00,000. Also, he received cash gifts from his friends amounting collectively to ₹80,000. Which of them the following statements stand true on taxability.

- (a) Neither Mr. Kishore nor Mrs. Kishore will be liable for tax for any gifts since they have been received on occasion of marriage anniversary
 (b) Mr. Kishore & Mrs. Kishore will jointly share the tax liability on all the gifts
 (c) Mrs. Kishore will be liable to pay tax on diamond set and Mr. Kishore will bear tax for the cash gifts received
 (d) Mr. Kishore will be liable for tax on cash gifts only.

17. Sujata, aged 16 years, received scholarship of ₹50,000 during the previous year 2022-23. Which of the following statements are true regarding taxability of such income:

- (a) Such income shall be assessed in hands of Sujata
 (b) Such income to be included with the income of parent whose income before such clubbing is higher
 (c) Such income is completely exempt from tax
 (d) Such income to be clubbed with father's income

18. Mr. X received cash gift ₹ 51,000 and gift of jewelry valued ₹ 49,000, in this case taxable amount shall be

- (a) ₹ 51,000
- (b) ₹ 49,000
- (c) ₹ 1,00,000
- (d) Nil
- (e) none of these

19. Mr. X received cash gift ₹ 40,000, gift of land stamp duty value ₹ 40,000 and gift of building stamp duty value ₹ 40,000, in this case taxable amount shall be

- (a) ₹ 40,000
- (b) ₹ 80,000
- (c) ₹ 1,20,000
- (d) Nil
- (e) none of these

20. Mr. X purchased one house property for ₹ 3,00,000 market value ₹ 7,00,000 stamp duty value ₹ 3,40,000, in this case taxable amount shall be

- (a) ₹ 4,00,000
- (b) ₹ 40,000
- (c) Nil
- (d) ₹ 3,40,000
- (e) none of these

Solution given on our website www.mkgeducation.com icon no. 11

PRACTICE PROBLEMS

TOTAL PROBLEMS 5

Problem 1.

Discuss taxability in the following cases:

- (i) Mr. X has received gift of ₹ 50,000 in cash from his friend.
- (ii) Mr. X has received gift of ₹ 2,50,000 in cash from his brother.
- (iii) Mr. X has received gift of ₹ 2,50,000 in cash from his mother's sister.
- (iv) Mr. X has received gift of ₹ 2,50,000 in cash from his father's brother.
- (v) Mr. X has received gift of ₹ 2,50,000 in cash from his cousin.
- (vi) Mr. X has received gift of ₹ 2,50,000 in cash from brother of his spouse.
- (vii) Mr. X has received gift of ₹ 2,50,000 in cash from his grand father.
- (viii) Mr. X has received gift of ₹ 2,50,000 in cash from spouse of his brother.
- (ix) Mr. X has received gift of ₹ 2,50,000 in cash from husband of his sister.
- (x) Mr. X has received gift of ₹ 2,50,000 in cash from sister of his brother's wife.
- (xi) Mr. X has received gift of ₹ 2,50,000 in cash from the sister of his spouse.
- (xii) Mr. X has received gift of ₹6,000 in cash on his birthday from each of his eleven friends.
- (xiii) Mr. X has received gift of ₹ 2,50,000 as property from his friend.
- (xiv) Mr. X has received gift of ₹2,50,000 in cash from his friend on the occasion of his marriage.
- (xv) Mr. X has received gift of ₹1,00,000 in cash and ₹1,00,000 as property from his fiancée.

Problem 2.

Mr. X submits the particulars for the previous year 2022-23 as given below:

1. He has received a gift of ₹27,000 from one of his friend on 01.09.2022.
2. He has received a gift of ₹11,000 on 01.10.2022 from his wife Mrs. X.
3. He has received a gift of ₹29,000 from his step daughter on 01.01.2023.
4. He has received a gift of ₹27,000 from grand mother of Mrs. X on 07.01.2023.
5. He has received a gift of ₹70,000 in kind from his employer on 01.03.2023.
6. He has received gold as gift from his friend on 01.12.2022 with value ₹2,00,000.
7. He has received ₹27,000 as gift from his maternal aunt (mother's sister) on 10.12.2022.
8. He has received two gifts of ₹30,000 each from his neighbours on 01.06.2022.

Compute his tax liability for assessment year 2023-24.

Answer = Tax Liability: Nil

Problem 3.

Mr. X received gift in cash ₹5,00,000 from son of his father's brother and gift of ₹1,00,000 in cash from brother of father of Mrs. X. He has agricultural income ₹5,00,000.

Compute his tax liability for Assessment Year 2023-24.

Answer = Tax Liability: ₹83,200

(b) He is aged 81 years.

Answer = Tax Liability: ₹31,200

(c) He is non-resident and he has completed age of 80 years as on 31.03.2023.

Answer = Tax Liability: ₹83,200

Problem 4.

Mr. X received jewellery valued ₹8,00,000 from brother of his grand father and his agricultural income is ₹1,00,000.

Compute his income and tax liability for Assessment Year 2023-24.

Answer = Total Income: ₹8,00,000; Tax Liability: ₹91,000

Problem 5.

Following gifts are received by Mrs. X, who is carrying on jewellery business, during the previous year 2022-23:

- (i) On the occasion of her marriage on 07.09.2022, she has received ₹1,20,000 as gift out of which ₹85,000 are from relatives and balance from friends.
- (ii) On 03.10.2022, she has received cash gift of ₹2,50,000 from cousin of her mother.
- (iii) A mobile phone worth ₹15,000 is gifted by her friend on 21.09.2022.
- (iv) She gets a cash gift of ₹2,40,000 from the elder brother of her husband's grandfather on 10.12.2022.
- (v) She has received a cash gift of ₹6,00,000 from her friend on 27.01.2023.
- (vi) She has received bullion, the fair market value of which was ₹4,75,000 on her birthday, 19.01.2023.

Mrs. X purchased from her friend, who is also carrying jewellery business, jewellery at ₹ 2,50,000 on 25.01.2023, the fair market value of which was ₹5,00,000 on that date.

Compute total income and tax liability of Mrs. X for A.Y.2023-24.

Answer = Total Income: ₹15,65,000; Tax Liability: ₹2,93,280

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EXAMINATION QUESTIONS

MAY – 2018 (NEW COURSE)

Question 5 (a)**Marks 3**

Discuss the taxability of the following receipts in the hands of Mr. Sanjay Kamboj under the Income Tax Act, 1961 for A.Y.2023-24:

- (i) ₹51,000 received from his sister living in US on 1-6-2022.
- (ii) Received a car from his friend on payment of ₹2,50,000 the FMV of which was ₹5,50,000.

Provisions of taxability or Non-taxability must be discussed.

Answer:

- (i) As per section 56(2), Gift received from relative is not taxable. In the given case, Sister is covered under the definition of relative and Gift received from her is not taxable.
- (ii) As per section 56(2), Gift in Kind exceeding ₹50,000 received from non - relative is taxable but in the given case Car is not covered under the definition of Gift in Kind hence Car received from non-relative is not taxable.

MAY – 2016

Question 4(a)**(2 x 2 = 4 Marks)**

Discuss the taxability or otherwise in the hands of the recipients, as per the provisions of the Income-tax Act, 1961:

- (i) Mr. N, a member of his father's HUF, transferred a house property to the HUF without consideration. The value of the house is ₹10 lacs as per the Registrar of stamp duty.
- (ii) Mr. Kumar gifted a car to his sister's son (Sunil) for achieving good marks in CA Final exam. The fair market value of the car is ₹5,00,000.

Answer:

- (i) Non-Taxable: As per sec 56(2)(x), if HUF has received any Gift from its member, it will be exempt from Income tax. In the given case, HUF has received a Gift of house property from its member Mr. N hence it will be exempt from income tax and what is the value of house property shall not matter.
- (ii) Non-Taxable: If any person has received a gift from brother of mother, it will be covered in the definition of relative and shall be exempt from income tax further if a gift is taxable it should be covered in the definition of property as given u/s 56(2)(x). In the given case gift is from relative and further gift is of motor car which is not covered in the definition of property hence it will be exempt from Income Tax.

MAY – 2012

Question 1**(1 Marks)**

State whether the following are chargeable to tax and the amount liable to tax.

A sum of ₹1,20,000 was received as gift from non-relatives by Mr. X on the occasion of the marriage of his son Mr. Y.

Answer: As per section 56(2)(x), if any gift has been received on the occasion of marriage, it will be exempt from income tax but if gift has been received by the parents of the person getting married, such gift shall be taxable hence in this case gift received by Mr. X is taxable because marriage is that of his son Mr. Y.

MAY – 2011

Question 7**(4 Marks)**

The following details have been furnished by Mrs. X, pertaining to the year ended 31.03.2023:

- (i) Cash gift of ₹51,000 received from her friend on the occasion of her “Shastiaptha Poorthi”, a wedding function celebrated on her husband completing 60 years of age. This was also her 25th wedding anniversary.

(ii) On the above occasion, a diamond necklace worth ₹2 lacs was presented by her sister living in Dubai.
 (iii) When she celebrated her daughter's wedding on 21.02.2023, her friend assigned in Mrs. X's favour, a fixed deposit held by the said friend in a scheduled bank; the value of the fixed deposit and the accrued interest on the said date was ₹51,000.

(iv) She has short term capital gains under section 111A ₹10 lakhs.

Compute total income and tax liability for assessment year 2023-24.

Answer: (i) Any sum of money received by an individual on the occasion of the marriage of the individual is exempt. This provision is, however, not applicable to a cash gift received during a wedding function celebrated on completion of 60 years of age.

The gift of ₹51,000 received from a non-relative is, therefore, chargeable to tax under section 56(2)(x) in the hands of Mrs. X.

(ii) The provisions of section 56(2)(x) are not attracted in respect of any sum of money or property received from a relative. Thus, the gift of diamond necklace received from her sister is not taxable under section 56(2)(x), even though jewellery falls within the definition of "property".

(iii) To be exempt from applicability of section 56(2)(x), the property should be received on the occasion of the marriage of the individual, not that of the individual's son or daughter. Therefore, this exemption provision is not attracted in this case.

Any sum of money received without consideration by an individual is chargeable to tax under section 56(2)(x), if the aggregate value exceeds ₹50,000 in a year. "Sum of money" has, however, not been defined under section 56(2)(x).

Therefore, there are two possible views in respect of the value of fixed deposit assigned in favour of Mrs. X—

(1) The first view is that fixed deposit does not fall within the meaning of "sum of money" and therefore, the provisions of section 56(2)(x) are not attracted. Fixed deposit is also not included in the definition of "property".

(2) However, another possible view is that fixed deposit assigned in favour of Mrs. X falls within the meaning of "sum of money" received.

Income assessable as "Income from other sources"

If the first view is taken, the total amount chargeable to tax as "Income from other sources" would be ₹51,000, being cash gift received from a friend on her Shastiaptha Poorthi.

As per the second view, the provisions of section 56(2)(x) would be attracted in respect of the fixed deposit assigned and the "Income from other sources" of Mrs. X would be ₹1,02,000 (₹51,000 + ₹51,000).

Tax liability as per first view

Income under the head Other Sources	51,000.00
Income under the head Capital Gains (STCG u/s 111A)	10,00,000.00
Gross Total Income	10,51,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	10,51,000.00

Computation of Tax Liability

Tax on ₹51,000 at slab rate	Nil
Tax on ₹8,01,000 (₹10,00,000 – ₹1,99,000) @ 15%	1,20,150.00
Add: HEC @ 4%	4,806.00
Tax Liability	1,24,956.00
Rounded off u/s 288B	1,24,960.00

Tax liability as per second view

Income under the head Other Sources	1,02,000.00
Income under the head Capital Gains (STCG u/s 111A)	10,00,000.00
Gross Total Income	11,02,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	11,02,000.00

Computation of Tax Liability

Tax on ₹1,02,000 at slab rate	Nil
Tax on ₹8,52,000 (₹10,00,000 – ₹1,48,000) @ 15%	1,27,800.00

Add: HEC @ 4%	5,112.00
Tax Liability	1,32,912.00
Rounded off u/s 288B	1,32,910.00

NOV – 2008**Question 2****(4 Marks)**

Mrs. X has received the following gifts during previous year 2022-23.

- (i) On the occasion of her marriage on 14.08.2022, she has received ₹90,000 as gift out of which ₹70,000 are from relatives and balance from friends.
 - (ii) On 12.09.2022, she has received gift of ₹18,000 from cousin of her mother.
 - (iii) A cell phone of ₹71,000 is gifted by her employer on 15.08.2022.
 - (iv) She gets a gift of ₹25,000 from the elder brother of her husband's grandfather on 25.10.2022.
 - (v) She has received a gift of ₹2,000 from her friend on 14.04.2022.
 - (vi) She has won ₹4 lakh from a game show on electronic media.
- Compute her tax liability for assessment year 2023-24.

Answer:**Computation of taxable income of Mrs. X from gifts for A.Y. 2023-24**

Particulars	Taxable amount ₹	Reason for taxability or otherwise of each gift
• Relatives and friends	Nil	Gifts received on the occasion of marriage are not taxable.
• Cousin of Mrs. X's mother	18,000	Cousin of Mrs. X's mother is not a relative. Hence, the gift is taxable.
• Elder brother of husband's grandfather	25,000	Brother of husband's grandfather is not a relative. Hence, the gift is taxable.
• Friend	2,000	Gift from friend is taxable.
Aggregate value of gifts	45,000	

Since the aggregate value of gifts received by Mrs. X during the previous year 2022-23 does not exceed ₹50,000, the same is not chargeable to tax under section 56(2)(x) of the Income-Tax Act, 1961.

Gift received from the employer in kind upto ₹5,000 is exempt from income tax but excess over it is taxable hence in this case taxable amount of gift shall be ₹66,000 (71,000 – 5,000) and it will be taxable under the head Salary.

Gross Salary	66,000
Less: Standard deduction u/s 16(ia)	(50,000)
Income under the head Salary	16,000

Income under the head Other Sources	4,00,000
Gross Total Income	4,16,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	4,16,000

Computation of Tax Liability

Tax on ₹16,000 at slab rate	Nil
Tax on ₹4,00,000 @ 30%	1,20,000
Less: Rebate u/s 87A	(12,500)
Tax before HEC	1,07,500
Add: HEC @ 4%	4,300
Tax Liability	1,11,800

MAY – 2008**Question 3****(1 Marks)**

Choose the correct answer with reference to the provisions of the Income-tax Act, 1961:

Mr. X received ₹70,000 from his friend on the occasion of his birthday.

- (a) The entire amount of ₹70,000 is taxable
- (b) ₹25,000 is taxable
- (c) The entire amount is exempt
- (d) None of the above.

Answer:

- (a) The entire amount of ₹70,000 is taxable.

MAY – 2005

Question 1

(1 Marks)

Gift of ₹5,00,000 received on 10th July, 2022 through account payee cheque from a non-relative regularly assessed to income-tax, is

- (a) A capital receipt not chargeable to tax
- (b) Chargeable to tax as income from other sources
- (c) Chargeable to tax as business income
- (d) Exempt upto ₹50,000 and balance chargeable to tax as income from other sources.

Answer:

- (b) Chargeable to tax as income from other sources