

# Question Bank

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Income Tax – IPCC

**Applicable for Nov. 2023**

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## Residential Status – Section 6

1. Mr. Anand is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 6th June, 2022. From the following details for the P.Y. 2022-23, determine the residential status of Mr. Anand for A.Y. 2023-24, assuming that his stay in India in the last 4 previous years (preceding P.Y. 2022-23) is 400 days:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Anand	6 <sup>th</sup> June, 2022
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Anand	9 <sup>th</sup> December, 2022

**[Answer - Non-resident]**

2. Brett Lee, an Australian cricket player, visits India for 100 days in every financial year. This has been his practice for the past 10 financial years.
- (a) Find out his residential status for the assessment year 2023-24.
- (b) Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?
- (c) What would be your answer if Srinath had visited India for 120 days instead of 100 days every year, including P.Y. 2022-23?

**[Answer – (a) RNOR; (b) NR; (c) RNOR (Indian income > 15L), NR (Indian income ≤ 15L)]**

3. Mr. B, a Canadian citizen, comes to India for the first time during the P.Y. 2018-19. During the financial years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23, he was in India for 55 days, 60 days, 90 days, 150 days and 70 days, respectively. Determine his residential status for the A.Y. 2023-24.

**[Answer – NR]**

4. The business of a HUF is transacted from Australia and all the policy decisions are taken there. Mr. E, the Karta of the HUF, who was born in Kolkata, visits India during the P.Y. 2022-23 after 15 years. He comes to India on 1.4.2022 and leaves for Australia on 1.12.2022. Determine the residential status of Mr. E and the HUF for A.Y. 2023-24.

**[Answer – Mr. E – RNOR; HUF – NR]**

5. Mr. Ram, an Indian citizen, left India on 22.09.2022 for the first time to work as an officer of a company in Germany. Determine the residential status of Ram for the assessment year 2023-24.

[Answer - NR]

6. Mr. Dey, a non-resident, residing in US since 1990, came back to India on 1.4.2021 for permanent settlement. What will be his residential status for assessment year 2023-24?

[Answer – RNOR]

7. Mr. Rajesh, aged 53 years, and his wife, Mrs. Sowmya, aged 50 years, are citizens of Country X. They are living in Country X since birth. They are not liable to tax in Country X. Both of them have keen interest in Indian Culture. Mr. Rajesh's parents and grandparents were born in Country X. Mrs. Sowmya visits India along with Mr. Rajesh for four months every year to be with her parents, who were born in Delhi and have always lived in Delhi. During their stay in India, they organize Cultural Programme in Delhi-NCR. Income of Mr. Rajesh and Mrs. Sowmya from the Indian sources for the P.Y. 2022-23 is Rs. 18 lakhs and Rs. 16 lakhs, respectively.

What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y.2023-24?

- a) Both are resident and ordinarily resident in India
- b) Both are non-resident in India
- c) Mr. Rajesh is resident but not ordinarily resident in India and Mrs. Sowmya is non- resident
- d) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is resident and ordinarily resident in India.

[Answer – Rajesh – ROR; Sowmya – RNOR]

8. Mr. Tejas, an Indian Citizen, left India permanently with his wife and two children, for extending his retail trade business of toys in Canada in the year 2016. From Canada, he is managing his retail business of toys in India. For the purpose his Indian business, he visits India every year from 1<sup>st</sup> September to 31<sup>st</sup> January. His business income is Rs. 23.50 lakhs and Rs. 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2022-23. He has no other income during the P.Y. 2022-23. Determine his residential status and income taxable in his hands for the A.Y. 2023-24.

- (a) Resident and ordinarily resident in India and income of Rs. 18 lakhs and Rs. 23.50 lakhs would be taxable.
- (b) Non-Resident and Rs. 18 lakhs from Indian retail trade business would only be taxable.

(c) Resident but not ordinarily Resident and Rs. 18 lakhs from Indian retail trade business would only be taxable.

(d) Deemed resident and Rs. 18 lakhs from Indian retail trade business would only be taxable.

**[Answer – RNOR and Rs. 18 lakh]**

9. Mr. Dhruv, a person of Indian origin and citizen of Country X, got married to Ms. Deepa, an Indian citizen residing in Country X, on 4<sup>th</sup> February, 2022 and came to India for the first time on 20-02-2022. He left for Country X on 12<sup>th</sup> August, 2022. He returned to India again on 20-01-2023 with his wife to spend some time with his parents-in-law for 30 days and thereafter returned to Country X on 18.02.2023.

He received the following gifts from his relatives and friends of her wife during 01-04-2022 to 31-03-2023 in India:

- From parents of wife - Rs. 1,01,000
- From married sister of wife - Rs. 11,000
- From very close friends of his wife - Rs. 2,82,000

(a) Determine his residential status and compute the total income chargeable to tax for the Assessment Year 2022-23.

(b) Will your answer change if he has received Rs. 16,00,000 instead of Rs. 2,82,000 from very close friends of his wife during the previous year 2022-23 and he stayed in India for 400 days during the 4 years preceding the previous year 2022-23?

**[Answer – NR – 2,82,000; RNOR – 16,00,000]**

10. Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the previous year 2022-23, she comes to India for 157 days. She is in India for 200 days, 100 days, 76 days and 45 days in the financial years 2018-19, 2019-20, 2020-21 and 2021-22 respectively. Her annual income for the previous year 2022-23 is as follows:

Particulars	Amount (Rs.)
Income from salary earned and received in UAE	2,00,000
Income earned and received from a house property situated in UAE	5,00,000
Income deemed to be accrued and arise in India	5,00,000
Income from retail business (accrued and received outside India, controlled from	10,00,000

India)	
Income accrued and arise in India	3,00,000
Life insurance premium paid by cheque in India	3,00,000

Determine the residential status of Mrs. Shruti for the assessment year 2023-24. (Support your answer with computations).

**[Answer – RNOR]**

## Scope of Total Income

1. From the following particulars of income furnished by Mr. Anirudh pertaining to the year ended 31.3.2023, compute the total income for the assessment year 2023-24, if he is:

- (i) Resident and ordinary resident;
- (ii) Resident but not ordinarily resident;
- (iii) Non-resident

	Particulars	Rs.
(a)	Short term capital gains on sale of shares of an Indian Company received in Germany	15,000
(b)	Dividend from a Japanese Company received in Japan	10,000
(c)	Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
(d)	Dividend from RP Ltd., an Indian Company	6,000
(e)	Agricultural income from land in Gujarat	25,000

**[Answer – Rs. 83,500; Rs. 21,000; Rs. 21,000]**

2. Mr. David, an Indian citizen aged 40 years, a Government employee serving in the Ministry of External Affairs, left India for the first time on 31.03.2022 due to his transfer to High Commission of Canada. He did not visit India any time during the previous year 2022-23. He has received the following income for the Financial Year 2022-23:

S. No.	Particulars	Rs.
(i)	Salary (Computed)	5,00,000
(ii)	Foreign Allowance [not included in (i) above]	4,00,000
(iii)	Interest on fixed deposit from bank in India	1,00,000
(iv)	Income from agriculture in Nepal	2,00,000
(v)	Income from house property in Nepal	2,50,000

Compute his Gross Total Income for Assessment Year 2023-24.

**[Answer – Rs. 6,00,000]**

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

**[Answer - Taxable]**

4. Compute the total income in the hands of an individual aged 35 years, being a resident and ordinarily resident, resident but not ordinarily resident, and non- resident for the A.Y. 2023-24 –

Particulars	Amount (Rs.)
Interest on UK Development Bonds, 50% of interest received in India	10,000
Income from a business in Chennai (50% is received in India)	20,000
Short term capital gains on sale of shares of an Indian company received in London	20,000
Dividend from British company received in London	5,000
Long term capital gains on sale of plant at Germany, 50% of profits are received in India	40,000
Income earned from business in Germany which is controlled from Delhi (Rs. 40,000 is received in India)	70,000
Profits from a business in Delhi but managed entirely from London	15,000
Income from house property in London deposited in a Bank at London, brought to India (Computed)	50,000
Interest on debentures in an Indian company received in London	12,000
Fees for technical services rendered in India but received in London	8,000
Profits from a business in Mumbai managed from London	26,000
Income from property situated in Nepal received there (Computed)	16,000



Past foreign untaxed income brought to India during the previous year	5,000
Income from agricultural land in Nepal, received there and then brought to India	18,000
Income from profession in Kenya which was set up in India, received there but spent in India	5,000
Gift received on the occasion of his wedding	20,000
Interest on savings bank deposit in State Bank of India	12,000
Income from a business in Russia, controlled from Russia	20,000
Dividend from Reliance Petroleum Limited, an Indian Company	5,000
Agricultural income from a land in Rajasthan	15,000

[Answer – Rs. 3,42,000; Rs. 2,08,000; Rs. 1,73,000]

5. Mr. Ramesh & Mr. Suresh are brothers and they earned the following incomes during the financial year 2022-23. Mr. Ramesh settled in Canada in the year 1996 and Mr. Suresh settled in Delhi. Compute the total income for the A.Y. 2023-24.

Sr. No.	Particulars	Mr. Ramesh (Rs.)	Mr. Suresh (Rs.)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	35,000	40,000
2.	Dividend from British company received in London	28,000	20,000
3.	Profits from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4.	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
5.	Income from a business in Chennai	80,000	70,000

6.	Fees for technical services rendered in India, but received in Canada	1,00,000	----
7.	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9.	Rent received in respect of house property at Bhopal	1,00,000	60,000
10.	Life insurance premium paid	---	30,000

**[Answer – Rs. 4,27,500; Rs. 3,74,000]**

6. Examine the correctness or otherwise of the statement - “Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus”.
7. Examine with reasons whether the following transactions attract income-tax in India in the hands of recipients:
- (i) Salary paid by Central Government to Mr. John, a citizen of India Rs. 7,00,000 for the services rendered outside India.
  - (ii) Interest on moneys borrowed from outside India Rs. 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.
  - (iii) Post office savings bank interest of Rs. 19,000 received by a resident assessee, Mr. Ram, aged 46 years.
  - (iv) Royalty paid by a resident to a non-resident in respect of a business carried on outside India.
  - (v) Legal charges of Rs. 5,00,000 paid in Delhi to a lawyer of United Kingdom who visited India to represent a case at the Delhi High Court.
8. Mr. Sushant furnished the following particulars of his income for the year ended 31.3.2023.

	Particulars	Rs.
(a)	Income earned from business in Dubai which is controlled from Delhi (Rs. 65,000 is received in India)	80,000

(b)	Pension for services rendered in India but received in Dubai (computed)	24,000
(c)	Dividend from an Oil Company, a Dubai based company, received in Dubai	15,000
(d)	Rent from property in Dubai, deposited in a bank in Dubai and later on, remitted to India through approved banking channels	70,000
(e)	Dividend from Sunset Ltd., an Indian company, received in Dubai	78,000
(f)	Interest on money borrowed by Mr. Dipish, a non-resident, for the purpose of investment in shares of ABC Ltd., an Indian company	55,000
(g)	Agricultural income from a land in Bhutan, received in India	25,000

Compute his gross total income for the assessment year 2023-24, if he is:

- (i) Resident and ordinarily resident;
- (ii) Resident but not ordinarily resident;
- (iii) Non-resident

**[Answer – Rs. 3,26,000; Rs. 2,07,000; Rs. 1,92,000]**

9. Examine the tax implications of the following transactions for the assessment year 2023-24: (Give brief reason)
- (i) Mr. Akash, an Indian citizen, is a non-resident in India for the previous year 2022-23. He has been appointed by the Government of India as an ambassador in Japan. He received salary of Rs. 7,50,000 and allowances of Rs. 2,40,000 during the previous year 2022-23 for rendering his services in Japan.
  - (ii) Ms. Ahana, a non-resident in India, is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned Rs. 3,50,000 during the previous year 2022-23.
  - (iii) Mr. Sumit, a non-resident in India, has earned Rs. 4,00,000 as royalty for a patent right made available to Mr. Vikas who is also a non-resident. Mr. Vikas has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.

(iv) Mr. Jimmy, a NRI, borrowed Rs. 10,00,000 on 01.04.2022 from Mr. Naveen who is also a non- resident and invested such money in the shares of an Indian Company. Mr. Naveen has received interest @ 12% per annum.

10. Mr. Dhanush, an Indian citizen aged 35 years, worked in ABC Ltd. in Mumbai. He got a job offer from XYZ Inc., USA on 01.06.2021. He left India for the first time on 31.07.2021 and joined XYZ Inc. on 08.08.2021. During the P.Y. 2022-23, Mr. Dhanush visited India from 25.05.2022 to 22.09.2022. He has received the following income for the previous year 2022-23 –

Particulars	Rs.
Salary from XYZ Inc., USA received in USA	7,00,000
Dividend from Indian companies	5,50,000
Agricultural income from land situated in Punjab	55,000
Rent received/receivable from house property in Lucknow	4,00,000
Profits from a profession in USA, which was set up in India, received there	6,00,000

Determine the residential status of Mr. Dhanush and compute his total income for the A.Y. 2023-24

**[Answer – NR, Rs. 8,30,000]**

11. Mr. Krishna (aged 58 years), a citizen of India, serving in the Ministry of Finance in India, was transferred to Indian Embassy in UK on 15th March 2022. His income during the financial year 2022-23 is given hereunder:

Particulars	Rs.
Rent from a house situated at UK, received in UK. Thereafter, remitted to Indian bank account.	5,25,000
Interest on Post office savings bank account in India	4,500
Salary from Government of India	9,25,000

Foreign Allowances from Government of India
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8,00,000
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Mr. Krishna did not come to India during the financial year 2022-23. Compute his total income for the Assessment year 2023-24. Assume he does not opt for section 115BAC.

**[Answer – NR, Rs. 8,75,000]**

12. Mr. Thomas, a non-resident and citizen of Japan entered into following transactions during the previous year ended 31.03.2023. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2023-24 as per Income-tax Act, 1961. (Give brief reasoning)

- (i) Interest received from Mr. Marshal, a non-resident outside India (The borrowed fund is used by Mr. Marshal for investing in Indian company's debt fund for earning interest).
- (ii) Received Rs. 10 lakhs in Japan from a business enterprise in India for granting license for computer software (not hardware specific).
- (iii) He is also engaged in the business of running news agency and earned income of Rs. 10 lakhs from collection of news and views in India for transmission outside India.
- (iv) He entered into an agreement with SKK & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Denim Jeans manufacturing plant, in Surat (India). He charged Rs. 10 lakhs for these services from SKK & Co.

13. From the following particulars of income furnished by Mr. Ashutosh, aged 65 years, pertaining to year ended 31.03.2023, compute the total income for the A.Y. 2023-24, if he is

- (i) Resident and ordinarily resident
- (ii) Non-resident

	Particulars	Amount (Rs.)
(i)	Capital gain on sale of land in Jaipur to Mr. Ramesh, a non-resident, outside India. The consideration is also received outside India in foreign currency	1,50,000
(ii)	Rent from property in Delhi, let out to a branch of a foreign company. The rent agreement is entered outside India.	1,20,000

	Monthly rent is also received outside India	
(iii)	Agricultural income from a land situated in Nepal, received in Nepal	55,000
(iv)	Interest on savings bank deposit in UCO Bank, Delhi	18,000
(v)	Income earned from business in London which is controlled from Delhi (Rs. 35,000 is received in India)	60,000
(vi)	Gift received from his daughter on his birthday	55,000
(vii)	Past foreign taxed income brought to India	37,000
(viii)	Fees for technical services rendered to Shine, Ltd., a foreign company, for business outside India and received also outside India	12,000

**[Answer – Rs. 3,61,000; Rs. 2,77,000]**

14. Mrs. Rohini, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2023:

S. No.	Particulars	Amount (in Rs.)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000
4.	Premium paid to Russian Life Insurance Corporation at Russia	75,000

5.	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000
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You are required to ascertain the residential status of Mrs. Rohini and compute her gross total income in India for Assessment Year 2023-24.

**[Answer – NR; Rs. 4,23,000]**

15. Rajesh was employed in Axis Ltd., Mumbai. He received a salary of Rs. 45,000 p.m. from 1.04.2022 to 20.09.2022. He resigned and left for Dubai for the first time on 28.09.2022 and got monthly salary of rupee equivalent of Rs. 90,000 from 1.10.2022 to 31.03.2023. His salary for October to December was credited in his Mumbai bank account directly and the salary for January to March 2023 was credited in his Dubai bank account.

The cost of his air tickets to Dubai costing Rs. 1,50,000 was funded by her sister staying in London. The cost of his initial stay at Dubai costing Rs. 40,000 was funded by one of his friends staying in Delhi.

He further received interest of Rs. 10,500 on his fixed deposits and Rs. 7,500 on his savings a/c with his Mumbai bank. He also paid LIC Premiums of Rs. 15,000 for self, Rs. 10,000 for spouse and Rs. 25,000 for dependent mother aged 71 years.

Compute taxable income of Mr. Rajesh for the Assessment Year 2023-24.

**[Answer – NR; Rs. 4,60,500]**

## Tax rates for Assessment Year 2023-24

1. Mr. X has a total income of Rs. 12,00,000 for P.Y.2022-23, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2023-24 assuming his age is –
- (a) 45 years
  - (b) 63 years
  - (c) 82 years

Assume that Mr. X has not opted for the provisions of section 115BAC.

**[Answer – Rs. 1,79,400; Rs. 1,76,800; Rs. 1,66,400]**

2. Compute the tax liability of Mr. A (aged 42), having following total income for the Assessment Year 2023-24.
- (i) Rs. 51 lakhs
  - (ii) Rs. 1,01,00,000
  - (iii) Rs. 2,01,00,000
  - (iv) Rs. 5,01,00,000

Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. A has not opted for the provisions of section 115BAC.

**[Answer – Rs. 14,69,000; Rs. 33,21,500; Rs. 70,55,750; Rs. 1,93,60,250]**

3. Mr. Raghav aged 26 years and a resident in India, has a total income of Rs. 4,40,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2023-24.

**[Answer – Nil]**

4. Mr. Dinesh aged 35 years and a resident in India, has a total income of Rs. 4,80,000, comprising of long term capital gains taxable under section 112. Compute his tax liability for A.Y.2023-24.

**[Answer – Rs. 34,840]**

5. Compute the tax liability of Mr. A (aged 42), having following total income for the Assessment Year 2023-24.

- (i) Rs. 51,75,000
- (ii) Rs. 1,02,00,000

Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. A has not opted for the provisions of section 115BAC.



[Answer – Rs. 15,47,000; Rs. 34,25,500]

6. Mr. Agarwal aged 40 years and a resident in India, has a total income of Rs. 4,50,00,000, comprising long term capital gain taxable under section 112 of Rs. 55,00,000, short term capital gain taxable under section 111A of Rs. 65,00,000 and other income of Rs. 3,30,00,000. Compute his tax liability for A.Y.2023-24. Assume that Mr. Kashyap has not opted for the provisions of section 115BAC.

[Answer – Rs. 1,51,07,950]

7. Mr. Sharma aged 62 years and a resident in India, has a total income of Rs. 2,30,00,000, comprising long term capital gain taxable under section 112 of Rs. 52,00,000, short term capital gain taxable under section 111A of Rs. 64,00,000 and other income of Rs. 1,14,00,000. Compute his tax liability for A.Y.2023-24. Assume that Mr. Sharma has not opted for the provisions of section 115BAC.

[Answer – Rs. 62,55,080]

8. Mr. A (aged 52 years) has following incomes during the relevant previous year –

- Dividend income	-	Rs. 3,90,00,000
- Short term capital gains (111A)	-	Rs. 2,50,00,000
- Long term capital gains (112A)	-	Rs. 1,25,00,000
- Other income	-	Rs. 20,00,000

Surcharge on other income shall be levied @ –

- (a) 10%  
(b) 15%  
(c) 25%  
(d) 37%

[Answer: (b)]

9. Determine tax liability of Mr. A (aged 45 years) in following cases –

Particulars	Case 1	Case 2	Case 3	Case 4	Case 5
Dividend income	1,50,00,000	70,00,000	20,00,000	55,00,000	3,25,00,000
STCG (111A)	70,00,000	40,00,000	35,00,000	30,00,000	50,00,000
LTCG (112A)	1,25,00,000	60,00,000	10,00,000	35,00,000	70,00,000
Other income	75,00,000	2,95,00,000	15,00,000	60,00,000	7,25,00,000
<b>Total income</b>	<b>4,20,00,000</b>	<b>4,65,00,000</b>	<b>80,00,000</b>	<b>1,80,00,000</b>	<b>11,70,00,000</b>

[Answer: 1,05,87,590; 1,51,99,830; 16,90,260; 48,46,790; 4,41,18,770]

10. Determine tax liability of Mr. A (aged 45 years and resident in India) in following cases –

Particulars	Case 1	Case 2	Case 3	Case 4
STCG (111A)	2,00,000	1,00,000	5,00,000	-
LTCG (112A)	1,00,000	2,00,000	-	5,00,000
Other income	2,00,000	2,00,000	-	-
<b>Total income</b>	<b>5,00,000</b>	<b>5,00,000</b>	<b>5,00,000</b>	<b>5,00,000</b>

[Answer: 10,400; 7,800; 26,000; 15,600]

11. Determine tax liability of Mr. A (aged 45 years and resident in India) in following cases –

Case	Total Income
I	50,00,000
II	51,00,000
III	5,00,000
IV	5,01,000
V	2,02,00,000

[Answer: 13,65,000; 14,69,000; Nil; 13,210; 71,59,750]

12. Mr. A (aged 42 years and resident in India) has following incomes –

- Salary received from employer - Rs. 4,90,000
- Long term capital gains (112A) - Rs. 90,000

His tax liability shall be –

- (a) Nil
- (b) Rs. 9,880
- (c) Rs. 12,480
- (d) Rs. 21,840

**[Answer: (b)]**

13. Mr. A (aged 52 years) has following incomes during PY 2022-23 –

- Dividend income	-	Rs. 1,50,00,000
- Short term capital gains (111A)	-	Rs. 70,00,000
- Long term capital gains (112A)	-	Rs. 1,35,00,000
- Other income	-	Rs. 75,00,000

Surcharge on other income shall be levied @ –

- (a) 10%
- (b) 15%
- (c) 25%
- (d) 37%

**[Answer: (b)]**

14. Which of the benefits are not available to Mr. A, a non-resident, who is of the age of 65 years.

- (i) Benefit of higher exemption limit of Rs. 3,00,000
- (ii) Benefit of rebate u/s 87A of the Act
- (iii) Deduction in respect of interest from saving bank account u/s 80TTA
- (iv) Deduction in respect of interest from deposits u/s 80TTB.

- (a) (i) and (ii)
- (b) (i), (ii) and (iii)
- (c) (ii) and (iii)
- (d) (i), (ii) and (iv)

**[Answer: (d)]**

15. Mr. A, a resident in India, was born on 01.04.1943. The basic exemption limit available to him for AY 2023-24 shall be -

- (a) Rs. 2,50,000
- (b) Rs. 3,00,000
- (c) Rs. 5,00,000
- (d) Rs. 10,00,000

**[Answer: (c)]**

16. Determine tax liability of Mr. A (aged 50 years and resident in India) who is having following income during the relevant PY -

- Income u/H Salary	-	Rs. 3,00,000
- Short term capital gains (111A)	-	Rs. 1,50,000
- Long term capital gains (112A)	-	Rs. 80,000

- (a) Rs. 26,000
- (b) Nil
- (c) Rs. 23,400
- (d) Rs. 34,320

**[Answer: (a)]**

17. Determine tax liability of Mr. A (aged 30 years and resident in India) who is having following income during the relevant PY -

- Income u/H Salary	-	Rs. 2,00,000
- Short term capital gains (111A)	-	Rs. 1,50,000
- Long term capital gains (112A)	-	Rs. 1,30,000

- (a) Rs. 18,720
- (b) Rs. 5,720
- (c) Nil
- (d) Rs. 36,920

**[Answer: (b)]**

18. Tax liability of a company is computed at Rs. 2,59,344.95. Tax payable by the company shall be –

- (a) Rs. 2,59,345
- (b) Rs. 2,59,350
- (c) Rs. 2,59,340
- (d) Rs. 2,59,344.95

**[Answer: (c)]**

19. In which of the following cases, tax rate applicable to B Ltd., a domestic company, shall be 25% for PY 2022-23

- (i) Turnover of B Ltd. during PY 2020-21 was Rs. 400 crore
- (ii) Turnover of B Ltd. during PY 2019-20 was Rs. 400 crore
- (iii) Turnover of B Ltd. during PY 2020-21 was Rs. 100 crore
- (iv) Turnover of B Ltd. during PY 2021-22 was Rs. 100 crore

- (a) (ii) and (iv)
- (b) (i) and (iii)
- (c) (iii)
- (d) (iv)

**[Answer: (b)]**

## Salaries

1. Mr. Raj Kumar has the following receipts from his employer:

a) Basic pay	Rs. 40,000 p.m.
b) Dearness allowance (D.A.)	Rs. 6,000 p.m.
c) Commission	Rs. 50,000 p.a.
d) Motor car for personal use (expenses met by the employer)	Rs. 1,500 p.m.
e) House rent allowance	Rs. 15,000 p.m.

Find out the amount of HRA eligible for exemption to Mr. Raj Kumar assuming that he paid a rent of Rs. 16,000 p.m. for his accommodation at Kanpur. DA forms part of salary for retirement benefits.

**(Answer – Rs. 1,36,800)**

2. Mr. Srikant has two sons. He is in receipt of children education allowance of Rs. 150 p.m. for his elder son and Rs. 70 p.m. for his younger son. Both his sons are going to school. He also receives the following allowances:

– Transport allowance	:	Rs. 1,800 p.m.
– Tribal area allowance	:	Rs. 500 p.m.

Compute his taxable allowances.

**(Answer – Rs. 25,800)**

3. Mr. Sagar who retired on 1.10.2022 is receiving Rs. 5,000 p.m. as pension. On 1.2.2023, he commuted 60% of his pension and received Rs. 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

- He is a government employee.
- He is a private sector employee and received gratuity of Rs. 5,00,000 at the time of retirement.
- He is a private sector employee and did not receive any gratuity at the time of retirement.

**(Answer – Rs. 24,000; Rs. 1,57,333; Rs. 74,000)**

4. Mr. Ravi retired on 15.6.2022 after completion of 26 years 8 months of service and received gratuity of Rs. 15,00,000. At the time of retirement, his salary was:

– Basic Salary	:	Rs. 50,000 p.m.
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- Dearness Allowance : Rs. 10,000 p.m. (60% of which is for retirement benefits)
- Commission : 1% of turnover (turnover in the last 12 months was Rs. 1,20,00,000)
- Bonus : Rs. 25,000 p.a.

Compute his taxable gratuity assuming:

- a) He is private sector employee and covered by the Payment of Gratuity Act, 1972.
- b) He is private sector employee and not covered by Payment of Gratuity Act, 1972.
- c) He is a Government employee.

**(Answer – Rs. 565,385; Rs. 6,42,000; Nil)**

5. Mr. Gupta retired on 1.12.2022 after 20 years of service and received leave salary of Rs. 5,00,000. Other details of his salary income are:

- Basic Salary : Rs. 5,000 p.m. (Rs. 1,000 was increased w.e.f. 1.4.2022)
- Dearness Allowance : Rs. 3,000 p.m. (60% of which is for retirement benefits)
- Commission : Rs. 500 p.m.
- Bonus : Rs. 1,000 p.m.
- Leave availed during service: 480 days He was entitled to 30 days leave every year.

You are required to compute his taxable leave salary assuming:

- (a) He is a government employee.
- (b) He is a non government employee.

**(Answer – Nil; Rs. 4,73,600)**

6. Mr. X is appointed as a CFO of ABC Ltd. in Mumbai from 1.9.2020. His basic salary is Rs. 6,00,000 p.m. He is paid 8% as D.A. He contributes 10% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. The accumulated balance in recognized provident fund as on 1.4.2021, 31.3.2022 and 31.3.2023 is Rs. 50,35,000, Rs. 71,46,700 and Rs. 94,57,700, respectively. Compute the perquisite value chargeable to tax in the hands of Mr. X u/s 17(2)(vii) and 17(2)(viiia) for the A.Y. 2022-23 and A.Y. 2023-24.

**(Answer – Rs. 27,600, Rs. 1261; Rs. 27,600, Rs. 3882)**

7. Mr. A retires from service on December 31, 2022, after 25 years of service. Following are the particulars of his income/investments for the previous year 2022-23:

Particulars	Rs.
Basic pay @ Rs. 16,000 per month for 9 months	1,44,000
Dearness pay (50% forms part of the retirement benefits) Rs. 8,000 per month for 9 months	72,000
Lumpsum payment received from the Unrecognized Provident Fund	600,000
Deposits in the PPF account	40,000

Out of the amount received from the unrecognised provident fund, the employer's contribution was Rs. 2,20,000 and the interest thereon Rs. 50,000. The employee's contribution was Rs. 2,50,000 and the interest thereon Rs. 60,000. What is the taxable portion of the amount received from the unrecognized provident fund in the hands of Mr. A for the assessment year 2023-24?

Will your answer be any different if the fund mentioned above was a recognised provident fund?

**(Answer – Rs. 3,30,000; Nil)**

8. Mr. B is working in XYZ Ltd. and has given the details of his income for the P.Y. 2022-23. You are required to compute his gross salary from the details given below:

Basic Salary	Rs. 10,000 p.m.
D.A. (50% is for retirement benefits)	Rs. 8,000 p.m.
Commission as a percentage of turnover	0.1%
Turnover during the year	Rs. 50,00,000
Bonus	Rs. 40,000
Gratuity	Rs. 25,000
His own contribution in the RPF	Rs. 20,000
Employer's contribution to RPF	20% of his basic salary
Interest accrued in the RPF @ 13% p.a.	Rs. 13,000



**(Answer – Rs. 2,92,740)**

9. Mr. D went on a holiday on 25.12.2022 to Delhi with his wife and three children (one son – age 5 years; twin daughters – age 3 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was Rs. 60,000 (Rs. 45,000 for adults and Rs. 15,000 for the three minor children). Compute the amount of LTC exempt.
- Will there be any difference if among his three children the twins were 5 years old and the son 3 years old? Discuss.

**(Answer – Rs. 60,000; Rs. 55,000)**

10. Compute the taxable value of the perquisite in respect of medical facilities received by Mr. G from his employer during the P.Y. 2022-23:

Medical premium paid for insuring health of Mr. G	Rs. 7,000
Treatment of Mr. G by his family doctor	Rs. 5,000
Treatment of Mrs. G in a Government hospital	Rs. 25,000
Treatment of Mr. G's grandfather in a private clinic	Rs. 12,000
Treatment of Mr. G's mother (68 years and dependant) by family doctor	Rs. 8,000
Treatment of Mr. G's sister (dependant) in a nursing home	Rs. 3,000
Treatment of Mr. G's brother (independent)	Rs. 6,000
Treatment of Mr. G's father (75 years and dependent) abroad	Rs. 50,000
Expenses of staying abroad of the patient and Mr. G	Rs. 30,000
Limit specified by RBI	Rs. 75,000

**(Answer – Rs. 39,000)**

11. Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent- free unfurnished accommodation in Mumbai. He gives you the following particulars:

- Basic salary - Rs. 6,000 p.m.
- Dearness Allowance - Rs. 2,000 p.m. (30% is for retirement benefits)
- Bonus - Rs. 1,500 p.m.

Even though the company allotted the house to him on 1.4.2022, he occupied the same only from 1.11.2022.

- (i) Calculate the taxable value of the perquisite for A.Y. 2023-24.
- (ii) Using the above data, compute the value of the perquisite if ABC Ltd. has provided a television (WDV Rs. 10,000; Cost Rs. 25,000) and two air conditioners. The rent paid by the company for the air conditioners is Rs. 400 p.m. each. The television was provided on 1.1.2023. However, Mr. C is required to pay a rent of Rs. 1,000 p.m. to the company, for the use of this furnished accommodation.
- (iii) Using the data given in para (ii) above, compute the value of the perquisite if Mr. C is a government employee. The licence fees determined by the Government for this accommodation was Rs. 700 p.m.

**(Answer – Rs. 6,075; Rs. 5,700; Rs. 3,125)**

12. Mr. X and Mr. Y are working for M/s. Gama Ltd. As per salary fixation norms, the following perquisites were offered:

- For Mr. X, who engaged a domestic servant for Rs. 500 per month, his employer reimbursed the entire salary paid to the domestic servant i.e. Rs. 500 per month.
- For Mr. Y, he was provided with a domestic servant @ Rs. 500 per month as part of remuneration package.

You are required to comment on the taxability of the above in the hands of Mr. X and Mr. Y, who are not specified employees.

**(Answer – Rs. 6,000; Nil)**

13. Shri Bala employed in ABC Co. Ltd. as Finance Manager gives you the list of perquisites provided by the company to him for the entire financial year 2022-23:

- (i) Domestic servant was provided at the residence of Bala. Salary of domestic servant is Rs. 1,500 per month. The servant was engaged by him and the salary is reimbursed by the company (employer). In case the company has employed the domestic servant, what is the value of perquisite?
- (ii) Free education was provided to his two children Arthy and Ashok in a school maintained and owned by the company. The cost of such education for Arthy is computed at Rs. 900 per month and for Ashok at Rs. 1,200 per month. No amount was recovered by the company for such education facility from Bala.
- (iii) The employer has provided movable assets such as television, refrigerator and air-conditioner at the residence of Bala. The actual cost of such assets provided to the employee is Rs. 1,10,000.
- (iv) A gift voucher worth Rs. 10,000 was given on the occasion of his marriage anniversary. It is given by the company to all employees above certain grade.
- (v) Telephone provided at the residence of Shri Bala and the bill aggregating to Rs. 25,000 paid by the employer.
- (vi) Housing loan @ 6% per annum. Amount outstanding on 1.4.2022 is Rs. 6,00,000. Shri Bala pays Rs. 12,000 per month towards principal, on 5th of each month.

Compute the chargeable perquisite in the hands of Mr. Bala for the A.Y. 2023-24.

The lending rate of State Bank of India as on 1.4.2022 for housing loan may be taken as 10%.

**(Answer – Rs. 18,000; Rs. 14,400; Rs. 11,000; Rs. 10,000; Nil; Rs. 20,880)**

14. AB Co. Ltd. allotted 1000 sweat equity shares to Sri Chand in June 2022. The shares were allotted at Rs. 200 per share as against the fair market value of Rs. 300 per share on the date of exercise of option by the allottee viz. Sri Chand. The fair market value was computed in accordance with the method prescribed under the Act.

- (i) What is the perquisite value of sweat equity shares allotted to Sri Chand?
- (ii) In the case of subsequent sale of those shares by Sri Chand, what would be the cost of acquisition of those sweat equity shares?

**(Answer – Rs. 1,00,000; Rs. 3,00,000)**

15. X Ltd. provided the following perquisites to its employee Mr. Y for the P.Y. 2022-23 –

- 1. Accommodation taken on lease by X Ltd. for Rs. 15,000 p.m. Rs. 5,000 p.m. is recovered from the salary of Mr. Y.

2. Furniture, for which the hire charges paid by X Ltd. is Rs. 3,000 p.m. No amount is recovered from the employee in respect of the same.
3. A Car of 1,200 cc which is owned by X Ltd. and given to Mr. Y to be used both for official and personal purposes. All running and maintenance expenses are fully met by the employer. He is also provided with a chauffeur.
4. A gift voucher of Rs. 10,000 on his birthday.

Compute the value of perquisites chargeable to tax for the A.Y.2023-24, assuming his salary for perquisite valuation to be Rs. 10 lakh.

**(Answer – Rs. 90,000; Rs. 36,000; Rs. 32,400; Rs. 10,000)**

16. Mr. X retired from the services of M/s Y Ltd. on 31.01.2023, after completing service of 30 years and one month. He had joined the company on 1.1.1993 at the age of 30 years and received the following on his retirement:

- (i) Gratuity Rs. 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
- (ii) Leave encashment of Rs. 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
- (iii) As per the scheme of the company, he was offered a car which was purchased on 30.01.2020 by the company for Rs. 5,00,000. Company has recovered Rs. 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
- (iv) An amount of Rs. 3,00,000 as commutation of pension for 2/3 of his pension commutation.
- (v) Company presented him a gift voucher worth Rs. 6,000 on his retirement.
- (vi) His colleagues also gifted him a Television (LCD) worth Rs. 50,000 from their own contribution.

Following are the other particulars:

- a. He has drawn a basic salary of Rs. 20,000 and 50% dearness allowance per month for the period from 01.04.2022 to 31.01.2023.
- b. Received pension of Rs. 5,000 per month for the period 01.02.2023 to 31.03.2023 after commutation of pension.

Compute his gross total income from the above for Assessment Year 2023-24 assuming he has not opted for the provisions of section 115BAC.

**(Answer – Rs. 6,82,769)**

17. Mr. Goyal receives the following emoluments during the previous year ending 31.03.2023.

- Basic pay Rs. 40,000
- Dearness Allowance Rs. 15,000
- Commission Rs. 10,000
- Entertainment allowance Rs. 4,000
- Medical expenses reimbursed Rs. 25,000
- Professional tax paid Rs. 2,000 (Rs. 1,000 was paid by his employer)

Mr. Goyal contributes Rs. 5,000 towards recognized provident fund. He has no other income. Determine the income from salary for A.Y. 2023-24, if Mr. Goyal is a State Government employee.

**(Answer – Rs. 39,000)**

18. In the case of Mr. Hari, who turned 70 years on 28.3.2023, you are informed that the salary (computed) for the previous year 2022-23 is Rs. 10,20,000 and arrears of salary received is Rs. 3,45,000. Further, you are given the following details relating to the earlier years to which the arrears of salary received is attributable to:

Previous year	Taxable Salary(Rs.)	Arrears now received (Rs.)
2010 – 2011	7,10,000	1,03,000
2011 – 2012	8,25,000	1,17,000
2012 – 2013	9,50,000	1,25,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2023-24. Assume that Mr. Hari does not opt for section 115BAC.

**Note: Rates of Taxes:**

Assessment Year	Slab rates of income-tax			
	For senior citizens		For other resident individuals	
	Slabs	Rate	Slabs	Rate
2011–12	Upto Rs. 2,40,000	Nil	Upto Rs. 1,60,000	Nil
	Rs. 2,40,001 - Rs. 5,00,000	10%	Rs. 1,60,001 - Rs. 5,00,000	10%

	Rs. 5,00,001 - Rs. 8,00,000	20%	Rs. 5,00,001 - Rs. 8,00,000	20%
	Above Rs. 8,00,000	30%	Above Rs. 8,00,000	30%
2012-13	Upto Rs. 2,50,000	Nil	Upto Rs. 1,80,000	Nil
	Rs. 2,50,001 - Rs. 5,00,000	10%	Rs. 1,80,001 - Rs. 5,00,000	10%
	Rs. 5,00,001 - Rs. 8,00,000	20%	Rs. 5,00,001 - Rs. 8,00,000	20%
	Above Rs. 8,00,000	30%	Above Rs. 8,00,000	30%
2013-14	Upto Rs. 2,50,000	Nil	Upto Rs. 2,00,000	Nil
	Rs. 2,50,001 - Rs. 5,00,000	10%	Rs. 2,00,001 - Rs. 5,00,000	10%
	Rs. 5,00,001 - Rs. 10,00,000	20%	Rs. 5,00,001 - Rs. 10,00,000	20%
	Above Rs. 10,00,000	30%	Above Rs. 10,00,000	30%

Note – Education cess@2% and secondary and higher education cess@1% was attracted on the income-tax for all above preceding years.

**(Answer – Rs. 2,12,825)**

19. Mr. Mohit is employed with XY Ltd. on a basic salary of Rs. 10,000 p.m. He is also entitled to dearness allowance @100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of Rs. 6,000 p.m. which was increased to Rs. 7,000 p.m. with effect from 01.01.2023. He also got an increment of Rs. 1,000 p.m. in his basic salary with effect from 01.02.2023. Rent paid by him during the previous year 2022-23 is as under:

- April and May, 2022 - Nil, as he stayed with his parents
- June to October, 2022 - Rs. 6,000 p.m. for an accommodation in Ghaziabad
- November, 2022 to March, 2023 - Rs. 8,000 p.m. for an accommodation in Delhi

Compute his gross salary for assessment year 2023-24 assuming he has not opted for the provisions of section 115BAC.

**(Answer – Rs. 2,65,300)**

20. Ms. Rakhi is an employee in a private company. She receives the following medical benefits from the company during the previous year 2022-23:

	Particulars		Rs.
1	Reimbursement of following medical expenses incurred by Ms. Rakhi		
	(A)	On treatment of her self employed daughter in a private clinic	4,000
	(B)	On treatment of herself by family doctor	8,000
	(C)	On treatment of her mother-in-law dependent on her, in a nursing home	5,000
2	Payment of premium on Mediclaim Policy taken on her health		7,500
3	Medical Allowance		2,000 p.m.
4	Medical expenses reimbursed on her son's treatment in a government hospital		5,000
5	Expenses incurred by company on the treatment of her minor son abroad including stay expenses		1,05,000
6	Expenses in relation to foreign travel of Rakhi and her son for medical treatment Note - Limit prescribed by RBI for expenditure on medical treatment and stay abroad is USD 2,50,000 per financial year under liberalized remittance scheme.		1,20,000

Examine the taxability of the above benefits and allowances in the hands of Rakhi.

**(Answer – Rs. 17,000; Nil; Rs. 24,000; Nil; Nil; Nil)**

21. Mr. X is employed with AB Ltd. on a monthly salary of Rs. 25,000 per month and an entertainment allowance and commission of Rs. 1,000 p.m. each. The company provides him with the following benefits:

1. A company owned accommodation is provided to him in Delhi. Furniture costing Rs. 2,40,000 was provided on 1.8.2022.
2. A personal loan of Rs. 5,00,000 on 1.7.2022 on which it charges interest @ 6.75% p.a. The entire loan is still outstanding. (Assume SBI rate of interest on 1.4.2022 was 12.75% p.a.)
3. His son is allowed to use a motor cycle belonging to the company. The company had purchased this motor cycle for Rs. 60,000 on 1.5.2019. The motor cycle was finally sold to him on 1.8.2022 for Rs. 30,000.
4. Professional tax paid by Mr. X is Rs. 2,000.

Compute the income from salary of Mr. X for the A.Y. 2023-24 assuming Mr. X has not opted for the provisions of section 115BAC.

**(Answer – Rs. 3,73,100)**

22. Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2023:

- (i) Basic salary upto 31.10.2022      Rs. 50,000 p.m.  
Basic salary from 01.11.2022      Rs. 60,000 p.m.  
Note: Salary is due and paid on the last day of every month.
- (ii) Dearness allowance @ 40% of basic salary.
- (iii) Bonus equal to one month salary. Paid in October 2022 on basic salary plus dearness allowance applicable for that month.
- (iv) Contribution of employer to recognized provident fund account of the employee@16% of basic salary.
- (v) Professional tax paid Rs. 2,500 of which Rs. 2,000 was paid by the employer.
- (vi) Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01.12.2022.
- (vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2022 meant for both official and personal use. Repair and running expenses of Rs. 45,000 from 01.11.2022 to 31.03.2023, were fully met by the employer. The motor car was self-driven by the employee.
- (viii) Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer Rs. 30,000 for adults and Rs. 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.

Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2023-24 assuming he has not opted for the provisions of section 115BAC.

**(Answer – Rs. 9,67,500)**

23. From the following details, find out the salary chargeable to tax for the A.Y.2023-24 assuming he has not opted for the provisions of section 115BAC-



Mr. X is a regular employee of Rama & Co., in Gurgaon. He was appointed on 1.1.2022 in the scale of Rs. 20,000 - Rs. 1,000 - Rs. 30,000. He is paid 10% D.A. & Bonus equivalent to one month pay based on salary of March every year. He contributes 15% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. DA forms part of pay for retirement benefits. He is provided free housing facility which has been taken on rent by the company at Rs. 10,000 per month. He is also provided with following facilities:

- (i) Facility of laptop costing Rs. 50,000.
- (ii) Company reimbursed the medical treatment bill of his brother of Rs. 25,000, who is dependent on him.
- (iii) The monthly salary of Rs. 1,000 of a house keeper is reimbursed by the company.
- (iv) A gift voucher of Rs. 10,000 on the occasion of his marriage anniversary.
- (v) Conveyance allowance of Rs. 1,000 per month is given by the company towards actual reimbursement of conveyance spent on official duty.
- (vi) He is provided personal accident policy for which premium of Rs. 5,000 is paid by the company.
- (vii) He is getting telephone allowance @Rs. 500 per month.

**(Answer – Rs. 3,43,464)**

24. Ms. Aashima is a Finance manager in ABC limited. She has given the details of her income for the P.Y. 2022-23. You are required to compute the income chargeable to tax under the head "Salaries" in the hands of Ms. Aashima from the details given below:

- (i) Basic Salary - Rs. 60,000 p.m.
- (ii) Dearness Allowance - Rs. 24,000 p.m. (40% of which forms part of retirement benefits)
- (iii) Bonus - Rs. 21,000 p.m.
- (iv) Motor car owned by the employer (cubic capacity of engine exceeds 1.6 litres) provided to Ms. Aashima from 1<sup>st</sup> October, 2022 which is used for both official and personal purposes. Repair and running expenses of Rs. 60,000 were fully met by the company. The motor car was self-driven by the employee.
- (v) Professional tax paid Rs. 2,500 out of which Rs. 2,000 was paid by the employer.
- (vi) Her employer has provided her with an accommodation on 1<sup>st</sup> April 2022 at a concessional rent. The house was taken on lease by ABC Ltd. for Rs. 12,000 p.m. Ms. Aashima occupied the house from 1<sup>st</sup> December, 2022, Rs. 4,800 p.m. is recovered from the salary of Ms. Aashima.

- (vii) The employer gave her a gift voucher of Rs. 8,000 on her birthday.
- (viii) Ms. Aashima contributes 15% of her salary (Basic Pay plus DA) towards recognised provident fund and the company contributes the same amount.
- (ix) The company pays medical insurance premium to effect insurance on the health of Ms. Aashima Rs. 20,000.

**(Answer – Rs. 13,11,676)**

25. Ms. Akansha, a salaried employee, furnishes the following details for the financial year 2022-23:

Particulars	Rs.
Basic salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer	18,000
Profession tax (of this, 50% paid by employer)	4,000
Health insurance premium paid by employer	8,000
Gift voucher given by employer on her birthday	10,000
Life insurance premium of Akansha paid by employer	26,000
Laptop provided for use at home. Actual cost of Laptop to employer (Children of the assessee are also using the Laptop at home)	45,000
Employer company owns a Maruti Suzuki Swift car, which was provided to the assessee, both for official and personal use. Driver was also provided. (Engine cubic capacity more than 1.6 litres). All expenses are met by the employer	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes; details of usage are not available]	7,000

You are required to compute the income chargeable under the head Salaries for the assessment year 2023-24.

**(Answer – Rs. 11,72,600)**

26. Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1<sup>st</sup> February, 2019. Details of his income for the previous year 2022-23, are as follows:

- (i) Basic salary : Rs. 3,80,000
- (ii) Dearness allowance : Rs. 1,20,000 (40% forms part of pay for retirement benefits)
- (iii) Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.
- (iv) Gift received by X's minor son on his birthday from friend: Rs. 70,000. (No other gift is received by him during the previous year 2022-23)
- (v) During the year 2015-16, Mr. X gifted a sum of Rs. 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1<sup>st</sup> April, 2022, her total investments in business was Rs. 10,00,000. During the previous year 2022-23, she has loss from such business Rs. 1,30,000.
- (vi) Mr. X deposited Rs. 70,000 in Sukanya Samridhi account on 23.01.2023. He also contributed Rs. 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- (vii) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid Rs. 15,000 as interest on such loan which includes Rs. 5,000 for the financial year 2021-22.

Determine the total income of Mr. X for the assessment year 2023-24. Ignore provisions under section 115BAC.

**(Answer – Rs. 2,65,080; (Rs. 9,500))**

## Income under head House Property

1. Jayashree owns five houses in India, all of which are let-out. Compute the GAV of each house from the information given below –

Particulars	House I	House II	House III	House IV	House V
Municipal Value	80,000	55,000	65,000	24,000	80,000
Fair Rent	90,000	60,000	65,000	25,000	75,000
Standard Rent	N.A.	75,000	58,000	N.A.	78,000
Actual rent received/receivable	72,000	72,000	60,000	30,000	72,000

**(Answer – Rs. 90,000; Rs. 72,000; Rs. 60,000; Rs. 30,000; Rs. 78,000)**

2. Rajesh, a British national, is a resident and ordinarily resident in India during the P.Y. 2022-23. He owns a house in London, which he has let out at £ 10,000 p.m. The municipal tax paid to the Municipal Corporation of London is £ 8,000 during the P.Y. 2022-23. The value of one £ in Indian rupee to be taken at Rs. 95. Compute Rajesh's Net Annual Value of the property for the A.Y. 2023-24.

**(Answer – Rs. 1,06,40,000)**

3. Mr. Manas owns two house properties one at Bombay, wherein his family resides and the other at Delhi, which is unoccupied. He lives in Chandigarh for his employment purposes in a rented house. For acquisition of house property at Bombay, he has taken a loan of Rs. 30 lakh @ 10% p.a. on 1.4.2021. He has not repaid any amount so far. In respect of house property at Delhi, he has taken a loan of Rs. 5 lakh @ 11% p.a. on 1.10.2021 towards repairs. Compute the deduction which would be available to him under section 24(b) for A.Y. 2023-24 in respect of interest payable on such loan.

**(Answer – Rs. 2,00,000)**

4. Anirudh has a property whose municipal valuation is Rs. 1,30,000 p.a. The fair rent is Rs. 1,10,000

p.a. and the standard rent fixed by the Rent Control Act is Rs. 1,20,000 p.a. The property was let out for a rent of Rs. 11,000 p.m. throughout the previous year. Unrealised rent was Rs. 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @10% of municipal valuation. Interest on borrowed capital was Rs. 40,000 for the year. Compute his income from house property for A.Y.2023-24.

**(Answer – Rs. 35,600)**

5. Ganesh has a property whose municipal valuation is Rs. 2,50,000 p.a. The fair rent is Rs. 2,00,000 p.a. and the standard rent fixed by the Rent Control Act is Rs. 2,10,000 p.a. The property was let out for a rent of Rs. 20,000 p.m. However, the tenant vacated the property on 31.1.2023. Unrealised rent was Rs. 20,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @8% of municipal valuation. Interest on borrowed capital was Rs. 65,000 for the year. Compute the income from house property of Ganesh for A.Y. 2023-24.

**(Answer – Rs. 47,000)**

6. Poorna has one house property at Indira Nagar in Bangalore. She stays with her family in the house. The rent of similar property in the neighbourhood is Rs. 25,000 p.m. The municipal valuation is Rs. 2,80,000 p.a. Municipal taxes paid is Rs. 8,000. The house construction began in April 2016 with a loan of Rs. 20,00,000 taken from SBI Housing Finance Ltd. @9% p.a. on 1.4.2016. The construction was completed on 30.11.2018. The accumulated interest up to 31.3.2018 is Rs. 3,60,000. On 31.3.2023, Poorna paid Rs. 2,40,000 which included Rs. 1,80,000 as interest. There was no principal repayment prior to this date. Compute Poorna's income from house property for A.Y. 2023-24.

**(Answer – Rs. 2,00,000)**

7. Smt. Rajalakshmi owns a house property at Adyar in Chennai. The municipal value of the property is Rs. 5,00,000, fair rent is Rs. 4,20,000 and standard rent is Rs. 4,80,000. The property was let-out for Rs. 50,000 p.m. up to December 2022. Thereafter, the tenant vacated the property and Smt. Rajalakshmi used the house for self-occupation. Rent for the months of November and December 2022 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied. She paid municipal taxes @12% during the year. She had paid interest of Rs. 25,000 during the year for amount borrowed for repairs for the house property. Compute her

income from house property for the A.Y. 2023-24.

**(Answer – Rs. 2,69,000)**

8. Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 2022-23 are as under:

Particulars	House I	House II	House III
Municipal valuation p.a.	Rs. 3,00,000	Rs. 3,60,000	Rs. 3,30,000
Fair rent p.a.	Rs. 3,75,000	Rs. 2,75,000	Rs. 3,80,000
Standard rent p.a.	Rs. 3,50,000	Rs. 3,70,000	Rs. 3,75,000
Date of completion/purchase	31.3.1999	31.3.2002	01.4.2015
Municipal taxes paid during the year	12%	8%	6%
Interest on money borrowed for repair of property during the current year	-	55,000	
Interest for current year on money borrowed in April, 2015 for purchase of property			1,75,000

Compute Ganesh's income from house property for A.Y.2023-24 and suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum.

**(Answer – Rs. 1,840)**

9. Prem owns a house in Madras. During the previous year 2022-23,  $\frac{2}{3}^{\text{rd}}$  portion of the house was self-occupied and  $\frac{1}{3}^{\text{rd}}$  portion was let out for residential purposes at a rent of Rs. 8,000 p.m. Municipal value of the property is Rs. 3,00,000 p.a., fair rent is Rs. 2,70,000 p.a. and standard rent is Rs. 3,30,000 p.a. He paid municipal taxes @10% of municipal value during the year. A loan of Rs. 25,00,000 was taken by him during the year 2018 for acquiring the property. Interest on loan paid during the previous year 2022-23 was Rs. 1,20,000. Compute Prem's income from house property for the A.Y. 2023-24.

**(Answer – (-) Rs. 57,000)**

10. Mr. Anand sold his residential house property in March, 2022. In June, 2022, he recovered rent of Rs. 10,000 from Mr. Gaurav, to whom he had let out his house for two years from April 2016 to March 2018. He could not realize two months rent of Rs. 20,000 from him and to that extent his actual rent was reduced while computing income from house property for A.Y.2018-19.

Further, he had let out his property from April, 2018 to February, 2022 to Mr. Satish. In April, 2020, he had increased the rent from Rs. 12,000 to Rs. 15,000 per month and the same was a subject matter of dispute. In September, 2022, the matter was finally settled and Mr. Anand received Rs. 69,000 as arrears of rent for the period April 2020 to February, 2022.

Would the recovery of unrealised rent and arrears of rent be taxable in the hands of Mr. Anand, and if so in which year?

**(Answer – Rs. 55,300)**

11. Ms. Aparna co-owns a residential house property in Calcutta along with her sister Ms. Dimple, where her sister's family resides. Both of them have equal share in the property and the same is used by them for self-occupation. Interest is payable in respect of loan of Rs. 50,00,000@10% taken on 1.4.2021 for acquisition of such property. In addition, Ms. Aparna owns a flat in Pune in which she and her parents reside. She has taken a loan of Rs. 3,00,000@12% on 1.10.2021 for repairs of this flat.

Compute the deduction which would be available to Ms. Aparna and Ms. Dimple under section 24(b) for A.Y.2023-24.

**(Answer – Rs. 2,00,000)**

12. Mr. Raman is a co-owner of a house property along with his brother holding equal share in the property.

<b>Particulars</b>	<b>Rs.</b>
Municipal value of the property	1,60,000
Fair rent	1,50,000
Standard rent under the Rent Control Act	1,70,000

Rent received	15,000 p.m.
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The loan for the construction of this property is jointly taken and the interest charged by the bank is Rs. 25,000, out of which Rs. 21,000 has been paid. Interest on the unpaid interest is Rs. 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is Rs. 5,000.

The municipal taxes of Rs. 5,100 have been paid by the tenant.

Compute the income from this property chargeable in the hands of Mr. Raman for the A.Y. 2023-24.

**(Answer – Rs. 48,000)**

13. Mr. X owns one residential house in Mumbai. The house is having two identical units. First unit of the house is self-occupied by Mr. X and another unit is rented for Rs. 8,000 p.m. The rented unit was vacant for 2 months during the year. The particulars of the house for the previous year 2022-23 are as under:

Standard rent	Rs. 1,62,000 p.a.
Municipal valuation	Rs. 1,90,000 p.a.
Fair rent	Rs. 1,85,000 p. a
Municipal tax (Paid by Mr. X)	15% of municipal valuation
Light and water charges	Rs. 500 p.m.
Interest on borrowed capital	Rs. 1,500 p.m.
Lease money	Rs. 1,200 p.a.
Insurance charges	Rs. 3,000 p.a.
Repairs	Rs. 12,000 p.a.

Compute income from house property of Mr. X for the A.Y. 2023-24.



**(Answer – Rs. 28,025)**

14. Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are Rs. 96,000, Rs. 1,26,000 and Rs. 1,08,000 (per annum), respectively.

During the Financial Year 2022-23, one-third of the portion of the house was let out for residential purpose at a monthly rent of Rs. 5,000. The remaining two-third portion was self-occupied by him. Municipal tax @ 11 % of municipal value was paid during the year.

The construction of the house began in June, 2015 and was completed on 31-5-2018. Vikas took a loan of Rs. 1,00,000 on 1-7-2015 for the construction of building.

He paid interest on loan @ 12% per annum and every month such interest was paid.

Compute income from house property of Mr. Vikas for the Assessment Year 2023-24.

**(Answer – Rs. 20,936)**

15. Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 2022-23. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is \$ 20,000. The value of one USD (\$) may be taken as Rs. 75.

She took ownership and possession of a flat in Chennai on 1.7.2022, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.3.2023. The municipal valuation is Rs. 3,84,000 p.a. and the fair rent is Rs. 4,20,000 p.a. She paid the following to Corporation of Chennai:

Property Tax Rs. 16,200

Sewerage Tax Rs. 1,800

She had taken a loan from Standard Chartered Bank in June, 2020 for purchasing this flat. Interest on loan was as under:

Particulars	Rs.
Period prior to 1.4.2022	49,200
1.4.2022 to 30.6.2022	50,800

1.7.2022 to 31.3.2023	1,31,300
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She had a house property in Bangalore, which was sold in March, 2019. In respect of this house, she received arrears of rent of Rs. 60,000 in March, 2023. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Rohini Ravi for the assessment year 2023-24.

**(Answer – (-) Rs. 1,49,940)**

16. Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 1998-1999. The property consists of eight identical units and is situated at Cochin.

During the financial year 2022-23, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of Rs. 12,000 per month per unit. The municipal value of the house property is Rs. 9,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

	Rs.
(i) Repairs	40,000
(ii) Insurance premium (paid)	15,000
(iii) Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year.

Arun could not occupy his unit for six months as he was transferred to Chennai. He does not own any other house.

The other income of Mr. Arun and Mr. Bimal are Rs. 2,90,000 and Rs. 1,80,000, respectively, for the financial year 2022-23.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the assessment year 2023-24.

**(Answer – Rs. 2,51,700)**

17. You are required to compute the income from "House Property" for the A.Y. 2023-24 of Mrs. Rajni from

her house property at Panchkula in Haryana. The Municipal value of the property is Rs. 7,50,000, Fair Rent of the property is Rs. 6,30,000 and Standard Rent is Rs. 7,20,000 per annum.

The property was let out for Rs. 80,000 per month for the period April 2022 to November 2022.

Thereafter, the tenant vacated the property and Mrs. Rajni used the house for self-occupation. Rent for the months of October and November 2022 could not be realized from the tenant. The tenancy was bonafide but the defaulting tenant was in occupation of another property of the assessee, paying rent regularly.

She paid municipal taxes @ 12% during the year and paid interest of Rs. 50,000 during the year for amount borrowed towards repairs of the house property.

**(Answer – Rs. 3,91,000)**

18. Mr. Sailesh constructed a house in P.Y. 2016-17 with 3 independent units. During the P.Y. 2022-23, Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of Rs. 20,000. Rent of January, 2023 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Sailesh is occupied by the tenant. Unit - 1 remains vacant for February and March 2023 when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Sailesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

- Municipal valuation - Rs. 2,88,000
- Fair rent - Rs. 2,98,000
- Standard rent under the Rent Control Act - Rs. 2,78,000
- Municipal taxes - Rs. 30,000 paid by Mr. Sailesh
- Repairs - Rs. 7,000
- Interest on capital borrowed for the construction of the property - Rs. 90,000,
- Ground rent - Rs. 6,000 and
- Fire insurance premium paid - Rs. 60,000.

Income of Sailesh from the business is Rs. 2,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Sailesh for the assessment year 2023-24.

**(Answer – Rs. 2,39,750)**

19. Mr. Varun is a resident but not ordinarily resident in India during the Assessment Year 2023-24. He

furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2022-23:

- He owns two houses, one in Australia and the other in Delhi.
- The house in Australia is let out there at a rent of SGD 3,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1000 and Sewerage Tax SGD 500 there. (1SGD=INR 55)
- The house in Delhi is self-occupied. He had taken a loan of Rs. 20,00,000 to construct the house on 1<sup>st</sup> June, 2018 @ 12%. The construction was completed on 31<sup>st</sup> May, 2021 and he occupied the house on 1<sup>st</sup> June, 2021.

The entire loan is outstanding as on 31<sup>st</sup> March, 2023. Property tax paid in respect of the second house is Rs. 2,500.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Varun for the Assessment Year 2023-24.

**(Answer – Rs. 11,28,250)**

20. Ms. Pihu has three houses, all of which are self-occupied. The particulars of these houses are given below:

Particulars	(Value in Rs.)		
	House – I	House – II	House-III
Municipal Valuation per annum	1,30,000	1,20,000	1,20,000
Fair Rent per annum	1,10,000	1,85,000	1,45,000
Standard rent per annum	1,00,000	1,90,000	1,30,000
Date of completion	30-01-2005	31-07-2008	31.5.2011
Municipal taxes payable during the year (paid for House II & III only)	12%	9%	10%

Interest on money borrowed for repair of property during current year	-	75,000	-
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You are required to compute Pihu's income from house property for the Assessment Year 2020-21 and suggest which houses should be opted by Pihu to be assessed as self-occupied so that her tax liability is minimum.

**(Answer – Rs. 52,600; Rs. 46,940; Rs. 40,000)**

21. Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the financial year 2022-23. He owns two house properties in Country Y, one is used as his residence. Another house property is rented for a monthly rent of \$ 18,000. Fair rent of the house property is \$ 20,000. The value of one CYD (\$) may be taken as Rs. 78.

He took ownership and possession of a flat in Delhi on 1.10.2022, which is used for self-occupation, while he is in India. The flat was used by him for 3 months at the time when he visited India during the previous year 2022-23. The municipal valuation is Rs. 4,58,000 p.a. and the fair rent is Rs. 3,60,000 p.a. He paid property tax of Rs. 13,800 and Rs. 2,800 as Sewerage tax to Municipal Corporation of Delhi.

He had taken a loan of Rs. 18,00,000 @ 9.5% from HDFC Bank on 1<sup>st</sup> August, 2020 for purchasing this flat. No amount is repaid by him till 31.03.2023.

He also had a house property in Bangalore which is let out on a monthly rent of Rs. 40,000. The fair rent of which is Rs. 4,58,000 p.a. and Municipal value of Rs. 3,58,000 p.a. and Standard Rent of Rs. 4,20,000 p.a. He had taken a loan of Rs. 25,00,000 @ 10% from one of his friends, residing in Country Y for this house. Municipal tax of Rs. 5,400 is paid by him in respect of this house during the previous year 2022-23.

Compute the income chargeable from house property of Mr. Roxx for the assessment year 2023-24.

**(Answer – (Rs. 1,17,780))**

22. Mr. Roy owns a house in Kolkata. During the previous year 2022-23, 3/4th portion of the house was self-occupied and 1/4th portion was let out for residential purposes at a rent of Rs. 12,000 p.m. The tenant vacated the property on 28<sup>th</sup> February, 2023. The property was vacant during March, 2023. Rent for the months of January 2023 and February 2023 could not be realised in spite of the owner's efforts. All the

conditions prescribed under Rule 4 are satisfied. Municipal value of the property is Rs. 4,50,000 p.a., fair rent is Rs. 4,70,000 p.a. and standard rent is Rs. 5,00,000. He paid municipal taxes @10% of municipal value during the year. A loan of Rs. 30,00,000 was taken by him during the year 2013 for acquiring the property. Interest on loan paid during the previous year 2022-23 was Rs. 1,51,000. Compute Roy's income from house property for the A.Y. 2023-24.

**(Answer – (Rs. 83,275))**

23. Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of Rs. 27,00,000 and standard rent of Rs. 29,80,000. Market rent of similar property is Rs. 30,00,000. Annual rent was Rs. 40,00,000 which includes Rs. 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is Rs. 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property:

- Municipal taxes of Rs. 4,00,000 for the financial year 2022-23 (10% rebate is obtained for payment before due date). Arrears of municipal tax of financial year 2021-22 paid during the year of Rs. 1,40,000 which includes interest on arrears of Rs. 25,000.
- Lift maintenance expenses of Rs. 2,40,000 which includes a payment of Rs. 30,000 which is made in cash.
- Salary of Rs. 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr. Ravi for the assessment year 2023-24 assuming that Mr. Ravi has not opted for the provisions under section 115BAC.

**(Answer – Rs. 24,73,500)**

## Profit and gain from business and profession

1. Mr. X, a proprietor engaged in manufacturing business, furnishes the following particulars:

	Particulars	Rs.
(1)	Opening balance of plant and machinery as on 1.4.2022 (i.e., WDV as on 31.3.2022 after reducing depreciation for P.Y. 2021-22)	30,00,000
(2)	New plant and machinery purchased and put to use on 08.06.2022	20,00,000
(3)	New plant and machinery acquired and put to use on 15.12.2022	8,00,000
(4)	Computer acquired and installed in the office premises on 2.1.2023	3,00,000

Compute the amount of depreciation and additional depreciation as per the Income-tax Act, 1961 for the A.Y. 2023-24. Assume that all the assets were purchased by way of account payee cheque.

**(Answer – Rs. 12,90,000; Rs. 60,000)**

2. A car purchased by Dr. Soman on 10.08.2019 for Rs. 5,25,000 for personal use is brought into professional use on 1.07.2022 by him, when its market value was Rs. 2,50,000.

Compute the actual cost of the car and the amount of depreciation for the assessment year 2023-24 assuming the rate of depreciation to be 15%

**(Answer – Rs. 78,750).**

3. A newly qualified Chartered Accountant Mr. Dhaval, commenced practice and has acquired the following assets in his office during F.Y. 2022-23 at the cost shown against each item. Calculate the amount of depreciation that can be claimed from his professional income for A.Y.2023-24. Assume that all the assets were purchased by way of account payee cheque.

Sl. No.	Description	Date of acquisition	Date when put to use	Amount Rs.
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1.	Computer including computer software	27 Sept., 22	1 Oct., 22	35,000
2.	Computer UPS	2 Oct., 22	8 Oct., 22	8,500
3.	Computer printer	1 Oct., 22	1 Oct., 22	12,500
4.	Books (other than annual publications are of Rs. 12,000)	1 Apr., 22	1 Apr., 22	13,000
5.	Office furniture (Acquired from a practicing C.A.)	1 Apr., 22	1 Apr., 22	3,00,000
6.	Laptop	26 Sep., 22	8 Oct., 22	43,000

**(Answer – Rs. 64,500)**

4. Mr. Gamma, a proprietor started a business of manufacture of tyres and tubes for motor vehicles on 1.1.2022. The manufacturing unit was set up on 1.5.2022. He commenced his manufacturing operations on 1.6.2022. The total cost of the plant and machinery installed in the unit is Rs. 120 crore. The said plant and machinery included second hand plant and machinery bought for Rs. 20 crore and new plant and machinery for scientific research relating to the business of the assessee acquired at a cost of Rs. 15 crore. Compute the amount of depreciation allowable under section 32 of the Income-tax Act, 1961 in respect of the assessment year 2023-24. Assume that all the assets were purchased by way of account payee cheque and Mr. Gamma has not opted for the provisions of section 115BAC.

**(Answer – Rs. 32.75 crore)**

5. Mr. A, furnishes the following particulars for the P.Y.2022-23. Compute the deduction allowable under section 35 for A.Y.2023-24, while computing his income under the head “Profits and gains of business or profession”.

	Particulars	Rs.
1.	Amount paid to notified approved Indian Institute of Science, Bangalore, for scientific research	1,00,000
2.	Amount paid to IIT, Delhi for an approved scientific research programme	2,50,000
3.	Amount paid to X Ltd., a company registered in India which has as its main object scientific research and development, as is approved by the prescribed	4,00,000



	authority	
4.	Expenditure incurred on in-house research and development facility as approved by the prescribed authority	
	(a) Revenue expenditure on scientific research	3,00,000
	(b) Capital expenditure (including cost of acquisition of land Rs. 5,00,000) on scientific research	7,50,000

**(Answer – Rs. 13,00,000)**

6. Mr. A commenced operations of the businesses of setting up a warehousing facility for storage of food grains, sugar and edible oil on 1.4.2022. He incurred capital expenditure of Rs. 80 lakh, Rs. 60 lakh and Rs. 50 lakh, respectively, on purchase of land and building during the period January, 2022 to March, 2022 exclusively for the above businesses, and capitalized the same in its books of account as on 1st April, 2022. The cost of land included in the above figures is Rs. 50 lakh, Rs. 40 lakh and Rs. 30 lakh, respectively. During the P.Y. 2022-23, he incurred capital expenditure of Rs. 20 lakh, Rs. 15 lakh & Rs. 10 lakh, respectively, for extension/ reconstruction of the building purchased and used exclusively for the above businesses.

Compute the income under the head “Profits and gains of business or profession” for the A.Y.2023-24 and the loss to be carried forward, assuming that Mr. A has fulfilled all the conditions specified under section 35AD and wants to claim deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C – Deductions in respect of certain incomes”.

The profits from the business of setting up a warehousing facility for storage of food grains, sugar and edible oil (before claiming deduction under section 35AD and section 32) for the A.Y. 2023-24 is Rs. 16 lakhs, Rs. 14 lakhs and Rs. 31 lakhs, respectively. Also, assume in respect of expenditure incurred, the payments are made by account payee cheque or use of ECS through bank account.

**(Answer – Rs. 28 lakh; (Rs. 34 lakh); (Rs. 21 lakh); (Rs. 55 lakh))**

7. Mr. Suraj, a proprietor, commenced operations of the business of a new three-star hotel in Madurai, Tamil Nadu on 1.4.2022. He incurred capital expenditure of Rs. 50 lakh during the period January, 2022 to March, 2022 exclusively for the above business, and capitalized the same in his books of account as on 1st April,

2022. Further, during the P.Y. 2022-23, he incurred capital expenditure of Rs. 2 crore (out of which Rs. 1.50 crore was for acquisition of land) exclusively for the above business.

Compute the income under the head “Profits and gains of business or profession” for the A.Y.2023-24, assuming that he has fulfilled all the conditions specified under section 35AD and opted for claiming deduction under section 35AD; and he has not claimed any deduction under Chapter VI-A under the heading “C – Deductions in respect of certain incomes”.

The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2023-24 is Rs. 25 lakhs. Assume that he also has another existing business of running a four-star hotel in Coimbatore, which commenced operations fifteen years back, the profits from which are Rs. 120 lakhs for the A.Y.2023-24. Also, assume that payments for capital expenditure were made by net banking.

**(Answer – Rs. 45 lakh)**

8. Mr. Arnav is a proprietor having two units – Unit A carries on specified business of setting up and operating a warehousing facility for storage of sugar; Unit B carries on non-specified business of operating a warehousing facility for storage of edible oil.

Unit A commenced operations on 1.4.2021 and it claimed deduction of Rs. 100 lacs incurred on purchase of two buildings for Rs. 50 lacs each (for operating a warehousing facility for storage of sugar) under section 35AD for A.Y.2022-23. However, in February, 2023, Unit A transferred one of its buildings to Unit B.

Examine the tax implications of such transfer in the hands of Mr. Arnav.

**(Answer – Rs. 45 lakh)**

9. X Ltd. contributes 20% of basic salary to the account of each employee under a pension scheme referred to in section 80CCD. Dearness Allowance is 40% of basic salary and it forms part of pay of the employees.

Compute the amount of deduction allowable under section 36(1)(iva), if the basic salary of the employees aggregate to Rs. 10 lakh. Would disallowance under section 40A(9) be attracted, and if so, to what extent?

**(Answer – Rs. 60,000)**

10. Delta Ltd. credited the following amounts to the account of resident payees in the month of March, 2023 without deduction of tax at source. What would be the consequence of non-deduction of tax at

source by Delta Ltd. on these amounts during the financial year 2022-23, assuming that the resident payees in all the cases mentioned below, have not paid the tax, if any, which was required to be deducted by Delta Ltd.?

	Particulars	Amount in Rs.
(1)	Salary to its employee, Mr. X (credited and paid in March, 2023)	12,00,000
(2)	Directors' remuneration (credited in March, 2023 and paid in April, 2023)	28,000

Would your answer change if Delta Ltd. has deducted tax on directors' remuneration in April, 2023 at the time of payment and remitted the same in July, 2023?

**(Answer – Rs. 3,68,400)**

11. A firm has paid Rs. 7,50,000 as remuneration to its partners for the P.Y.2022-23, in accordance with its partnership deed, and it has a book profit of Rs. 10 lakh. What is the remuneration allowable as deduction?

**(Answer – Rs. 6,90,000)**

12. Rao & Jain, a partnership firm consisting of two partners, reports a net profit of Rs. 7,00,000 before deduction of the following items:

- Salary of Rs. 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
- Depreciation on plant and machinery under section 32 (computed) Rs. 1,50,000.
- Interest on capital at 15% per annum (as per the deed of partnership). The amount of capital eligible for interest is Rs. 5,00,000.

Compute:

- Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- Allowable working partner salary for the assessment year 2023-24 as per section 40(b).

**(Answer – Rs. 4,90,000; Rs. 3,84,000)**

13. Hari, an individual, carried on the business of purchase and sale of agricultural commodities like paddy, wheat, etc. He borrowed loans from Andhra Pradesh State Financial Corporation (APSF) and Indian Bank and has not paid interest as detailed hereunder:

	Rs.
Andhra Pradesh State Financial Corporation (P.Y. 2021-22 & 2022-23)	15,00,000
Indian Bank (P.Y. 2022-23)	30,00,000
	45,00,000

Both APSFC and Indian Bank, while restructuring the loan facilities of Hari during the year 2022-23, converted the above interest payable by Hari to them as a loan repayable in 60 equal installments. During the year ended 31.3.2023, Hari paid 5 installments to APSFC and 3 installments to Indian Bank. Hari claimed the entire interest of Rs. 45,00,000 as an expenditure while computing the income from business of purchase and sale of agricultural commodities. Examine whether his claim is valid and if not what is the amount of interest, if any, allowable.

**(Answer – Rs. 2,75,000)**

14. Mr. Praveen engaged in retail trade, reports a turnover of Rs. 1,98,50,000 for the financial year 2022-23. His income from the said business as per books of account is Rs. 13,20,000 computed as per the provisions of Chapter IV-D “Profits and gains from business or Profession” of the Income-tax Act, 1961. Retail trade is the only source of income for Mr. Praveen. A.Y. 2022-23 was the first year for which he declared his business income in accordance with the provisions of presumptive taxation u/s 44AD.

- (i) Is Mr. Praveen also eligible to opt for presumptive determination of his income chargeable to tax for the assessment year 2023-24?
- (ii) If so, determine his income from retail trade as per the applicable presumptive provision assuming that whole of the turnover represents cash receipts.
- (iii) In case Mr. Praveen does not opt for presumptive taxation of income from retail trade, what are his obligations under the Income-tax Act, 1961?
- (iv) What is the due date for filing his return of income under both the options?

**(Answer – Rs. 15,88,000)**

15. Mr. X commenced the business of operating goods vehicles on 1.4.2022. He purchased the following vehicles during the P.Y.2022-23. Compute his income under section 44AE for A.Y.2023-24.

	Gross Vehicle Weight (in kilograms)	Number	Date of purchase

(1)	7,000	2	10.04.2022
(2)	6,500	1	15.03.2023
(3)	10,000	3	16.07.2022
(4)	11,000	1	02.01.2023
(5)	15,000	2	29.08.2022
(6)	15,000	1	23.02.2023

Would your answer change if the goods vehicles purchased in April, 2022 were put to use only in July, 2022?

**(Answer – Rs. 6,82,500)**

16. Miss Vivitha, a resident and ordinarily resident in India, has derived the following income from various operations (relating to plantations and estates owned by her) during the year ended 31-3-2023:

S. No.	Particulars	Rs.
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Darjeeling.	3,00,000
(ii)	Income from sale of coffee grown and cured in Yercaud, Tamil Nadu.	1,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded, in Colombo. Sale consideration was received at Chennai.	2,50,000
(iv)	Income from sale of tea grown and manufactured in Shimla.	4,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	80,000

You are required to compute the business income and agricultural income of Miss Vivitha for the A.Y. 2023-24.

**(Answer – Rs. 5,40,000; Rs. 5,90,000)**

17. Mr. Venus., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai, for the year ending 31-3-2023:

	(Rs. in lacs)
WDV of Plant and Machinery on 31.3.2022	30
Depreciation including additional depreciation for P.Y. 2021-22	4.75
New machinery purchased on 1-9-2022	10
New machinery purchased on 1-12-2022	8
Computer purchased on 3-1-2023	4

Additional information:

- All assets were purchased by A/c payee cheque.
- All assets were put to use immediately.
- New machinery purchased on 1-12-2022 and computer have been installed in the office.
- During the year ended 31-3-2022, a new machinery had been purchased on 31-10-2021, for Rs. 10 lacs. Additional depreciation, besides normal depreciation, had been claimed thereon.
- Depreciation rate for machinery may be taken as 15%.

Compute the depreciation available to the assessee as per the provisions of the Income-tax Act, 1961 and the WDV of different blocks of assets as on 31-3-2023. Assume that he does not opt for section 115BAC.

**(Answer – Rs. 8,88,750; Rs. 80,000)**

18. Mr. Abhimanyu is engaged in the business of generation and distribution of electric power. He opts to claim depreciation on written down value for income-tax purposes. From the following details, compute the depreciation allowable as per the provisions of the Income-tax Act, 1961 for the assessment year 2023-24, assuming that he does not opt for section 115BAC:

	(Rs. in lacs)
WDV of block as on 31.3.2022 (15% rate)	50

Depreciation for P.Y. 2021-22	7.5
New machinery purchased on 12-10-2022	10
Machinery imported from Colombo on 12-4-2022 This machine had been used only in Colombo earlier and the assessee is the first user in India.	9
New computer installed in generation wing unit on 15-7-2022	2

All assets were purchased by A/c payee cheque.

**(Answer – Rs. 10,67,500)**

19. Examine with reasons, the allowability of the following expenses incurred by Mr. Manav, a wholesale dealer of commodities, under the Income-tax Act, 1961 while computing profit and gains from business or profession for the Assessment Year 2023-24.

- (i) Construction of school building in compliance with CSR activities amounting to Rs. 5,60,000.
- (ii) Purchase of building for the purpose of specified business of setting up and operating a warehousing facility for storage of food grains amounting to Rs. 4,50,000.
- (iii) Interest on loan paid to Mr. X (a resident) Rs. 50,000 on which tax has not been deducted. The sales for the previous year 2021-22 was Rs. 202 lakhs. Mr. X has not paid the tax, if any, on such interest.
- (iv) Commodities transaction tax paid Rs. 20,000 on sale of bullion.

**(Answer – Nil, Rs. 4,50,000, Rs. 15,000, Rs. 20,000)**

20. Examine with reasons, for the following sub-divisions, whether the following statements are true or false having regard to the provisions of the Income-tax Act, 1961:

- (i) For a dealer in shares and securities, securities transaction tax paid in a recognized stock exchange is permissible business expenditure.
- (ii) Where a person follows mercantile system of accounting, an expenditure of Rs. 25,000 has been allowed on accrual basis and in a later year, in respect of the said expenditure, assessee makes the payment of Rs. 25,000 through a crossed cheque, Rs. 25,000 can be the profits and gains of business under section 40A(3A) in the year of payment.

- (iii) It is mandatory to provide for depreciation under section 32 of the Income-tax Act, 1961, while computing income under the head “Profits and Gains from Business and Profession”.
- (iv) The mediclaim premium paid to GIC by Mr. Lomesh for his employees, by a draft, on 27.12.2022 is a deductible expenditure under section 36.
- (v) Under section 35DDA, amortization of expenditure incurred under eligible Voluntary Retirement Scheme at the time of retirement alone, can be done.
- (vi) An existing assessee engaged in trading activities, can claim additional depreciation under section 32(1)(iia) in respect of new plant acquired and installed in the trading concern, where the increase in value of such plant as compared to the approved base year is more than 10%.

**(Answer – True, True, True, True, False, False)**

21. Examine, with reasons, the allowability of the following expenses under the Income- tax Act, 1961 while computing income from business or profession for the Assessment Year 2023-24:

- (i) Provision made on the basis of actuarial valuation for payment of gratuity Rs. 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
- (ii) Purchase of oil seeds of Rs. 50,000 in cash from a farmer on a banking day.
- (iii) Tax on non-monetary perquisite provided to an employee Rs. 20,000.
- (iv) Payment of Rs. 50,000 by using credit card for fire insurance.
- (v) Salary payment of Rs. 4,00,000 to Mr. X outside India by a company without deduction of tax assuming Mr. X has not paid tax on such salary income.
- (vi) Payment made in cash Rs. 30,000 to a transporter in a day for carriage of goods

**(Answer – Nil, Rs. 50,000, Nil, Rs. 50,000, Nil, Rs. 30,000)**

22. Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (i) Payment made in respect of a business expenditure incurred on 16<sup>th</sup> February, 2023 for Rs. 25,000 through a crossed cheque is hit by the provisions of section 40A(3).
- (ii) It is a condition precedent to write off in the books of account, the amount due from debtor to claim deduction for bad debt.
- (iii) Failure to deduct tax at source in accordance with the provisions of Chapter XVII-B, inter alia, from the amounts payable to a non-resident as rent or royalty, will result in disallowance while



computing the business income where the non-resident payee has not paid the tax due on such income.

**(Answer – True, True, True)**

23. Mr. Sivam, a retail trader of Cochin gives the following Trading and Profit and Loss Account for the year ended 31st March, 2023:

**Trading and Profit and Loss Account for the year ended 31.03.2023**

Particulars	Rs.	Particulars	Rs.
To Opening stock	90,000	By Sales	1,12,11,500
To Purchases	1,10,04,000	By Closing stock	1,86,100
To Gross Profit	3,03,600		
	<b>1,13,97,600</b>		<b>1,13,97,600</b>
To Salary	60,000	By Gross profit b/d	3,03,600
To Rent and rates	36,000	By Income from UTI	2,400
To Interest on loan	15,000		
To Depreciation	1,05,000		
To Printing & stationery	23,200		
To Postage & telegram	1,640		
To Loss on sale of shares (Short term)	8,100		
To Other general expenses	7,060		
To Net Profit	50,000		
	<b>3,06,000</b>		<b>3,06,000</b>

**Additional Information:**

- (i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:
  - Opening stock Rs. 9,000
  - Closing stock Rs. 18,000
- (ii) Salary includes Rs. 10,000 paid to his brother, which is unreasonable to the extent of Rs. 2,000.
- (iii) The whole amount of printing and stationery was paid in cash by way of one time payment to Mr. Ramesh.

(iv) The depreciation provided in the Profit and Loss Account Rs. 1,05,000 was based on the following information:

The opening balance of plant and machinery (i.e., the written down value as on 31.3.2022 minus depreciation for P.Y. 2021-22) is Rs. 4,20,000. A new plant falling under the same block of depreciation was bought on 01.7.2022 for Rs. 70,000. Two old plants were sold on 1.10.2022 for Rs. 50,000.

(v) Rent and rates includes GST liability of Rs. 3,400 paid on 7.4.2023.

(vi) Other general expenses include Rs. 2,000 paid as donation to a Public Charitable Trust.

You are required to compute the profits and gains of Mr. Sivam under presumptive taxation under section 44AD and profits and gains as per normal provisions of the Act assuming he has not opted for the provisions of section 115BAC. Assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

**(Answer – Rs. 1,30,900; Rs. 6,72,690)**

24. Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2022, he owns 10 trucks (out of which 6 are heavy goods vehicles, the gross vehicle weight of such goods vehicle is 15,000 kg each). On 2nd May, 2022, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 6th May, 2022. This new vehicle could however be put to use only on 15th June, 2022.

Compute the total income of Mr. Sukhvinder for the assessment year 2023-24, taking note of the following data:

Particulars	Rs.	Rs.
Freight charges collected		12,70,000
Less : Operational expenses	6,25,000	
Depreciation as per section 32	1,85,000	
Other office expenses	15,000	8,25,000
Net Profit		4,45,000
Other business and non-business income		70,000

**(Answer – Rs. 13,72,500; Rs. 14,42,500/ Rs. 4,45,000; Rs. 5,15,000)**

25. Mr. Raju, a manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2023:

**Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2023**

Particulars	Rs.	Particulars	Rs.
To Opening Stock	71,000	By Sales	2,32,00,000
To Purchase of Raw Materials	2,16,99,000	By Closing stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000		
To Gross Profit	10,60,000		
	<b>2,34,00,000</b>		<b>2,34,00,000</b>
To Administrative charges	3,26,000	By Gross Profit	10,60,000
To SGST penalty	5,000	By Dividend from domestic companies	15,000
To GST paid	1,10,000	By Income from agriculture (net)	1,80,000
To General Expenses	54,000		
To Interest to Bank (On machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	<b>12,55,000</b>		<b>12,55,000</b>

Following are the further information relating to the financial year 2022-23:

- (i) Administrative charges include Rs. 46,000 paid as commission to brother of the assessee. The commission amount at the market rate is Rs. 36,000.
- (ii) The assessee paid Rs. 33,000 in cash to a transport carrier on 29.12.2022. This amount is included in manufacturing expenses. (Assume that the provisions relating to TDS are not applicable to this payment)
- (iii) A sum of Rs. 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in the books of account.
- (iv) Bank term loan interest actually paid upto 31.03.2023 was Rs. 20,000 and the balance was paid in November 2023.
- (v) Housing loan principal repaid during the year was Rs. 50,000 and it relates to residential property acquired by him in P.Y. 2021-22 for self-occupation. Interest on housing loan was Rs. 23,000. Housing loan was taken from Canara Bank. These amounts were not dealt with in the profit and loss account given above.
- (vi) Depreciation allowable under the Act is to be computed on the basis of following information:

<b>Plant &amp; Machinery (Depreciation rate @ 15%)</b>	<b>Rs.</b>
WDV as on 31.03.2022 minus Depreciation for P.Y. 2021-22	11,90,000
Additions during the year (used for more than 180 days)	2,00,000
Total additions during the year	4,00,000
Note: Ignore additional depreciation under section 32(1)(iia)	

Compute the total income of Mr. Raju for the assessment year 2023-24 assuming he has not opted for the provisions of section 115BAC.

Note: Ignore application of section 14A for disallowance of expenditures in respect of any exempt income.

**(Answer – Rs. 3,26,500/ Rs. 2,30,500)**

26. Mr. Tenzingh is engaged in composite business of growing and curing (further processing) coffee in Coorg, Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31.3.2023 are given below:

Particulars	Rs.
Opening balance of car (only asset in the block) as on 1.4.2022 (i.e. WDV as on 31.3.2022 (-) depreciation for P.Y. 2021-22)	3,00,000
Opening balance of machinery as on 1.4.2022 (i.e., WDV as on 31.3.2022 (-) depreciation for P.Y. 2021-22)	15,00,000
Expenses incurred for growing coffee	3,10,000
Expenditure for curing coffee	3,00,000
Sale value of cured coffee	22,00,000

Besides being used for agricultural operations, the car is also used for personal use; disallowance for personal use may be taken at 20%. The expenses incurred for car running and maintenance are Rs. 50,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the A.Y. 2023-24.

**(Answer – Rs. 3,22,250)**

27. Mr. Suraj aged 50 years, a resident individual, engaged in a wholesale business of health products. He is also a partner in XYZ & Co., a partnership firm. The following details are made available for the year ended 31.3.2023:

Sl. No.	Particulars	Rs.	Rs.
(i)	Interest on capital received from XYZ & Co., at 15% [in accordance with the partnership deed]		1,50,000
(ii)	Share of profit from the firm		35,000
(iii)	Salary as working partner (fully allowed in the hands of the firm)		1,00,000
(iv)	Interest from bank on fixed deposit (Net of TDS)		40,500
(v)	Interest on saving bank account		12,300
(vi)	Income-tax refund received relating to assessment year 2022-23		34,500

	including interest of Rs. 2,300		
(vii)	Net profit from wholesale business		5,60,000
	Amounts debited include the following:		
	- Depreciation as per books	34,000	
	- Motor car expenses	40,000	
	- Municipal taxes for the shop	7,000	
	(For two half years; payment for one half year made on 12.7.2023 and for the other on 31.12.2023)		
	Salary to manager by way of a single cash payment	21,000	
(viii)	The WDV of the assets (as on 1.4.2022) used in above wholesale business is as under:		
	- Computers	2,40,000	
	- Computer printer	1,50,000	
(ix)	Motor car acquired on 31.12.2022 (20% used for personal use)	6,80,000	
(x)	He owned a house property in Mumbai which was sold in January, 2018. He received arrears of rent in respect of the said property in October, 2022.		1,15,000
(x)	LIP paid for independent son	60,000	
(xi)	PPF of his wife	70,000	
(xii)	Health insurance premium paid towards a policy covering her mother aged 75 by way of cheque. She is not dependant on him.	35,000	
(xiii)	Contribution toward Prime Minister National Relief Fund	50,000	

You are required to compute the total income of the Mr. Suraj for the assessment year 2023-24.

**(Answer – Rs. 5,64,800)**

28. From the given information, you are required to compute the tax payable by Mr. Akash, a manufacturer and distributor of fertilizers and other agricultural products, aged 61 years, for the A.Y. 2023-24.

**Trading and Profit and Loss Account of Mr. Akash**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	24,21,000	By sales	3,12,50,100
To Purchases	2,28,00,500	By Closing stock	26,00,100
To Direct expenses	4,12,040		
To Freight inward	2,92,000		
To Gross Profit c/d	79,24,660		
	<b>3,38,50,200</b>		<b>3,38,50,200</b>
To Salaries and wages	17,12,000	By Gross Profit b/d	79,24,660
To General expenses	3,65,000	By Dividend income from Indian companies (Gross)	17,20,000
To Rates and taxes	2,20,000	By Interest received on FDs (Net of tax)	1,08,000
To Interest paid on late payment of GST	2,845	By Rent received	7,20,000
To Income-tax paid for F.Y. 2021-22	3,45,000	By Income-tax refund	18,000
To Interest paid to NBFC	1,20,000		
To Depreciation	1,82,000		
To Net Profit	75,43,815		
	<b>1,04,90,660</b>		<b>1,04,90,660</b>

Additional information:

- a) Closing stock of P.Y. 2022-23 was undervalued by Rs. 25,000.
- b) Rates and taxes include Rs. 1,000 paid towards late filing of his Income-tax return for Assessment Year 2022-23 under section 234F of Income-tax Act.
- c) Salaries include Rs. 15,000 paid on single day by way of cash to his accountant.
- d) Interest paid on loan of Rs. 10,00,000 taken from a Non-Banking Finance company. Out of the loan, amount of Rs. 2 lakhs was used for personal purpose and the balance was used for business purpose. No TDS was deducted while payment of interest.
- e) An amount of Rs. 45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- f) General expenses include advertisement expense of Rs. 20,000 paid by cheque towards an advertisement in a souvenir published by local political party.
- g) Income-tax refund includes Rs. 2,000 towards interest.
- h) Depreciation charged is as per Income-tax Rules, however, it does not include depreciation on a new Maruti Van purchased and put to use on 23<sup>rd</sup> September, 2022 for his business use. The cost of the vehicle is Rs. 2,10,000.
- i) Advance Tax paid during the year is Rs. 15 lakhs.
- j) Turnover for the year ending 31.03.2022 was Rs. 3.08 crores.
- k) Tax has been deducted at source on income, wherever required.

Mr. Akash does not want to opt for the provisions of section 115BAC.

**(Answer – Rs. 77,06,120)**

29. Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

**Profit & Loss account for the year ended 31<sup>st</sup> March, 2023**

Particulars	(Rs.)	Particulars	(Rs.)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000



To Salaries & wages	30,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	11,25,000	By Winning from lottery (Net of TDS @ 30%)	47,250
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	23,61,750		
<b>Total</b>	<b>90,92,250</b>	<b>Total</b>	<b>90,92,250</b>

**Explanatory information:**

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of Rs. 3,30,000 and Closing stock of Rs. 4,38,000 was shown.
- (ii) Salaries & wages include following items:
- Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of Rs. 4,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
  - Some of the employees opted for retirement under the voluntary retirement scheme; a sum of Rs. 3,50,000 was paid to them on 1<sup>st</sup> January, 2023.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of Rs. 18,00,000 which was taken from State Bank of India on 01.07.2022 for purchase of new electric car of Rs. 20,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is Rs. 5,50,000 but during the calculation of such depreciation following addition was not considered:
- Motor car purchased for Rs. 3,50,000 for supply of finished goods to dealers on 25-09-2022.
  - An asset was purchased for Rs. 7,00,000 on 17-11-2021 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2022 for a consideration of Rs. 9,00,000.

**Other information:**

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2022. The compensation of Rs. 15,00,000 was received on 27.01.2023. Such property was purchased by him on 08.10.2007 for Rs. 2,50,000. He has purchased another plot of industrial land on 15.04.2023 for Rs. 7,00,000. Government has also paid Rs. 1,05,000 as interest on such compensation on 28.02.2023. Cost Inflation Indices: FY 2022-23: 317, FY 2007-08: 122

Compute the total income and tax liability of Mr. Kamal for the assessment year 2023-24 assuming that he has not opted for the provisions of section 115BAC.

**(Answer – Rs. 39,84,410; Rs. 10,32,490)**

30. Mr. Anmol (aged 67 years), a manufacturer, reported a profit of Rs. 3,95,11,290 for the previous year 2022-23 after debiting/crediting the following items:

**Debits:**

- a. Rs. 15,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.
- b. Rs. 35,500 contributed to an university approved and notified u/s 35(1)(ii) to be used for scientific research.
- c. Interest paid Rs. 1,75,000 on loan taken for purchase of E-vehicle on 15-07-2022 from a bank. The E-vehicle was purchased for the personal use of his wife.
- d. He has purchased timber under a forest lease of Rs. 25,00,000 for the purpose of business.

**Credits:**

- a. Income of Rs. 3,50,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- b. He received Rs. 3,00,000 from a debtor which was written off as bad in the year 2018-19. Amount due from the debtor (which was written off as bad) was Rs. 4,00,000, out of which tax officer had only allowed Rs. 2,50,000 as deduction in computing the total income for assessment year 2019-20.

- c. He sold some goods to his brother for Rs. 6,00,000. The fair market value of such goods was Rs. 9,00,000.

**Other information:**

- i. Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
- ii. Mr. Anmol purchased a new car of Rs. 14,00,000 on 1<sup>st</sup> August, 2022 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
- iii. Mr. Anmol had sold a house on 25<sup>th</sup> March, 2022 and deposited the long term capital gains of Rs. 20,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 11<sup>th</sup> March, 2023, he sold another house property in which he resided for Rs. 1 crore. He earned a long term capital gain of Rs. 55,00,000 on sale of this property. On 25<sup>th</sup> March, 2023, he withdrew money out of his capital gain account and invested Rs. 1 crore on construction of one house.
- iv. Mr. Anmol also made the following payments during the previous year 2022-23
  - a. Lump-sum premium of Rs. 1,20,000 paid on 30<sup>th</sup> March, 2023 for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30<sup>th</sup> March, 2023 to 29<sup>th</sup> March, 2028.
  - b. Rs. 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Anmol for the assessment year 2023-24 assuming he does not opt for section 115BAC.

**(Answer – Rs. 3,88,66,290; Rs. 1,49,10,853; Rs. 1,47,34,350)**

31. Mr. Rishabh, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. He earned profit of Rs. 82,45,000 as per profit and loss account after debiting and crediting the following items:

- i. Depreciation Rs. 15,40,000
- ii. Short term capital gains on transfer of listed equity shares in a company on which STT is paid Rs. 10,00,000
- iii. He received income-tax refund of Rs. 15,550 which includes interest on refund of Rs. 4,550.

- iv. Dividend income from Indian companies Rs. 15,00,000

Additional information –

- i. Mr. Rishabh installed new plant and machinery for Rs. 65 lakhs on 1.10.2022 which was put to use on 1.1.2023. Depreciation (including additional depreciation) on this amount of Rs. 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules.
- ii. Mr. Rishabh took a loan from SBI of Rs. 50 lakhs on 15.9.2022 @ 10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2023 has been paid on 31.3.2023 and the same has been debited to profit and loss account.
- iii. Advance tax paid during the year is Rs.17,50,000
- iv. Rishabh purchased goods for Rs. 40 lakhs from Mr. Ram, his brother. The market value of the goods is Rs. 35 lakhs.
- v. He paid Rs. 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is Rs. 5,00,000 and the policy was taken on 1.4.2016.
- vi. He paid Rs. 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- vii. On 1.7.2022, Mr. Rishabh withdrew Rs. 1.5 crores in cash from three current accounts maintained by him with HSBC. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Rishabh for the A.Y. 2023-24, in the manner so that he can make maximum tax savings.

**(Answer – Rs. 87,95,330; Rs. 26,32,457; Rs. 7,82,460)**

32. Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2023:

**Trading and Profit & Loss Account**

Particulars	Rs.	Particulars	Rs.
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000

Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	<b>2,40,00,000</b>		<b>2,40,00,000</b>
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		
Miscellaneous expenses	7,88,475		
Net profit of the year	50,85,000		
	<b>66,66,000</b>		<b>66,66,000</b>

Following are the further information relating to the financial year 2022-23:

- (i) Income-tax refund includes amount of Rs. 4,570 of interest allowed thereon.
- (ii) Bonus to staff includes an amount of Rs. 7,500 relating to P.Y. 2021-22, paid in the month of December 2022.
- (iii) Advertisement expenses include an amount of Rs. 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include:
  - a. amount of Rs. 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
  - b. amount of Rs. 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of Rs. 5,300 charged as penalty for delayed filing of returns and Rs. 12,750 towards interest for delay in deposit of tax.

- (vi) Mr. Kamal had purchased a warehouse building of Rs. 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2022 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at Rs. 65,000.
- (viii) Interest on loans includes an amount of Rs. 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the A.Y. 2023-24, assuming he does not opt for section 115BAC.

**(Answer – Rs. 31,31,120; Rs. 781,910; Rs. 4931120; Rs. 948,750; Rs. 166,840)**

33. From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the previous year ended 31.03.2023, you are requested to compute his total income and tax liability under normal as well as special provisions (AMT), if any, applicable to him for the Assessment Year 2023-24.

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of Rs. 2,28,000. He has paid municipal taxes of Rs. 60,000 for the current financial year.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2020-21. Total turnover of the undertaking was Rs. 200 lakhs, which includes Rs. 140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is Rs. 25 lakhs.
- (iii) He received royalty of Rs. 2,88,000 from abroad for a book authored by him on the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was Rs. 40,000. The amount remitted to India till 30<sup>th</sup> September, 2023 is Rs. 2,30,000.
- (iv) Received, 40,000 as interest on saving bank deposits.
- (v) Received Rs. 47,000 as share of profit from an AOP where all the members are individual and which had paid the tax by normal rates of income tax.
- (vi) He also sold his vacant land on 10.11.2022 for Rs. 10 lakhs. The stamp duty value of land at the time of transfer was Rs. 14 lakhs. The FMV of the land as on 1<sup>st</sup> April, 2001 was Rs. 4 lakhs. This land was acquired by him on 05.08.1998 for Rs. 1.80 lakhs. He had incurred registration

expenses of Rs. 10,000 at that time. The cost of inflation index for the year 2022-23 and 2001-02 are 289 and 100 respectively.

- (vii) He paid the following amounts, out of his taxable income:
- Insurance premium of Rs. 39,000 paid on life insurance policy of son, who is not dependent on him.
  - Life insurance premium of Rs. 48,000 on policy of his dependent father,
  - Tuition fees of Rs. 42,000 for his three children to a school. The fees being Rs. 14,000 p.a. per child.

**(Answer – Rs. 12,00,600; Rs. 1,58,730; Rs. 31,40,600; Rs. 604,250)**

34. Mr. Ashish, a resident individual, aged 43 years, provides professional services in the field of interior decoration. His Income & Expenditure A/c for the year ended 31<sup>st</sup> March, 2023 is as under:

<b>Expenditure</b>	<b>Rs.</b>	<b>Income</b>	<b>Rs.</b>
To Employees' Remuneration & Benefits	13,66,000	By Consultancy Charges	58,80,000
To Office & Administrative Exp.	3,14,000	By Interest on Public Provident Fund (PPF) Account	60,000
To General Expenses	75,000	By Interest on Savings Bank Account	20,000
To Electricity Expenses	65,000	By Interest on National Savings Certificates VIII Issue (for 3rd year)	21,000
To Medical Expenses	80,000		
To Purchase of Furniture	48,000		
To Depreciation	90,000		
To Excess of income over exp.	39,43,000		
	<b>59,81,000</b>		<b>59,81,000</b>

The following other information relates to financial year 2020 -21:

- (i) The expenses on Employees' Remuneration & Benefits includes:

- a. Family Planning expenditure of Rs. 20,000 incurred for the employees which was revenue in nature. The same was paid through account payee cheque.
  - b. Payment of salary of Rs. 25,000 per month to sister-in-law of Mr. Ashish, who was in-charge of the Accounts & Receivables department. However, in comparison to similar work profile, the reasonable salary at market rates is Rs. 20,000 per month.
- (ii) Amount received by Mr. Ashish as Employees' Contribution to EPF for the month of February, 2023 - Rs. 10,000 was deposited after the due date under the relevant Act relating to EPF.
  - (iii) Medical Expenses of Rs. 80,000 as appearing in the Income & Expenditure was expensed for the treatment of father of Mr. Ashish. His father was 72 years old and was not covered by any health insurance policy. The said payment of Rs. 80,000 was made through account payee cheque.
  - (iv) General expenses as appearing in the Income & Expenditure A/c, includes a sum of Rs. 25,000 paid to Ms. Anjaleen on 5<sup>th</sup> January, 2023 as commission for securing work from new clients. This payment was made to her without deduction of tax at source.
  - (v) Written down value of the depreciable assets as on 1<sup>st</sup> April, 2022 were as follows:
    - a. Professional Books - Rs. 90,000
    - b. Computers - Rs. 35,000
  - (vi) The new Furniture as appearing in the Income & Expenditure A/c was purchased on 31<sup>st</sup> August, 2022 and was put to use on the same day. The payment was made as under:
    - a. Rs. 18,000 paid in cash at the time of purchase of new furniture on 31/08/22.
    - b. Rs. 19,000 paid by account payee cheque on 05/09/2022 as balance cost of new furniture and
    - c. Rs. 11,000 paid in cash on 31/08/22 to the transporter as freight charges for the new furniture.
  - (vii) Mr. Ashish purchased a car on 02/04/2021 for Rs. 3,35,000 for personal use. However, on 30/04/2022 he brought the said car for use in his profession. The fair market value of the car as on 30/04/2022 was Rs. 2,50,000.
  - (viii) Mr. Ashish made a contribution of Rs. 1,00,000 in his PPF A/c on 31/01/2023.
  - (ix) The Gross Professional Receipts of Mr. Ashish for P.Y. 2021-22 was Rs. 52,00,000.

Compute the total income and tax liability of Mr. Ashish for A.Y. 2023-24, assuming that he has not opted for payment of tax under section 115BAC. Ignore provisions relating to AMT and under section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income.



(Answer – Rs. 38,55,350; Rs. 10,07,870)

35. Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

**Profit & Loss account for the year ended 31<sup>st</sup> March, 2023**

Particulars	(Rs.)	Particulars	(Rs.)
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To Professional fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	15,74,500		
<b>Total</b>	<b>60,61,500</b>	<b>Total</b>	<b>60,61,500</b>

**Explanatory information:**

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of Rs. 4,50,000 and Closing stock of Rs. 5,58,000 was shown.
- (ii) Salaries & wages include following items:
  - a. Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of Rs.

3,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.

- b. Some of the employees opted for retirement under the voluntary retirement scheme; a sum of Rs. 2,40,000 was paid to them on 1<sup>st</sup> January, 2023.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of Rs. 12,00,000 which was taken from State Bank of India on 01.05.2022 for purchase of new electric car of Rs. 15,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is Rs. 4,50,000 but during the calculation of such depreciation following addition was not considered:
  - a. Motor car purchased for Rs. 3,00,000 for supply of finished goods to dealers on 25-08-2022.
  - b. An asset was purchased for Rs. 6,00,000 on 17-11-21 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2022 for a consideration of Rs. 8,00,000.

**Other information:**

- a. A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2022. The compensation of Rs. 12,00,000 was received on 27.02.2023. Such property was purchased by him on 08.08.2005 for Rs. 2,00,000. He has purchased another plot of industrial land on 21.04.2023 for Rs. 6,00,000. Government has also paid Rs. 54,000 as interest on such compensation on 28.03.2023.

Cost Inflation Indices: FY 2022-23: 301, FY 2005-06: 117

Compute the total income and tax liability of Mr. Shivansh for the assessment year 2023-24 assuming that he has not opted for the provisions of section 115BAC. Ignore Provisions relating to AMT.

**(Answer – Rs. 26,65,470; Rs. 6,25,140)**

36. Mr. Krishna (aged 65 years), a furniture manufacturer, reported a profit of Rs. 5,64,44,700 for the previous year 2022-23 after debiting/crediting the following items:

**Debits:**

- (i) Rs. 20,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.
- (ii) Rs. 48,000 contributed to a university approved and notified u/s 35(1)(ii) to be used for scientific research.
- (iii) Interest paid Rs. 1,67,000 on loan taken for purchase of E-vehicle on 15-05-2022 from a bank. The E-vehicle was purchased for the personal use of his wife.
- (iv) His firm has purchased timber under a forest lease of Rs. 20,00,000 for the purpose of business.

**Credits:**

- (i) Income of Rs. 4,00,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- (ii) He received Rs. 3,00,000 from a debtor which was written off as bad in the year 2018-19. Amount due from the debtor (which was written off as bad) was Rs. 5,00,000, out of which tax officer had only allowed Rs. 3,00,000 as deduction in computing the total income for assessment year 2019-20.
- (iii) He sold some furniture to his brother for Rs. 7,00,000. The fair market value of such furniture was Rs. 9,00,000.

**Other information :**

- Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
- Mr. Krishna purchased a new car of Rs. 12,00,000 on 1<sup>st</sup> September, 2022 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
- Mr. Krishna had sold a house on 30<sup>th</sup> March, 2020 and deposited the long term capital gains of Rs. 25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1<sup>st</sup> March, 2023, he sold another house property in which he resided for Rs. 1 crore. He earned a long term capital gain of Rs. 50,00,000 on sale of this property. On 25<sup>th</sup> March, 2023, he withdrew money out of his capital gain account and invested Rs. 1 crore on construction of one house.
- Mr. Krishna also made the following payments during the previous year 2022-23

- Lump-sum premium of Rs. 30,000 paid on 30<sup>th</sup> March, 2023 for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30<sup>th</sup> March, 2023 to 29<sup>th</sup> March, 2028.
- Rs. 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Krishna for the assessment year 2023-24.

**(Answer – Rs. 5,57,91,700; Rs. 2,35,76,892; Rs. 2,34,14,890)**

37. Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2021-22 was Rs. 250 lakhs and in the current previous year 2022-23, it is Rs. 600 lakhs. The net profit as per the profit and loss account as on 31-03-2023 is Rs. 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2022-23.

- (i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	Particulars	Amount
01-04-2022	Opening written down value of machinery used for manufacturing purpose	4,75,000
03-07-2022	New machinery purchased during the year, payment made by an account pay cheque.	7,25,000
10-03-2023	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

- (ii) Received subsidy of 20% on new machine purchased on 03-07-2022 during the previous year under technology upgradation fund Scheme from the Central Government.
- (iii) She paid a job charges for the value addition on the fabrics Rs. 90,000 without deduction of tax to job worker by an account payee cheque.
- (iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting Rs. 50,000, has now been received back during previous year 2022-23, from the agent due to settlement with commission agent.
- (v) Rs. 25,000 paid to creditor for goods in cash.

- (vi) Incurred loss of Rs. 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.
- (vii) Interest received amounting Rs. 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.
- (viii) She received Rs. 60,000 by pre-mature withdrawals from deposit including interest Rs. 5,000, in post office time deposit, eligible for deduction under Section 80C.
- (ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2022 for Rs. 5,00,000, which was acquired for Rs. 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of Rs. 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2022-23:317)
- (x) She received a gold coin (bullion) worth Rs. 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2022-23.
- (xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) Rs. 75,000.
- (xii) She deposited a sum of Rs. 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- (xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee Rs. 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2023-24. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

**(Answer – Rs. 3,57,420; Rs. 9,340)**

## Capital Gains

1. A is the owner of a car. On 1-4-2022, he starts a business of purchase and sale of motor cars. He treats the above car as part of the stock-in-trade of his new business. He sells the same on 31-3-2023 and gets a profit of Rs. 1 lakh. Discuss the tax implication in his hands under the head “Capital gains”.
  
2. X converts his capital asset (acquired on June 10, 2004 for Rs. 60,000) into stock-in-trade on March 10, 2022. The fair market value on the date of the above conversion was Rs. 5,50,000. He subsequently sells the stock-in-trade so converted for Rs. 6,00,000 on June 10, 2022. Discuss the year of chargeability of capital gain and business income.

**(Answer – AY 2023-24)**

3. M held 2000 shares in a company ABC Ltd., an Indian company. This company amalgamated with another Indian company XYZ Ltd. during the previous year ending 31-3-2023. Under the scheme of amalgamation, M was allotted 1000 shares in the new company. The market value of shares allotted is higher by Rs. 50,000 than the value of holding in ABC Ltd. The Assessing Officer proposes to treat the transaction as an exchange and to tax Rs. 50,000 as capital gain. Is he justified?

**(Answer – No)**

4. Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 1.4.2022 his Unit 1 by way of slump sale for a total consideration of Rs. 25 lacs. The fair market value of capital assets of unit 1 on 1.4.2022 is Rs. 30 lacs. Unit 1 was started in the year 2005-06. The expenses incurred for this transfer were Rs. 28,000. His Balance Sheet as on 31.3.2022 is as under:

Liabilities	Total (Rs.)	Assets	Unit 1(Rs.)	Unit 2 (Rs.)	Total (Rs.)
Own Capital	15,00,000	Building	12,00,000	2,00,000	14,00,000
Revaluation Reserve (for	3,00,000	Machinery	3,00,000	1,00,000	4,00,000

building of unit 1)					
Bank loan (70% for unit 1)	2,00,000	Debtors	1,00,000	40,000	1,40,000
Trade creditors (25% for unit 1)	1,50,000	Other assets	1,50,000	60,000	2,10,000
Total	21,50,000	Total	17,50,000	4,00,000	21,50,000

Other information:

- (i) Revaluation reserve is created by revising upward the value of the building of Unit 1.
- (ii) No individual value of any asset is considered in the transfer deed.
- (iii) Other assets of Unit 1 include patents acquired on 1.7.2020 for Rs. 50,000 on which no depreciation has been charged.

Compute the capital gain for the assessment year 2023-24.

5. Mr. Cee purchased a residential house on July 20, 2020 for Rs. 10,00,000 and made some additions to the house incurring Rs. 2,00,000 in August 2020. He sold the house property in April 2022 for Rs. 20,00,000. Out of the sale proceeds, he spent Rs. 5,00,000 to purchase another house property in September 2022.

What is the amount of capital gains taxable in the hands of Mr. Cee for the A.Y.2023-24?

**(Answer – Rs. 8,00,000)**

6. Long term capital gain of Rs. 75 lakh arising from transfer of building on 1.5.2022 will be exempt from tax if such capital gain is invested in the bonds redeemable after five years, issued by NHAI under section 54EC. Examine with reasons whether the given statement is true or false having regard to the provisions of the Income-tax Act, 1961.

**(Answer – False)**

7. Calculate the income-tax liability for the assessment year 2023-24 in the following cases:

	Mr. A (age 45)	Mrs. B (age 62)	Mr. C (age 81)	Mr. D (age 82)
Status	Resident	Non-resident	Resident	Non-resident
Total income other than long-term capital gain	2,40,000	2,80,000	5,90,000	4,80,000
Long-term capital gain	15,000 from sale of vacant site	10,000 from sale of listed equity shares (STT paid on sale and purchase of shares)	60,000 from sale of agricultural land in rural area	

Note - Assume that Mr. A, Mrs. B, Mr. C and Mr. D do not opt for section 115BAC.

**(Answer – Nil; Rs. 1,560; Rs. 18,720; Rs. 11,960)**

8. Mr. Mithun purchased 100 equity shares of M/s Goodmoney Co. Ltd. on 01-04-2006 at rate of Rs. 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.2021. He has also received dividend of Rs. 10 per share on 01.05.2022.

He has sold all the shares on 01.10.2022 at the rate of Rs. 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02% to celebrate his 75<sup>th</sup> birthday.

Compute his total income and tax liability for Assessment Year 2023-24, assuming that he is having no income other than given above. Fair market value of shares of M/s Goodmoney Co. Ltd. on 31.1.2018 is Rs. 2,000.

**(Answer – Rs. 5,94,000; Rs. 25,270)**

9. Aarav converts his plot of land purchased in July, 2004 for Rs. 80,000 into stock-in-trade on 31<sup>st</sup> March, 2022. The fair market value as on 31.3.2022 was Rs. 3,00,000. The stock-in-trade was sold for Rs. 3,25,000 in the month of January, 2023.

Find out the taxable income, if any, and if so under which head of income and for which Assessment Year?



Cost Inflation Index: F.Y. 2004-05:113; F.Y. 2021-22: 317.

**(Answer – Rs. 75,575; Rs. 25,000)**

10. Mrs. Harshita purchased a land at a cost of Rs. 35 lakhs in the financial year 2004-05 and held the same as her capital asset till 20<sup>th</sup> March, 2022.

She started her real estate business on 21<sup>st</sup> March, 2022 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs. 210 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is Rs. 10 lakhs. Construction was completed in February, 2023. She sold 10 flats at Rs. 30 lakhs per flat in March, 2023. The remaining 5 flats were held in stock as on 31<sup>st</sup> March, 2023.

She invested Rs. 50 lakhs in bonds issued by National Highways Authority of India on 31<sup>st</sup> March, 2023 and another Rs. 50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2023.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harshita arising from the above transactions for Assessment Year 2023-24 indicating clearly the reasons for treatment for each item.

[Cost Inflation Index: F.Y. 2004-05: 113; F.Y. 2021-22: 317].

**(Answer – Rs. 24,54,277; Rs. 60,00,000)**

11. Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire accident.

The value of stock lost (total damaged) was Rs. 6,50,000. Certain portion of the machinery could be salvaged. The opening balance of the block as on 1.4.2022 (i.e., WDV as on 31.3.2022 after providing depreciation for P.Y. 2021-22) was Rs. 10,80,000.

During the process of safeguarding machinery and in the fire fighting operations, Mr. A lost his gold chain and a diamond ring, which he had purchased in April, 2005 for Rs. 1,20,000. The market value of these two items as on the date of fire accident was Rs. 1,80,000.

Mr. A received the following amounts from the insurance company:

- Towards loss of stock Rs. 4,80,000
- Towards damage of machinery Rs. 6,00,000
- Towards gold chain and diamond ring Rs. 1,80,000

You are requested to briefly comment on the tax treatment of the above three items under the provisions of the Income-tax Act, 1961.

**(Answer – Rs. 4,80,000 (PGBP); Rs. 4,80,000 (STCG); CG)**

12. How will you calculate the period of holding in case of the following assets?

- i. Shares held in a company in liquidation
- ii. Bonus shares
- iii. Flat in a co-operative society

13. In which of the following situations capital gains tax liability does not arise?

- i. Mr. A purchased gold in 1970 for Rs. 25,000. In the P.Y. 2022-23, he gifted it to his son at the time of marriage. Fair market value (FMV) of the gold on the day the gift was made was Rs. 1,00,000.
- ii. A house property is purchased by a Hindu undivided family in 1945 for Rs. 20,000. It is given to one of the family members in the P.Y. 2022-23 at the time of partition of the family. FMV on the date of partition was Rs. 12,00,000.
- iii. Mr. B purchased 50 convertible debentures for Rs. 40,000 in 1995 which are converted into 500 shares worth Rs. 85,000 in November 2022 by the company.

**(Answer – All)**

14. Mr. Abhishek a senior citizen, mortgaged his residential house with a bank, under a notified reverse mortgage scheme. He was getting loan from bank in monthly installments. Mr. Abhishek did not repay the loan on maturity and hence gave possession of the house to the bank, to discharge his loan. How will the treatment of long-term capital gain be on such reverse mortgage transaction?

15. Examine, with reasons, whether the following statements are True or False.

- i. Alienation of a residential house in a transaction of reverse mortgage under a scheme made and notified by the Central Government is treated as "transfer" for the purpose of capital gains.
- ii. Zero coupon bonds of eligible corporation, held for 14 months, will be long- term capital assets.
- iii. Zero Coupon Bond means a bond on which no payment and benefits are received or receivable before maturity or redemption.

**(Answer – False; True; True)**

16. Mr. A converts his capital asset acquired for an amount of Rs. 50,000 in June, 2003 into stock-in-trade in the month of November, 2019. The fair market value of the asset on the date of conversion is Rs. 4,50,000. The stock-in-trade was sold for an amount of Rs. 6,50,000 in the month of September, 2022. What will be the tax treatment?

Financial year	Cost Inflation Index
2003-04	109
2019-20	289

**(Answer – Rs. 2,00,000; Rs. 3,17,431)**

17. Singhania & Co., a sole proprietorship owns six machines, put in use for business in March, 2021. The depreciation on these machines is charged @ 15%. The opening balance of these machines after providing depreciation for P.Y. 2021-22 was Rs. 8,50,000. Three of the old machines were sold on 10<sup>th</sup> June, 2022 for Rs. 11,00,000. A second hand plant was bought for Rs. 8,50,000 on 30<sup>th</sup> November, 2022. You are required to:

- determine the claim of depreciation for Assessment Year 2023-24.
- compute the capital gains liable to tax for Assessment Year 2023-24.
- If Singhania & Co. had sold the three machines in June, 2022 for Rs. 21,00,000, will there be any difference in your above workings? Explain.

**(Answer – Rs. 45,000; Nil; Rs. 4,00,000)**

18. Examine the taxability of capital gains in the following scenarios for the Assessment Year 2023-24, determine the taxable amount and rate of tax applicable:

- On 20<sup>th</sup> December, 2022 5,000 shares of AB Ltd., a listed company are sold by Mr. Kumar @ 500 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5<sup>th</sup> June, 2017 @ Rs. 425 per share by paying STT at the time of purchase. On 31<sup>st</sup> January, 2018, the shares of AB Ltd. were traded on a recognized stock exchange at the Fair Market Value of Rs. 450 per share.
- Mr. Satish is the owner of a residential house which was purchased on 1<sup>st</sup> July, 2015 for Rs. 10,50,000. He sold the said house on 14<sup>th</sup> October, 2022 for Rs. 25,00,000. Valuation as per stamp valuation authorities was Rs. 45,00,000. He invested Rs. 15,00,000 in RECL Bonds on 20<sup>th</sup> March, 2023.

The Cost Inflation index for-

F.Y.	2015-16	254
F.Y.	2022-23	331

**(Answer – Rs. 2,50,000; Rs. 16,31,693)**

19. Mr. Suresh entered into an agreement with Mr. Mukesh to sell his residential house located at New Delhi on 25.05.2022 for Rs. 80,00,000. Mr. Mukesh was handed over the possession of the property on 15.12.2022 and the registration process was completed on 14.02.2023.

Mr. Mukesh had paid the sale proceeds in the following manner;

- 25% through account payee bank draft on the date of agreement.
- 50% on the date of the possession of the property.
- Balance after the completion of the registration of the title of the property.

The value determined by the Stamp Duty Authority on 25.05.2022 was Rs. 92,00,000 whereas on 14.02.2023 it was Rs. 94,50,000.

Mr. Suresh had acquired the property on 01.04.2001 for Rs. 21,00,000. After recovering the sale proceeds from Mukesh, he purchased another residential house property in Kanpur for Rs. 22,00,000.

Cost Inflation Index for Financial Year(s)

2001-02	-	100
2022-23	-	331

Compute the capital gain arising in the hands of Mr. Suresh for the Assessment Year 2023-24.

**(Answer – Rs. 49,000)**

20. Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2022, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of Rs. 18 lakhs. The professional fees & brokerage paid for this transfer are Rs. 78,000. His Balance Sheet as on 31-03-2022 is as under :

Liabilities	Rs.	Assets	Unit 1 (Rs.)	Unit 2 (Rs.)	Total
Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000

Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	40,00,000		16,75,000	23,25,000	40,00,000

**Other Information:**

- i. Land of Unit 2 was purchased at Rs. 5,00,000 in the year 2004 and revalued at Rs. 7,50,000 as on 31.3.2022.
- ii. No individual value of any asset is considered in the transfer deed.
- iii. Patents were acquired on 01-12-2020 on which no depreciation has been provided.
- iv. Furniture of Unit 2 of Rs. 5,00,000 were purchased on 01-12-2021 on which no depreciation has been provided.
- v. Fair market value of capital asset transferred by way of slump sale of Unit 2 is Rs. 18,10,000.

Compute the capital gain for A.Y. 2023-24.

**(Answer – Rs. 3,96,219)**

21. Examine the taxability of capital gains in the following scenarios for the Assessment Year 2023-24, determine the taxable amount and rate of tax applicable:

- i. On 28<sup>th</sup> February, 2023 10,000 shares of XY Ltd., a listed company are sold by Mr. B @ 550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5<sup>th</sup> April, 2017 @ Rs. 395 per share by paying STT at the time of purchase. On 31<sup>st</sup> January, 2018, the shares of XY Ltd. were traded on a recognized stock exchange at the Fair Market Value of Rs. 390 per Share.
- ii. Mr. A is the owner of residential house which was purchased on 1<sup>st</sup> September, 2016 for Rs. 9,00,000. He sold the said house on 4<sup>th</sup> September, 2022 for Rs. 19,00,000. Valuation as per stamp valuation authorities was Rs. 45,00,000. He invested Rs. 19,00,000 in NHAI Bonds on 21<sup>st</sup> March, 2023.

The Cost Inflation index for-

F.Y. 2016-17	264
F.Y. 2022-23	331

**(Answer – Rs. 15,50,000; Rs. 33,71,591)**

22. Mr. Patel is a proprietor of Star Stores since 20-05-2018. He has transferred his shop by way of slump sale for a total consideration of Rs. 40 Lakh. The professional fees & brokerage paid for this sale are Rs. 80,000. His Balance Sheet as on 31-03-2023 is as under :

Liabilities	Rs.	Assets	Rs.
Own Capital	10,50,000	Building	5,00,000
Bank Loan	5,00,000	Furniture	5,00,000
Trade Creditors	2,50,000	Debtors	2,00,000
Unsecured Loan	2,00,000	Other Assets	8,00,000
	20,00,000		20,00,000

**Other Information:**

- i. No individual value of any asset is considered in the transfer deed.
- ii. Other assets include trademarks valuing Rs. 2,00,000 as on 01-04-2022 on which no depreciation has been provided.
- iii. Furniture of Rs. 1,50,000 purchased on 05-11-2022 on which no depreciation has been provided.
- iv. Unsecured loan includes Rs. 50,000 as advance received from his wife, which she has agreed to waive off.

Compute the capital gain for A.Y. 2023-24.

**(Answer – Rs. 28,77,500)**

23. Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2019 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 for Rs. 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2022. On such date, Stamp duty value of shopping mall was Rs. 4,14,00,000. Subsequently on 18.03.2023, she sold her 15% share in shopping mall to Mr. Ketav in consideration of Rs. 65,00,000.

She has also purchased a house on 09.05.2022 in consideration of Rs. 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of Rs. 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2022 and disbursement was made on 01.06.2022. She does not

own any other residential house on the date of sanction of loan. Principal amount of Rs. 1,30,000 was paid during the financial year 2022-23.

Cost Inflation Indices: 2022-23: 331, 2009-10: 148

Compute total income of Ms. Mishika for the assessment year 2023-24 assuming that she has not opted for the provisions under section 115BAC.

**(Answer – Rs. 19,99,010)**

## Income from other sources

1. Examine under which heads the following incomes are taxable:
  - (i) Rental income in case property held as stock-in-trade for 3 years
  - (ii) Salary received by a partner from his partnership firm
  - (iii) Rental income of machinery
  - (iv) Winnings from lotteries by a person having the same as business activity
  - (v) Salaries payable to a Member of Parliament
  - (vi) Receipts without consideration
  - (vii) In case of retirement, interest on employee's contribution if provident fund is unrecognized.
  - (viii) Rental income in case of a person engaged in the business of letting out of properties.
  
2. Examine whether the following are chargeable to tax and the amount liable to tax :
  - (i) A sum of Rs. 1,20,000 was received as gift from non-relatives by Raj on the occasion of the marriage of his son Pravin.
  - (ii) Interest on enhanced compensation of Rs. 96,000 received on 12-3-2023 for acquisition of urban land, of which 40% relates to P.Y. 2021-22.
  
3. On 10.10.2022, Mr. Govind (a bank employee) received Rs. 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2014-15. Out of this interest, Rs. 1,50,000 relates to the financial year 2015-16; Rs. 1,65,000 to the financial year 2016-17; and Rs. 1,85,000 to the financial year 2017-18. He incurred Rs. 50,000 by way of legal expenses to receive the interest on such enhanced compensation. How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2023-24?
  
4. The following details have been furnished by Mrs. Hemali pertaining to the year ended 31.3.2023:
  - (i) Cash gift of Rs. 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 25<sup>th</sup> wedding anniversary.
  - (ii) On the above occasion, a diamond necklace worth Rs. 2 lacs was presented by her sister living in Dubai.
  - (iii) When she celebrated her daughter's wedding on 21.2.2023, her friend assigned in Mrs. Hemali'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 Rs. 52,000.

Compute the income, if any, assessable as income from other sources.



5. Examine the following transactions in the context of Income-tax Act, 1961:
- Mr. B transferred 500 shares of R (P) Ltd. to M/s. B Co. (P) Ltd. on 10.10.2022 for Rs. 3,00,000 when the market price was Rs. 5,00,000. The indexed cost of acquisition of shares for Mr. B was computed at Rs. 4,45,000. The transfer was not subjected to securities transaction tax. Determine the income chargeable to tax in the hands of Mr. B and M/s. B Co. (P) Ltd. because of the above said transaction.
  - Mr. Chezian is employed in a company with taxable salary income of Rs. 5,00,000. He received a cash gift of Rs. 1,00,000 from Atma Charitable Trust (registered under section 12AB) in December 2022 for meeting his medical expenses. Is the cash gift so received from the trust chargeable to tax in the hands of Mr. Chezian?
6. Examine the applicability of section 56(2)(viib) in the following cases -

S. No.	Co.	No. of shares	Face value of shares (Rs.)	FMV of shares (Rs.)	Issue price of shares (Rs.)
1.	A (P) Ltd.	10,000	100	120	130
2.	B (P) Ltd.	20,000	100	120	110
3.	C (P) Ltd.	30,000	100	90	98
4.	D (P) Ltd.	40,000	100	90	110

7. Mr. A, a dealer in shares, received the following without consideration during the P.Y. 2022-23 from his friend Mr. B, -

- Cash gift of Rs. 75,000 on his anniversary, 15th April, 2022.
- Bullion, the fair market value of which was Rs. 60,000, on his birthday, 19th June, 2022.
- A plot of land at Faridabad on 1st July, 2022, the stamp value of which is Rs. 5 lakh on that date. Mr. B had purchased the land in April, 2009.

Mr. A purchased from his friend Mr. C, who is also a dealer in shares, 1000 shares of X Ltd. @ Rs. 400 each on 19th June, 2022, the fair market value of which was Rs. 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2022.

Further, on 1st November, 2022, Mr. A took possession of property (office building) booked by him two years back at Rs. 20 lakh. The stamp duty value of the property as on 1st November, 2022 was Rs. 32 lakh and on the date of booking was Rs. 23 lakh. He had paid Rs. 1 lakh by account payee cheque as down payment on the date of booking.

On 1st March, 2023, he sold the plot of land at Faridabad for Rs. 7 lakh.

Compute the income of Mr. A chargeable under the head "Income from other sources" for A.Y. 2023-24.

**(Answer – Rs. 9,35,000)**

8. 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) Akhil HUF received Rs. 75,000 in cash from niece of Akhil (i.e., daughter of Akhil's sister). Akhil is the Karta of the HUF.
  - (ii) Nitisha, 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 Rs. 9,00,000.
  - (iii) Mr. Akshat received 100 shares of A Ltd. from his friend as a gift on occasion of his 25<sup>th</sup> marriage anniversary. The fair market value on that date was Rs. 100 per share. He also received jewellery worth Rs. 45,000 (FMV) from his nephew on the same day.
  - (iv) Kishan HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is Rs. 5,25,000.
9. Mr. Hari, a property dealer, sold a building in the course of his business to his friend Rajesh, who is a dealer in automobile spare parts, for Rs. 90 lakh on 1.1.2023, when the stamp duty value was Rs. 150 lakh. The agreement was, however, entered into on 1.9.2022 when the stamp duty value was Rs. 140 lakh. Mr. Hari had received a down payment of Rs. 15 lakh by a crossed cheque from Rajesh on the date of agreement. Discuss the tax implications in the hands of Hari and Rajesh, assuming that Mr. Hari has purchased the building for Rs. 75 lakh on 12<sup>th</sup> July, 2021.
10. Interest on enhanced compensation received by Mr. G during the previous year 2022-23 is Rs. 5,00,000. Out of this interest, Rs. 1,50,000 relates to the previous year 2018-19, Rs. 1,65,000 relates to previous year 2019-20 and Rs. 1,85,000 relates to previous year 2020-21. Discuss the tax implication, if any, of such interest income for A.Y.2023-24.

## Clubbing of income

1. Mr. Raja gifted a sum of Rs. 8 lakhs to his brother's minor son on 14-5-2022. On the same date, his brother gifted debentures worth Rs. 10 lakhs to Mrs. Raja. Son of Mr. Raja's brother invested the amount in fixed deposit with SBI@ 9% p.a. interest and Mrs. Raja received interest of Rs. 81,000 on these debentures during the previous year 2022-23. Discuss the tax implications under the provisions of the Income-tax Act, 1961.
2. Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2022-23, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2023-24
  - (i) Dividend of Rs. 22,500 (gross) and Rs. 45,000 (gross) is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.
  - (ii) Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is Rs. 8,50,000 and Rs. 5,50,000, respectively.
  - (iii) Business income earned by Mr. Samrat from his sole proprietary business is Rs. 15,60,000
  - (iv) Interest on fixed deposit earned by Mrs. Komal of Rs. 9,00,000.
  - (v) Their son, Akash, aged 10 years having PAN, received interest of Rs. 54,000 (gross) from bank on a fixed deposit created by his grandfather in his name.
3. Determine the Gross total income of Shri Ram Kumar and Smt. Ram Kumar for the assessment year 2023-24 from the following :
  - (i) Salary received by Shri Ram Kumar from a company Rs. 1,80,000 per annum and Smt. Ram Kumar also doing job in a company and getting salary of Rs. 2,40,000 per annum.
  - (ii) Shri Ram Kumar transferred a flat to his wife Smt. Ram Kumar on 1st September, 2022 for adequate consideration. The rent received from this let-out flat is Rs. 9,000 per month.
  - (iii) Shri Ram Kumar and his wife Smt. Ram Kumar both are partners in a firm. Shri Ram Kumar received Rs. 36,000 and Smt. Ram Kumar received Rs. 64,000 as interest from the firm and also had a share of profit of Rs. 12,000 and Rs. 26,000 respectively.

- (iv) Smt. Ram Kumar transferred 10% debentures worth Rs. 3,00,000 to Shri Ram Kumar. The whole amount of Rs. 3,30,000 invested by Shri Ram Kumar in the similar investments and earned income of Rs. 39,000.
- (v) Mother of Shri Ram Kumar transferred a property to Master Rohit (son of Shri Ram Kumar) in the year 2021. Master Rohit (aged 13 years) received Rs. 15,000 as income from this property on 20th February, 2023.

**[Answer – Rs. 201045; Rs. 377055/ Rs. 3,72,555]**

4. Mr. Dharmesh who is 45 years old and his wife Mrs. Anandi who is 42 years old furnished the following information:

S. No.	Particulars	Rs.
(i)	Salary income (computed) of Mrs. Anandi	9,60,000
(ii)	Income of minor son "A" who suffers from disability specified in section 80U	3,08,000
(iii)	Income of minor daughter "C" from script writing for Television Serials	1,86,000
(iv)	Income from garment trading business of Mr. Dharmesh	17,50,000
(v)	Cash gift received by minor daughter "C" on 02-10-2022 from friend of Mrs. Anandi, on winning of a story writing competition	45,000
(vi)	Income of minor son "B" from scholarship received from his school	1,00,000
(vii)	Income of minor son "B" from fixed deposit with Punjab National Bank, made out of income earned from scholarship	5,000

Compute the total income of Mr. Dharmesh and his wife Mrs. Anandi for Assessment Year 2023-24 assuming that they have not opted to be taxed under section 115BAC.

**[Answer – Rs. 17,53,500; Rs. 9,60,000]**

6. Details of Income of Mr. R and his wife Mrs. R for the previous year 2022-23 are as under:
- (i) Mr. R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2022-23 the HUF earned an income of Rs. 50,000 from such property.

- (ii) Mr. R transferred Rs. 4,00,000 to his wife Mrs. R on 01.04.2008 without any consideration which was given as a loan by her to Mr. Girish. She earned Rs. 3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2022-23, she earned interest @ 11% per annum.
- (iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in such Company. During the financial year 2022-23 they have withdrawn a salary of Rs. 3,20,000 and 2,70,000 respectively.
- (iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2015 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2018. On 04.03.2023, Mr. R sold entire share holdings and earned Rs. 5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission Rs. 4,00,000 and Mrs. R has interest income of Rs. 3,30,000.

Compute Gross Total income of Mr. R and Mrs. R for the assessment year 2023-24.

**[Answer – Rs. 6,89,000; Rs. 11,83,500]**

7. During the previous year 2022-23, following transactions took place in respect of Mr. Raghav who is 56 years old.

- (i) Mr. Raghav owns two house properties in Mumbai. The details in respect of these properties are as under -

	House 1 Self-occupied	House 2 Let-out
Rent received per month	Not applicable	Rs. 60,000
Municipal taxes paid	Rs. 7,500	Nil
Interest on loan (taken for purchase of property)	Rs. 3,50,000	Rs. 5,00,000
Principal repayment of loan (taken from HDFC bank)	Rs. 2,00,000	Rs. 3,00,000

- (ii) Mr. Raghav had a house in Delhi. During financial year 2013-14, he had transferred the house to Ms. Vamika, daughter of his sister without any consideration. House would go back to Mr. Raghav after the life time of Ms. Vamika. The transfer was made with a condition that 10% of rental income from

such house shall be paid to Mrs. Raghav. Rent received by Ms. Vamika during the previous year 2022-23 from such house property is Rs. 5,50,000.

(iii) Mr. Raghav receives following income from M/s M Pvt. Ltd. during P.Y. 2022-23:

- Interest on Debentures of Rs. 7,50,000; and
- Salary of Rs. 3,75,000. He does not possess the adequate professional qualification commensurate with the salary received by him.

Shareholding of M/s M Pvt. Ltd. as on 31.3.2020 is as under -

	Equity shares	Preference shares
– Mr. Raghav	Nil	Nil
– Mrs. Raghav	2%	25%
– Mr. Jai Kishan (brother of Mrs. Raghav)	98%	75%

(iv) Mr. and Mrs. Raghav forms a partnership firm with equal share in profits. Mr. Raghav transferred a fixed deposit of Rs. 1 crore to such firm. Firm had no income or expense other than the interest of Rs. 9,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Raghav at the end of the year.

(v) Mr. Raghav holds preference shares in M/s K Pvt. Ltd. He instructed the company to pay dividends to Ms. Geetanshi, daughter of his servant. The transfer is irrevocable for the life time of Geetanshi. Dividend received by Ms. Geetanshi during the previous year 2019-20 is Rs. 13,00,000.

(vi) Other income of Mr. Raghav includes

- Interest from saving bank account of Rs. 2,00,000
- Cash gift of Rs. 75,000 received from daughter of his sister on his birthday.

Compute the total income of Mr. Raghav for the Assessment Year 2020-21.

**[Answer – Rs. 23,54,000]**

8. Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration. On 01-10-2022, HUF is partitioned and such property being divided equally. Net annual value of the property for the previous Year 2022-23 is Rs. 1,00,000. Determine the tax implications.

**[Answer – Rs. 52,500]**

9. Mr. Vatsan has transferred, through a duly registered document, the income arising from a godown to his son, without transferring the godown. In whose hands will the rental income from godown be charged?

**[Answer – Mr. Vatson]**

10. Mr. A holds shares carrying 25% voting power in X (P) Ltd. Mrs. A is working as a computer software programmer in X (P) Ltd. at a salary of Rs. 30,000 p.m. She is, however, not qualified for the job. The other income of Mr. A & Mrs. A are Rs. 7,00,000 & Rs. 4,00,000, respectively. Compute the gross total income of Mr. A and Mrs. A for the A.Y.2023-24, assuming that they do not opt for section 115BAC. Will your answer be different if Mrs. A was qualified for the job?

**[Answer – Rs. 10,10,000; Rs. 4,00,000 and Rs. 7,00,000; Rs. 7,10,000]**

11. Mr. B holds shares carrying 30% voting power in Y (P) Ltd. Mrs. B is working as accountant in Y (P) Ltd. getting income under the head salary (computed) of Rs. 3,44,000 without any qualification in accountancy. Mr. B also receives Rs. 30,000 as interest on securities. Mrs. B owns a house property which she has let out. Rent received from tenants is Rs. 6,000 p.m. Compute the gross total income of Mr. B and Mrs. B for the A.Y.2023-24.

**[Answer – Rs. 3,74,000; Rs. 50,400]**

12. Mr. Vaibhav started a proprietary business on 01.04.2021 with a capital of Rs. 5,00,000. He incurred a loss of Rs. 2,00,000 during the year 2021-22. To overcome the financial position, his wife Mrs. Vaishaly, a software Engineer, gave a gift of Rs. 5,00,000 on 01.04.2022, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of Rs. 4,00,000 during the year 2022-23. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the A.Y. 2023-24. If Mrs. Vaishaly gave the said amount as loan, what would be the amount to be clubbed?

**[Answer – Rs. 2,50,000; Rs. Nil]**

13. Mrs. Kasturi transferred her immovable property to ABC Co. Ltd. subject to a condition that out of the rental income, a sum of Rs. 36,000 per annum shall be utilized for the benefit of her son's wife. Mrs. Kasturi claims that the amount of Rs. 36,000 (utilized by her son's wife) should not be included in her

total income as she no longer owned the property. Examine with reasons whether the contention of Mrs. Kasturi is valid in law.

14. Mr. A has three minor children – two twin daughters, aged 12 years, and one son, aged 16 years. Income of the twin daughters is Rs. 2,000 p.a. each and that of the son is Rs. 1,200 p.a. Mrs. A has transferred her flat to her minor son on 1.4.2022 out of natural love and affection. The flat was let out on the same date and the rental income from the flat is Rs. 10,000 p.m. Compute the income, in respect of minor children, to be included in the hands of Mr. A and Mrs. A u/s 64(1A) (assuming that Mr. A's total income is higher than Mrs. A's total income, before including the income of minor children).

**[Answer – Rs. 1,000]**

15. Compute the gross total income of Mr. & Mrs. A from the following information:

	Particulars	Rs.
(a)	Salary income (computed) of Mrs. A	2,30,000
(b)	Income from profession of Mr. A	3,90,000
(c)	Income of minor son B from company deposit	15,000
(d)	Income of minor daughter C from special talent	32,000
(e)	Interest from bank received by C on deposit made out of her special talent	3,000
(f)	Gift received by C on 30.09.2022 from friend of Mrs. A	2,500

Brief working is sufficient. Detailed computation under various heads of income is not required.

**[Answer – Rs. 4,05,000; Rs. 2,30,000]**

16. Mr. Vasudevan gifted a sum of Rs. 6 lakhs to his brother's wife on 14-6-2022. On 12-7-2022, his brother gifted a sum of Rs. 5 lakhs to Mr. Vasudevan's wife. The gifted amounts were invested as fixed deposits in banks by Mrs. Vasudevan and wife of Mr. Vasudevan's brother on 01-8-2022 at 9% interest. Examine the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr. Vasudevan and his brother.



17. Mr. Sharma has four children consisting 2 daughters and 2 sons. The annual income of 2 daughters were Rs. 9,000 and Rs. 4,500 and of sons were Rs. 6,200 and Rs. 4,300, respectively. The daughter who has income of Rs. 4,500 was suffering from a disability specified under section 80U. Compute the amount of income earned by minor children to be clubbed in hands of Mr. Sharma.

**[Answer – Rs. 15,000]**

18. During the previous year 2022-23, the following transactions occurred in respect of Mr. A.

- (i) Mr. A had a fixed deposit of Rs. 5,00,000 in Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 1-4-2022 to 31-3-2023 to the savings bank account of Mr. B, son of his brother, to help him in his education.
- (ii) Mr. A holds 75% profit share in a partnership firm. Mrs. A received a commission of Rs. 25,000 from the firm for promoting the sales of the firm. Mrs. A possesses no technical or professional qualification.
- (iii) Mr. A gifted a flat to Mrs. A on April 1, 2022. During the previous year 2022- 23, Mrs. A's "Income from house property" (computed) was Rs. 52,000 from such flat.
- (iv) Mr. A gifted Rs. 2,00,000 to his minor son who invested the same in a business and he derived income of Rs. 20,000 from the investment.
- (v) Mr. A's minor son derived an income of Rs. 20,000 through a business activity involving application of his skill and talent.
- (vi) During the year, Mr. A got a monthly pension of Rs. 10,000. He had no other income. Mrs. A received salary of Rs. 20,000 per month from a part time job.

Examine the tax implications of each transaction and compute the total income of Mr. A, Mrs. A and their minor child assuming they do not wish to opt for section 115BAC.

**[Answer – Rs. 2,10,500; Rs. 1,90,000; Rs. 20,000]**

19. Mr. A has gifted a house property valued at Rs. 50 lakhs to his wife, Mrs. B, who in turn has gifted the same to Mrs. C, their daughter-in-law. The house was let out at Rs. 25,000 per month throughout the

year. Compute the total income of Mr. A and Mrs. C. Will your answer be different if the said property was gifted to his son, husband of Mrs. C?

20. A proprietary business was started by Smt. Rani in the year 2020. As on 1.4.2021 her capital in business was Rs. 3,00,000. Her husband gifted Rs. 2,00,000 on 10.4.2021 to her and such sum is invested by Smt. Rani in her business on the same date. Smt. Rani earned profits from her proprietary business for the Financial year 2021-22, Rs. 1,50,000 and Financial year 2022-23 Rs. 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for the Assessment year 2023-24 with reasons.

**[Answer – Rs. 1,20,000]**

21. Mr. B is the Karta of a HUF, whose members derive income as given below:

	<b>Particulars</b>	<b>Rs.</b>
(a)	Income from B' s profession	45,000
(b)	Mrs. B' s salary as fashion designer	76,000
(c)	Minor son D (interest on fixed deposits with a bank which were gifted to him by his uncle)	10,000
(d)	Minor daughter P's earnings from sports	95,000
(e)	D's winnings from lottery (gross)	1,95,000

Examine the tax implications in the hands of Mr. and Mrs. B.

**[Answer – Rs. 2,48,500; Rs. 26,000]**

## Set-off or carry forward and set-off of losses

1. Mr. Suresh is Lawyer by profession and his income from profession for the year 2022-23 is Rs. 10,00,000. From the information given by him, you are required to compute his total income for A.Y. 2023-24 and the losses to be carried forward assuming that he files his income tax returns every year before due date.

Particulars	Rs.
Income of minor son Raj from company deposit	1,60,000
Income of minor daughter Rashmi (professional dancer) from her dance performances	15,00,000
Interest from Canara bank received by Rashmi on deposit made out of income earned from her dance performances	15,000
Loss from house property (computed)	2,50,000
Short term capital loss	6,00,000
Long-term capital gain from equity shares under section 112A	1,20,000
Long term capital gain under section 112	3,00,000
Short term capital loss under section 111A	5,00,000

Assume that Mr. Suresh does not opt for the provisions of section 115BAC and his income before considering clubbing provisions is higher than that of his wife.

**[Answer – Rs. 9,72,000; HP – (Rs. 50,000); STCL – (Rs. 6,80,000)]**

2. Mr. Gaurav, a resident individual, furnishes the following particulars of his income and other details for the previous year 2022-23:

	Rs.
Income from Salary (computed)	22,00,000

Business loss before providing current year depreciation (Business discontinued on 31.5.2022)	1,00,000
Current year depreciation	50,000
Interest from Fixed Deposit	10,15,000
Interest on loan in respect of self-occupied property	2,35,000
Income from specified business (Not eligible for deduction under section 35AD)	20,000

Brought forward losses (Pertaining to A.Y. 2021-22)

Unabsorbed depreciation	45,000
Loss from specified business (eligible for deduction under section 35AD)	20,000

You are required to compute his gross total income for the A.Y. 2023-24 in such a way that his tax liability is minimised.

**[Answer – Rs. 28,20,000]**

3. Compute total income of Mr. Mihir for the assessment year 2023-24 from the following information furnished by him for the financial year 2022-23.

Particulars	Rs.
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	80,000
Loss from speculation business-X	90,000
Profit from speculation business-Y	80,000
Income from trading and manufacturing business @ 8%	5,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	1,10,000

Short term capital loss on sale of Jewellery	1,90,000
Investment in tax saver deposit on 31-03-2023	50,000
Brought forward loss of business of assessment year 2019-20	7,50,000
Donation to a charitable trust recognized under section 12AB and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2013	4,00,000

**[Answer – Rs. 5,19,000]**

4. Mr. Krishan, residing in Indore, provides the following information for the financial year 2022-23:

Particulars	Rs.
Income from textile business	4,60,000
Income from speculation business	25,000
Loss from gambling	12,000
Loss on maintenance of race horse	15,000
Current year depreciation of textile business not adjusted in the income given above.	5,000
Unabsorbed depreciation of assessment year 2021-22	10,000
Speculation business loss of assessment year 2022-23	30,000

Compute the Gross Total Income of Mr. Krishan for the Assessment year 2023-24 and also state the losses eligible for carry forward and period upto which such losses can be carried forward.

**[Answer – Rs. 4,45,000; (Rs. 20,000)]**

5. Mr. Prakash furnishes the following information for the financial year 2022-23.

Particulars	Rs.
Loss from speculation business-X	85,000

Profit from speculation business-Y	45,000
Interest on borrowings in respect of self-occupied house property	3,18,000
Income from let out house property	1,20,000
Presumptive Income from trading and manufacturing business under section 44AD	1,00,000
Salary from XYZ (P) Ltd.	5,25,000
Interest on PPF deposit	65,000
Long term capital gain on sale of Vacant site	1,25,000
Short term capital loss on sale of Jewellery	65,000
Investment in tax saver deposit on 31-03-23	60,000
Brought forward loss of business of assessment year 2017-18	1,00,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G (payment made via credit card)	60,000

Compute total income of Mr. Prakash for the assessment year 2023-24 also show the loss, eligible to be carried forward. Assume that he does not opt for section 115BAC.

**[Answer – Rs. 3,75,250; (Rs. 40,000)]**

6. Ms. Aarti, a resident individual, provides the following information of her income/losses for the year ended on 31st March, 2023:

S. No.	Particulars	(Rs.)
1.	Income from salary (Computed)	8,20,000
2.	Income from house property (let out) (Net Annual Value)	1,20,000
3.	Share of profit from firm in which she is partner	48,000
4.	Loss from specified business covered under section 35AD	67,000
5.	Income from textile business before adjusting the following	3,30,000

	items:	
	(a) Current year depreciation	53,000
	(b) Unabsorbed depreciation of earlier year	1,85,000
	(c) Brought forward loss of textile business of the A.Y. 2020-21	1,90,000
6.	Long-term capital gain on sale of debentures (unlisted)	1,50,000
7.	Long-term capital loss on sale of equity shares (STT not paid)	1,50,000
8.	Long-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid at the time of acquisition and sale)	2,50,000
9.	Dividend from units of UTI	1,15,000
10.	Repayment towards housing loan taken from a scheduled bank. Out of this Rs. 3,28,000 was towards payment of interest and rest towards principal.	4,85,000

Compute the Gross Total Income of Ms. Aarti and ascertain the amount of loss that can be carried forward. Ms. Aarti has always filed her return within the due date specified under section 139(1) of the Income-tax Act, 1961. She does not want to opt for 115BAC.

[Answer – Rs. 8,87,000; (Rs. 67,000); (Rs. 44,000)]

7. Mr. Rajesh, a resident individual, furnished the following information in respect of income and loss earned by him for the F.Y. 2022-23

Particulars	Amount (Rs.)
Income from Salary	3,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has been paid both at the time of acquisition and sale	(1,15,000)
Loss from let out property in Delhi	(75,000)

Interest on self-acquired property in Mumbai	(50,000)
Winnings from lottery tickets	40,000
Cost of acquisition of lottery tickets	10,000
Profit and gains from manufacturing business (after deducting normal depreciation of Rs. 10,000 and additional depreciation of Rs. 4,000)	96,000
Long term capital gains on sale of house property	1,40,000

The other details of brought forward losses and unabsorbed depreciation pertaining to A.Y. 2022-23 are as follow:

Brought forward business loss from manufacturing business	(35,000)
Unabsorbed normal depreciation	(10,000)
Brought forward loss from the activity of owning and maintaining the race horses	(50,000)

Compute the Gross total income of Mr. Rajesh for the Assessment Year 2023-24 and the amount of loss, if any, that can be carried forward if he has not opted for the provisions of section 115BAC.

**[Answer – Rs. 3,31,000; (Rs. 50,000)]**

8. Mr. Kabir, a resident individual aged 45 years, furnishes the following particulars of his income and other details for the previous year 2022-23:

Particulars	Amount (Rs.)
Income from tea business	5,00,000
Losses from sugar business	4,00,000
Dividend from Indian company carrying on agricultural operations (gross)	1,00,000
Agricultural income	55,000
Salary received as a partner from a partnership firm. The same was allowed to the firm.	4,50,000
Net annual value of house property	4,20,000



Loss from gambling	1,00,000
Short term capital gains on sale of land	75,000
Loss on sale of shares listed in BSE. Shares were held for 15 months and STT paid on sale and acquisition	3,00,000
Life insurance premium paid (10% of the capital sum assured)	80,000
Bank interest on Fixed deposit (gross)	55,000
Interest on saving bank account	13,000

The other details of brought forward losses pertaining to A.Y. 2022-23 are as follow:

Particulars	Amount (Rs.)
Brought forward business loss from sugar business	1,00,000
Brought forward short term capital loss	45,000
Brought forward loss from house property	3,00,000
Brought forward loss from maintenance of race horses	60,000

Compute the total income of Mr. Kabir for the Assessment Year 2023-24 and the amount of loss, if any, that can be carried forward, if he does not opt for section 115BAC.

**[Answer – Rs. 2,58,000; (Rs. 6,000); (Rs. 60,000); (Rs. 3,00,000)]**

9. Ms. Pooja a resident individual provides the following information of her income/losses for the year ended on 31st March, 2023:

S. No.	Particulars	(Rs. )
1.	Income from salary (Computed)	2,20,000
2.	Income from House Property (let out) (Net Annual Value)	1,50,000
3.	Share of loss from firm in which she is partner	10,000
4.	Loss from specified business covered under section 35AD	20,000
5.	Income from textile business before adjusting the following items:	3,00,000

	(a) Current year depreciation	60,000
	(b) Unabsorbed depreciation of earlier year	2,25,000
	(c) Brought forward loss of textile business of the A.Y. 2021-22	90,000
6.	Long-term capital gain on sale of debentures	75,000
7.	Long-term capital loss on sale of equity shares (STT not paid)	1,00,000
8.	Long-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid at the time of acquisition and sale)	1,50,000
9.	Dividend from shares of Indian company	5,000

During the previous year 2022-23, Ms. Pooja has repaid Rs. 5,25,000 towards housing loan from a scheduled bank. Out of this Rs. 3,16,000 was towards payment of interest and rest towards principal. Compute the gross total income of Ms. Pooja and ascertain the amount of loss that can be carried forward. Ms. Pooja has always filed her return within the due date specified under section 139(1) of the Income-tax Act, 1961.

**[Answer – Rs. 75,000; (Rs. 20,000); (Rs. 11,000)]**

10. Mr. X a resident individual submits the following information, relevant to the previous year ending March 31, 2023:

S. No.	Particulars	Amount (Rs.)
(i)	Income from Salary (Computed)	2,22,000
(ii)	Income from House Property	
	– House in Delhi	22,000
	– House in Chennai	(-) 2,60,000
	– House in Mumbai (self-occupied)	(-) 20,000
(iii)	Profit and gains from business or profession	18,000
	– Textile business	(-) 22,000
	– Cosmetics business	(-) 74,000
	– Speculative business- 1	46,000
	– Speculative business-2	

(iv)	Capital gains	
	– Short term capital loss from sale of property	(-) 16,000
	– Long term capital gains from sale of property	15,400
(v)	Income from other sources (Computed)	
	– Income from betting	34,000
	– Income from card games	46,000
	– Loss on maintenance of race horses	(-)14,600

Determine the gross total income of Mr. X for the assessment year 2023-24 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC.

**[Answer – Rs. 1,02,000; (Rs. 58,000); (Rs. 28,000); (Rs. 4,000); (Rs. 600); (Rs. 14,600)]**

11. Mr. Harsh furnishes the following details for the year ended on 31-03-2023:

PARTICULARS	AMOUNT (Rs.)
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2015-16	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2023-24.

**[Answer – Rs. 1,00,000; (Rs. 50,000); (Rs. 3,50,000); (Rs. 1,00,000)]**

12. Mr. A (aged 35 years) submits the following particulars pertaining to the A.Y.2023-24:

Particulars	Rs.
Income from salary (computed)	4,00,000
Loss from self-occupied property	(-)70,000
Loss from let-out property	(-) 1,50,000
Business loss	(-)1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. A for the A.Y.2023-24, assuming that he does not opt for the provisions of section 115BAC.

**[Answer – Rs. 2,00,000; (Rs. 20,000); (Rs. 20,000)]**

13. Mr. B, a resident individual, furnishes the following particulars for the P.Y.2022-23:

Particulars	Rs.
Income from salary (computed)	45,000
Income from house property	(24,000)
Income from non-speculative business	(22,000)
Income from speculative business	(4,000)
Short-term capital losses	(25,000)
Long-term capital gains taxable u/s 112	19,000

What is the total income chargeable to tax for the A.Y.2023-24, assuming that he does not opt for the provisions of section 115BAC?

**[Answer – Rs. 21,000; (Rs. 22,000); (Rs. 4,000); (Rs. 6,000)]**

14. During the P.Y. 2022-23, Mr. C has the following income and the brought forward losses:

Particulars	Rs.
Short term capital gains on sale of shares	1,50,000

Long term capital loss of A.Y.2021-22	(96,000)
Short term capital loss of A.Y.2022-23	(37,000)
Long term capital gain u/s 112	75,000

What is the capital gain taxable in the hands of Mr. C for the A.Y.2023-24?

**[Answer – Rs. 1,13,000; (Rs. 21,000)]**

15. Mr. D has the following income for the P.Y.2022-23:

Particulars	Rs.
Income from the activity of owning and maintaining the race horses	75,000
Income from textile business	85,000
Brought forward textile business loss (relating to A.Y. 2022-23)	50,000
Brought forward loss from the activity of owning and maintaining the race horses (relating to A.Y.2020-21)	96,000

What is the total income in the hands of Mr. D for the A.Y. 2023-24?

**[Answer – Rs. 35,000; (Rs. 21,000)]**

16. Mr. E has furnished his details for the A.Y.2023-24 as under:

Particulars	Rs.
Income from salaries (computed)	1,50,000
Income from speculation business	60,000
Loss from non-speculation business	(40,000)
Short term capital gain	80,000
Long term capital loss of A.Y.2021-22	(30,000)
Winning from lotteries (Gross)	20,000

What is the taxable income of Mr. E for the A.Y.2023-24?

**[Answer – Rs. 2,70,000; (Rs. 30,000)]**

17. Compute the gross total income of Mr. F for the A.Y. 2023-24 from the information given below –

Particulars	Rs.
Income from house property (computed)	1,25,000
Income from business (before providing for depreciation)	1,35,000
Short term capital gains on sale of unlisted shares	56,000
Long term capital loss from sale of property (brought forward from A.Y. 2022-23)	(90,000)
Income from tea business	1,20,000
Dividends from Indian companies carrying on agricultural operations (Gross)	80,000
Current year depreciation	26,000
Brought forward business loss (loss incurred six years ago)	(45,000)

[Answer – Rs. 3,73,000; (Rs. 90,000)]

18. Mr. Soohan submits the following details of his income for the assessment year 2023-24:

Particulars	Rs.
Income from salary (computed)	3,00,000
Loss from let out house property	(-) 40,000
Income from sugar business	50,000
Loss from iron ore business b/f (discontinued in P.Y. 2017-18)	(-) 1,20,000
Short term capital loss	(-) 60,000
Long term capital gain	40,000
Dividend	5,000
Income received from lottery winning (Gross)	50,000

Winnings from card games (Gross)	6,000
Agricultural income	20,000
Short-term capital loss under section 111A	(-) 10,000
Bank interest on Fixed deposit	5,000

Calculate gross total income and losses to be carried forward, assuming that he does not opt for the provisions of section 115BAC.

**[Answer – Rs. 3,26,000; (Rs. 70,000); (Rs. 30,000)]**

19. Mr. Batra furnishes the following details for year ended 31.03.2023:

Particulars	Rs.
Short term capital gain	1,40,000
Loss from speculative business	60,000
Long term capital gain on sale of land	30,000
Long term capital loss on sale of unlisted shares	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000
Income from salary (computed)	1,00,000
Loss from house property	40,000

Following are the brought forward losses:

- (i) Losses from activity of owning and maintaining race horses-pertaining to A.Y.2020-21 Rs. 25,000.
- (ii) Brought forward loss from business of textile Rs. 60,000 - Loss pertains to A.Y. 2015-16.

Compute gross total income of Mr. Batra for the Assessment Year 2023-24, assuming that he does not opt for the provisions of section 115BAC. Also determine the losses eligible for carry forward to the Assessment Year 2024-25.

**[Answer – Rs. 2,00,000; (Rs. 60,000); (Rs. 70,000); (Rs. 10,000)]**

20. Mr. Aditya furnishes the following details for the year ended 31-03-2023:

Particulars	Amount (Rs.)
Loss from speculative business A	25,000
Income from speculative business B	5,000
Loss from specified business covered under section 35AD	20,000
Income from salary (computed)	3,00,000
Loss from let out house property	2,50,000
Income from trading business	45,000
Long-term capital gain from sale of urban land	2,00,000
Long-term capital loss on sale of shares (STT not paid)	75,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,02,000

Following are the brought forward losses:

- (i) Losses from owning and maintaining of race horses pertaining to A.Y. 2021-22 Rs. 2,000.
- (ii) Brought forward loss from trading business Rs. 5,000 relating to A.Y.2018-19.

Compute the total income of Mr. Aditya and show the items eligible for carry forward, assuming that he does not opt for the provisions of section 115BAC.

**[Answer – Rs. 1,63,000; (Rs. 50,000); (Rs. 20,000); (Rs. 20,000); (Rs. 2,000)]**

21. Mr. Garg, a resident individual, furnishes the following particulars of his income and other details for the previous year 2022-23.

	Particulars	Rs.
(1)	Income from Salary (computed)	15,000
(2)	Income from business	66,000
(3)	Long term capital gain on sale of land	10,800



(4)	Loss on maintenance of race horses	15,000
(5)	Loss from gambling	9,100

The other details of unabsorbed depreciation and brought forward losses pertaining to Assessment Year 2022-23 are as follows:

	Particulars	Rs.
(1)	Unabsorbed depreciation	11,000
(2)	Loss from Speculative business	22,000
(3)	Short term capital loss	9,800

Compute the Gross total income of Mr. Garg for the Assessment Year 2023-24 and the amount of loss, if any that can be carried forward or not.

**[Answer – Rs. 71,000; (Rs. 22,000); (Rs. 15,000)]**

22. The following are the details relating to Mr. Srivatsan, a resident Indian, aged 57, relating to the year ended 31.3.2023:

Particulars	Rs.
Income from salaries (computed)	2,20,000
Loss from house property	1,90,000
Loss from cloth business	2,40,000
Income from speculation business	30,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	45,000

Compute the total income and show the items eligible for carry forward, assuming that he does not opt for the provisions of section 115BAC.

[Answer – Rs. 85,000; (Rs. 20,000)]

23. Mr. Rajat submits the following information for the financial year ending 31st March, 2023. He desires that you should:

- (i) Compute the total income and
- (ii) Ascertain the amount of losses that can be carried forward.

Particulars		Rs.
(i)	He has two houses:	
	(a) House No. I – Income after all statutory deductions	72,000
	(b) House No. II – Current year loss	(30,000)
(ii)	He has three proprietary businesses:	
	(a) Textile Business:	
	(i) Discontinued from 31st October, 2022 – Current year loss	40,000
	(ii) Brought forward business loss of A.Y.2018-19	95,000
	(b) Chemical Business:	
	(i) Discontinued from 1st March, 2020 – hence no profit/loss	Nil
	(ii) Bad debts allowed in earlier years recovered during this year	35,000
	(iii) Brought forward business loss of A.Y. 2019-20	50,000
	(c) Leather Business: Profit for the current year	1,00,000
	(d) Share of profit in a firm in which he is partner since 2008	16,550
(iii)	(a) Short-term capital gain	60,000

	(b)	Long-term capital loss	35,000
(iv)		Contribution to LIC towards premium	10,000

[Answer – Rs. 92,000; (Rs. 50,000); (Rs. 35,000)]

24. Ms. Geeta, a resident individual, provides the following details of her income / losses for the year ended 31.3.2023:

- (i) Salary received as a partner from a partnership firm Rs. 7,50,000. The same was allowed to the firm.
- (ii) Loss on sale of shares listed in BSE Rs. 3,00,000. Shares were held for 15 months and STT paid on sale and acquisition.
- (iii) Long-term capital gain on sale of land Rs. 5,00,000.
- (iv) Rs. 51,000 received in cash from friends in party.
- (v) Rs. 55,000, received towards dividend on listed equity shares of domestic companies.
- (vi) Brought forward business loss of assessment year 2021-22 Rs. 12,50,000.

Compute gross total income of Ms. Geeta for the Assessment Year 2023-24 and ascertain the amount of loss that can be carried forward.

[Answer – Rs. 3,06,000; (Rs. 5,00,000)]

25. Mr. P, a resident individual, furnishes the following particulars of his income and other details for the previous year 2022-23:

Sl. No.	Particulars	Rs.
(i)	Income from salary (computed)	18,000
(ii)	Net annual value of house property	70,000
(iii)	Income from business	80,000
(iv)	Income from speculative business	12,000
(v)	Long term capital gain on sale of land	15,800
(vi)	Loss on maintenance of race horse	9,000
(vii)	Loss on gambling	8,000

Depreciation allowable under the Income-tax Act, 1961, comes to Rs. 8,000, for which no treatment is given above.

The other details of unabsorbed depreciation and brought forward losses (pertaining to A.Y. 2022-23) are:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Rs.</b>
(i)	Unabsorbed depreciation	9,000
(ii)	Loss from speculative business	16,000
(iii)	Short term capital loss	7,800

Compute the gross total income of Mr. P for the Assessment year 2023-24, and the amount of loss that can or cannot be carried forward.

**[Answer – Rs. 1,38,000; (Rs. 4,000); (Rs. 9,000)]**

## Deductions

1. In August 2021, Mr. Kunal, a first-time home buyer, borrowed a sum of Rs. 40 lakhs from the National Housing Bank for acquisition of a residential house for self-occupation. The stamp duty value of the house is Rs. 43 lakhs. The loan was sanctioned on 17.6.2021. The loan amount was disbursed directly to the builder by the bank. The repayments made towards principal and interest during the P.Y. 2022-23 was Rs. 2 lakhs and Rs. 2.80 lakhs, respectively.

In the light of the above facts, determine the deduction, if any, available to Mr. Kunal during the A.Y. 2023-24 in respect of the repayment of loan and interest.

**[Answer – Rs. 1,50,000; Rs. 80,000]**

2. Mr. Raj Kumar (aged 65 years) is retired from a Public Sector Undertaking. He resides in Delhi. He provides you the following particulars of his income and certain payments/investments for the previous year 2023-24:

- Pension income of Rs. 8,50,000
- Interest from fixed deposits with SBI of Rs. 3,35,000 (Gross)
- Life insurance premium paid by cheque Rs. 27,500 for insurance of his life. The insurance policy was taken on 10-07-2017 and the sum assured is Rs. 2,40,000.
- Premium of Rs. 37,500 paid by cheque for health insurance of self and his wife, who is also a senior citizen.
- Rs. 3,000 paid in cash for his health check-up and Rs. 4,500 paid through cheque for preventive health check-up of his father aged 90 years.
- Paid interest of Rs. 8,500 on loan taken from bank for MBA course pursued by his son.
- A sum of Rs. 1,20,000 donated by cheque to an institution approved for the purpose of section 80G for promoting family planning.
- Rs. 10,000 contributed towards PM CARES Fund by cheque.

Compute the total income of Mr. Raj Kumar for the assessment year 2023-24, assuming he does not opt for section 115BAC.

**[Answer – Rs. 8,99,000]**

3. Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

- a) For grant of deduction under section 80JAA, filing of audit report in prescribed form is must for a corporate assessee; filing of return within the due date laid down in section 139(1) is not required.
- b) Filing of belated return under section 139(4) of the Income-tax Act, 1961 will debar an assessee from claiming deduction under section 80QQB.

[Answer – Not correct; Correct]

4. Compute the eligible deduction under section 80C for A.Y.2023-24 in respect of life insurance premium paid by Mr. Ganesh during the P.Y.2022-23, the details of which are given hereunder –

	Date of issue of policy	Person insured	Actual capital sum assured (Rs.)	Insurance premium paid during 2022- 23(Rs.)
(i)	30/3/2012	Self	6,00,000	48,000
(ii)	1/5/2017	Spouse	1,50,000	20,000
(iii)	1/6/2020	Handicapped son (section 80U disability)	4,00,000	80,000

[Answer – Rs. 1,23,000]

5. An individual assessee, resident in India, has made the following deposit/payment during the previous year 2022-23:

Particulars	Rs.
Contribution to the public provident fund	1,50,000
Insurance premium paid on the life of the spouse (policy taken on 1.4.2017) (Assured value Rs. 2,00,000)	25,000

What is the deduction allowable under section 80C for A.Y.2023-24?

[Answer – Rs. 1,50,000]

6. The basic salary of Mr. A is Rs. 1,00,000 p.m. He is entitled to dearness allowance, which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr. A and his employer, ABC Ltd., contribute 15% of basic salary to the pension scheme referred to in section 80CCD. Explain the tax treatment in respect of such contribution in the hands of Mr. A.
7. The gross total income of Mr. X for the A.Y.2023-24 is Rs. 8,00,000. He has made the following investments/payments during the F.Y.2022-23 –

Particulars		Rs.
(1)	Contribution to PPF	1,10,000
(2)	Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
(3)	Repayment of housing loan taken from Standard Chartered Bank	25,000
(4)	Contribution to approved pension fund of LIC	1,05,000

Compute the eligible deduction under Chapter VI-A for the A.Y.2023-24.

**[Answer – Rs. 1,50,000]**

8. Mr. A, aged 40 years, paid medical insurance premium of Rs. 20,000 during the P.Y. 2022-23 to insure his health as well as the health of his spouse. He also paid medical insurance premium of Rs. 47,000 during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed Rs. 3,600 to Central Government Health Scheme during the year. He has incurred Rs. 3,000 in cash on preventive health check-up of himself and his spouse and Rs. 4,000 by cheque on preventive health check-up of his father. Compute the deduction allowable under section 80D for the A.Y. 2023-24.

**[Answer – Rs. 75,000]**

9. Mr. Y, aged 40 years, paid medical insurance premium of Rs. 22,000 during the P.Y. 2022-23 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of Rs. 33,000 during the year to insure the health of his mother, aged 67 years, who is not

dependent on him. He incurred medical expenditure of Rs. 20,000 on his father, aged 71 years, who is not covered under mediclaim policy. His father is also not dependent upon him. He contributed Rs. 6,000 to Central Government Health Scheme during the year. Compute the deduction allowable under section 80D for the A.Y. 2023-24.

**[Answer – Rs. 75,000]**

10. Mr. X is a resident individual. He deposits a sum of Rs. 50,000 with Life Insurance Corporation every year for the maintenance of his disabled grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted. Compute the amount of deduction available under section 80DD for the A.Y. 2023-24. What will be the deduction if Mr. X had made this deposit for his dependant father?

**[Answer – Rs. Nil; Rs. 75,000/ Rs. 1,25,000]**

11. Mr. B has taken three education loans on April 1, 2022, the details of which are given below

	Loan 1	Loan 2	Loan 3
For whose education loan was taken	B	Son of B	Daughter of B
Purpose of loan	MBA	B. Sc.	B.A.
Amount of loan (Rs.)	5,00,000	2,00,000	4,00,000
Annual repayment of loan (Rs.)	1,00,000	40,000	80,000
Annual repayment of interest (Rs.)	20,000	10,000	18,000

Compute the amount deductible under section 80E for the A.Y.2023-24.

**[Answer – Rs. 48,000]**

12. Mr. A purchased a residential house property for self-occupation at a cost of Rs. 45 lakh on 1.4.2017, in respect of which he took a housing loan of Rs. 35 lakh from Bank of India @ 11% p.a. on the same date. The loan was sanctioned on 28th March, 2017. Compute the eligible deduction in respect of interest on housing loan for A.Y.2023-24 under the provisions of the Income-tax Act, 1961, assuming that the entire loan was outstanding as on 31.3.2023 and he does not own any other house property.



[Answer – Rs. 2,00,000; Rs. 50,000]

13. The following are the particulars relating to Mr. A, Mr. B, Mr. C and Mr. D, salaried individuals, for A.Y. 2023-24 –

Particulars	Mr. A	Mr. B	Mr. C	Mr. D
Amount of loan taken	Rs. 43 lakhs	Rs. 45 lakhs	Rs. 20 lakhs	Rs. 15 lakhs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public sector bank
Date of sanction of loan	1.4.2021	1.4.2020	1.4.2020	30.3.2019
Date of disbursement of loan	1.5.2021	1.5.2020	1.5.2020	1.5.2019
Purpose of loan	Acquisition of residential house property for self-occupation	Acquisition of residential house property for self-occupation	Purchase of electric vehicle for personal use	Purchase of electric vehicle for personal use
Stamp duty value of house property	Rs. 45 lakhs	Rs. 48 lakhs	-	-
Cost of electric vehicle	-	-	Rs. 22 lakhs	Rs. 18 lakhs
Rate of interest	9% p.a.	9% p.a.	10% p.a.	10% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y.2023-24 in the hands of Mr. A, Mr. B, Mr. C and Mr. D. Assume that there has been no principal repayment in respect of any of the above loans upto 31.3.2023.

[Answer – Rs. 2,00,000 + Rs. 1,50,000; Rs. 2,00,000; Rs. 1,50,000; Rs. Nil]

14. Mr. Shiva aged 58 years, has gross total income of Rs. 7,75,000 comprising of income from salary and house property. He has made the following payments and investments:

- (i) Premium paid to insure the life of her major daughter (policy taken on 1.4.2018) (Assured value Rs. 1,80,000) – Rs. 20,000.
- (ii) Medical Insurance premium for self – Rs. 12,000; Spouse – Rs. 14,000.
- (iii) Donation to a public charitable institution Rs. 50,000 by way of cheque.
- (iv) LIC Pension Fund – Rs. 60,000.
- (v) Donation to National Children’s Fund - Rs. 25,000 by way of cheque
- (vi) Donation to Jawaharlal Nehru Memorial Fund - Rs. 25,000 by way of cheque
- (vii) Donation to approved institution for promotion of family planning - Rs. 40,000 by way of cheque
- (viii) Deposit in PPF – Rs. 1,00,000

Compute the total income of Mr. Shiva for A.Y. 2023-24.

**[Answer – Rs. 5,12,500]**

15. Mr. Ganesh, a businessman, whose total income (before allowing deduction under section 80GG) for A.Y.2023-24 is Rs. 4,60,000, paid house rent at Rs. 12,000 p.m. in respect of residential accommodation occupied by him at Mumbai. Compute the deduction allowable to him under section 80GG for A.Y.2023-24.

**[Answer – Rs. 60,000]**

16. During the P.Y. 2022-23, ABC Ltd., an Indian company, contributed a sum of Rs. 2 lakh to an electoral trust; and incurred expenditure of Rs. 25,000 on advertisement in a brochure of a political party. Is the company eligible for deduction in respect of such contribution/expenditure, assuming that the contribution was made by cheque? If so, what is the quantum of deduction?

**[Answer – Rs. 2,25,000]**

17. Mr. A has commenced the business of manufacture of computers on 1.4.2022. He employed 350 new employees during the P.Y. 2022-23, the details of whom are as follows –

	No. of employees	Date of employment	Regular/Casual	Total monthly emoluments per employee (Rs.)
(i)	75	1.4.2022	Regular	24,000
(ii)	125	1.5.2022	Regular	26,000

(iii)	50	1.8.2022	Casual	24,500
(iv)	100	1.9.2022	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Compute the deduction, if any, available to Mr. A for A.Y. 2023- 24, if the profits and gains derived from manufacture of computers that year is Rs. 75 lakhs and his total turnover is Rs. 10.16 crores.

What would be your answer if Mr. A has commenced the business of manufacture of footwear on 1.4.2022?

**[Answer – Rs. 64,80,000/ Rs. 1,15,20,000]**

18. Mr. Aakash received royalty of Rs. 2,88,000 from a foreign country for a book authored by him, being a work of literary nature. The rate of royalty is 18% of value of books. The expenditure incurred by him for earning this royalty was Rs. 40,000. The amount remitted to India till 30th September, 2022 is Rs. 2,30,000. The remaining amount was not remitted till 31st March, 2023. Compute the amount includible in the gross total income of Mr. Aakash and the amount of deduction which he will be eligible for under section 80QQB.

**[Answer – Rs. 1,90,000]**

19. Mr. A, a resident individual aged 61 years, has earned business income (computed) of Rs. 1,35,000, lottery income of Rs. 1,20,000 (gross) during the P.Y. 2022-23. He also has interest on Fixed Deposit of Rs. 30,000 with banks. He invested an amount of Rs. 1,50,000 in Public Provident Fund account. What is the total income of Mr. A for the A.Y. 2023-24, assuming that he does not opt for section 115BAC?

**[Answer – Rs. 1,20,000]**

20. Mr. Gurnam, aged 42 years, has salary income (computed) of Rs. 5,50,000 for the previous year ended 31.03.2023. He has earned interest of Rs. 14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr. Gurnam for the assessment year 2023-24 from the following particulars, assuming that he does not opt for section 115BAC:

- (i) Life insurance premium paid to Birla Sunlife Insurance in cash amounting to Rs. 25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2019 and the sum assured on life of his dependent parents is Rs. 2,00,000.

- (ii) Life insurance premium of Rs. 25,500 paid for the insurance of life of his major son who is not dependent on him. The sum assured on life of his son is Rs. 3,50,000 and the life insurance policy was taken on 30.3.2012.
- (iii) Life insurance premium paid by cheque of Rs. 22,500 for insurance of his life. The insurance policy was taken on 08.09.2018 and the sum assured is Rs. 2,00,000.
- (iv) Premium of Rs. 26,000 paid by cheque for health insurance of self and his wife.
- (v) Rs. 1,500 paid in cash for his health check-up and Rs. 4,500 paid in cheque for preventive health check-up for his parents, who are senior citizens.
- (vi) Paid interest of Rs. 6,500 on loan taken from bank for MBA course pursued by his daughter.
- (vii) A sum of Rs. 5,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

**[Answer – Rs. 4,73,000]**

21. Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

- (i) During the financial year 2022-23, Mr. Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr. Amit will get the deduction under section 80E.
- (ii) Subscription to notified bonds of NABARD would qualify for deduction under section 80C.
- (iii) In order to be eligible to claim deduction under section 80C, investment/ contribution/ subscription etc. in eligible or approved modes, should be made from out of income chargeable to tax.
- (iv) Where an individual repays a sum of Rs. 30,000 towards principal and Rs. 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is Rs. 44,000.
- (v) Mrs. Sheila, widow of Mr. Satish (who was an employee of M/s. XYZ Ltd.), received Rs. 7 lakhs on 1.5.2022, being amount standing to the credit of Mr. Satish in his NPS Account, in respect of which deduction has been allowed under section 80CCD to Mr. Satish in the earlier previous years. Such amount received by her as a nominee on closure of the account is deemed to be her income for A.Y.2023-24.
- (vi) Mr. Vishal, a Central Government employee, contributed Rs. 50,000 towards Tier II account of NPS. The same would be eligible for deduction under section 80CCD.

**[Answer – Yes; Yes; No; No; No; No]**

22. Examine the allowability of the following:

- (i) Rajan has to pay to a hospital for treatment Rs. 62,000 and spent nothing for life insurance or for maintenance of dependent disabled.
- (ii) Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited Rs. 25,000 with LIC for maintenance of dependant disabled.
- (iii) Rajan has incurred Rs. 20,000 for treatment and Rs. 25,000 was deposited with LIC for maintenance of dependant disabled.
- (iv) Payment of Rs. 50,000 by cheque to an electoral trust by an Indian company.

**[Answer – Rs. 75,000/ Rs. 1,25,000; Rs. 75,000/ Rs. 1,25,000; Rs. 75,000/ Rs. 1,25,000; Rs. 50,000]**

23. For the Assessment year 2023-24, the Gross total income of Mr. Chaturvedi, a resident in India, was Rs. 8,18,240 which includes long-term capital gain of Rs. 2,45,000 taxable under section 112 and Short-term capital gain of Rs. 58,000. The Gross total income also includes interest income of Rs. 12,000 from savings bank deposits with banks and Rs. 40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF Rs. 1,20,000 and also paid a medical insurance premium Rs. 51,000. Mr. Chaturvedi also contributed Rs. 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Chaturvedi, who is 70 years old as on 31.3.2023. Ignore the provisions of section 115BAC.

**[Answer – Rs. 5,80,580; Rs. 52,810]**

24. Mr. Rajmohan whose gross total income was Rs. 6,40,000 for the financial year 2022-23, furnishes you the following information:

- (i) Stamp duty paid on acquisition of residential house (self-occupied) - Rs. 50,000.
- (ii) Five year post office time deposit -Rs. 20,000.
- (iii) Donation to a recognized charitable trust Rs. 25,000 which is eligible for deduction under section 80G at the applicable rate.
- (iv) Interest on loan taken for higher education of spouse paid during the year - Rs. 10,000.

Compute the total income of Mr. Rajmohan for the Assessment year 2023-24, assuming that he has not opted for section 115BAC.

**[Answer – Rs. 5,47,500]**

25. Compute the eligible deduction under Chapter VI-A for the A.Y. 2023-24 of Ms. Roma, aged 40 years, who has a gross total income of Rs. 15,00,000 for the A.Y. 2023-24 and provides the following information about her investments/payments during the P.Y. 2022-23:

Sl. No.	Particulars	Amount (Rs. )
1.	Life Insurance premium paid (Policy taken on 31-03-2012 and sum assured is Rs. 4,40,000)	35,000
2.	Public Provident Fund contribution	1,50,000
3.	Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000
4.	Payment to L.I.C. Pension Fund	1,40,000
5.	Mediclaime Policy taken for self, wife and dependent children, premium paid by cheque	30,000
6.	Medical Insurance premium paid by cheque for parents (Senior Citizens)	52,000

**[Answer – Rs. 2,25,000]**

## Tax collection at source

1. Mr. Subhash engaged in the business of trading of electrical appliances. His turnover for F.Y. 2021-22 and F.Y. 2022-23 was Rs. 12 crore and 9.5 crore, respectively. During the previous year, XYZ Ltd. placed order for purchase of electric appliances for Rs. 55 lakhs on 01.08.2022. He again placed order for Rs. 35 lakhs on 01.11.2022. Mr. Subhash delivered both the orders within 15 days of receipt of orders. Discuss, whether Mr. Subhash is required to collect tax at source, on the consideration received from XYZ Ltd.
2. State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2022 and charged Rs. 8 crores for the lease. ABC Co. Ltd. sold coal for Rs. 2 crores to Mahapower Ltd., another Indian company, during the previous year 2022-23. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2021-22 amounted to Rs. 11 crores and Rs. 12 crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any?
3. Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the Assessment year 2023-24.
  - i. Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of Rs. 5 lakhs on 01-11-2022 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.
  - ii. Mr. Anu doing business of textile as a proprietor. His turnover in the business is Rs. 11 crores in the previous year 2021-22. He received payment against sale of textile goods from Mr. Ram of Rs. 75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu nor he deducted any tax at source).
4. Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the Assessment year 2023-24.

- i. Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of Rs. 5 lakhs on 01-11-2022 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.
- ii. Mr. Anu doing business of textile as a proprietor. His turnover in the business is Rs. 11 crores in the previous year 2021-22. He received payment against sale of textile goods from Mr. Ram of Rs. 75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu nor he deducted any tax at source).

**[Answer – Rs. 25,000; Rs. 2,500]**



## Tax deduction at source

1. Examine TDS implications in case of following transactions, briefly explaining provisions involved assuming that all the payees are residents; state the rate and amount to be deducted, in case TDS is required to be deducted
  - i. Mrinal & Sons, a LLP withdrew from its bank account Rs. 40 lakhs by cash on 1.5.2022, Rs. 35 lakhs on 7.9.2022 and Rs. 55 lakhs on 28.2.2023. The purpose of withdrawal from bank was for buying agricultural produce, from farmers/ agriculturist, being raw material required for manufacture of finished products by it. Mrinal & Sons regularly files its return of income before the due date.
  - ii. Mr. Mukesh, aged 75 years, holds 6½ Gold Bonds, 1977 of Rs. 2,50,000 and 7% Gold Bonds of Rs. 3,50,000. He received interest on these bonds on 31.1.2023.

**[Answer - Rs. 60,000; Rs. 4,075]**

2. Briefly discuss the provisions of tax deducted at source under the Income-tax Act in respect of the following payments:
  - i. Mr. Kamlesh (a resident individual aged 65 years) has maintained two fixed deposits in two different branches of ABC Bank of India (working on core banking solution). During the year 2022-23, the bank paid Rs. 32,000 and Rs. 17,000 as interest on these fixed deposits.
  - ii. Mr. Avinash, a pensioner, pays Rs. 55,00,000 during F.Y. 2022-23 to Mr. Raju, for contract payment for reconstruction of his residential house.

**[Answer - Nil; Rs. 2,75,000]**

3. Briefly discuss the provisions of tax deducted at source and compute the amount of TDS under the Income-tax Act in respect of the following payments:
  - i. Rs. 51,000 paid to Mr. A, a resident individual as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company.
  - ii. Ms. Asha deposited Rs. 35,00,000 @ 10% p.a. on 1.7.2022 with ABC Co-operative bank limited.
  - iii. Mr. Naresh won Rs. 15,00,000 in Kon Banega Crorepati
  - iv. Mr. Avinash deposited Rs. 2,00,000 @ 11% p.a. on 1.5.2022 for half year with Hike Investment LLP.

**[Answer – Rs. 5,100; Rs. 35,000; Rs. 4,50,000; Rs. 1,100]**

4. State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2022-23 under the Income-tax Act, 1961. Assume that all payments are made to residents:

- i. Sahil, a resident Indian individual, not deriving any income from business or profession makes payments of Rs. 10 lakh in January, 2023, Rs. 25 lakh in February, 2023 and Rs. 25 lakh in March, 2023 to Madan, a contractor for reconstruction of his residential house.
- ii. XYZ Ltd. makes the payment of Rs. 2,00,000 to Ramesh, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN.

**[Answer – Rs. 3,00,000; Rs. 40,000]**

5. An amount of Rs. 50,000 was paid to Mr. Rakesh on 1.9.2022 towards fees for professional services without deduction of tax at source. Subsequently, another payment of Rs. 60,000 was due to Mr. Rakesh on 31.1.2023, from which tax @ 10% (amounting to Rs. 11,000) on the entire amount of Rs. 1,10,000 was deducted. However, this tax of Rs. 11,000 was deposited only on 22.7.2023. Compute the interest chargeable under section 201(1A).

**[Answer – Rs. 1,240]**

6. Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

- i. Mr. Kunal received a sum of Rs. 10,20,000 on 28.02.2023 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
- ii. Indian Bank sanctioned and disbursed a loan of Rs. 12 crores to B Ltd. on 31-12-2022. B Ltd. paid a sum of Rs. 1,20,000 as service fee to Indian Bank for processing the loan application.
- iii. Mr. Agam, working in a private company, is on deputation for 5 months (from October, 2022 to February, 2023) at Mumbai where he pays a monthly house rent of Rs. 32,000 for those five months, totalling to Rs. 1,60,000. Rent is paid by him on the first day of the relevant month.

**[Answer – Nil; Nil; Nil]**

7. Mr. Subhash engaged in the business of trading of electrical appliances. His turnover for F.Y. 2021-22 and F.Y. 2022-23 was Rs. 12 crore and 9.5 crore, respectively. During the previous year, XYZ Ltd. placed order for purchase of electric appliances for Rs. 55 lakhs on 01.08.2022. He again placed order for Rs. 35 lakhs on 01.11.2022. Mr. Subhash delivered both the orders within 15 days of receipt of orders. Discuss, whether Mr. Subhash is required to collect tax at source, on the consideration received from XYZ Ltd.

**[Answer – Rs. 4,000]**

8. State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2022 and charged Rs. 8 crores for the lease. ABC Co. Ltd. sold coal for Rs. 2 crores to Mahapower Ltd., another Indian company, during the previous year 2022-23. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2021-22 amounted to Rs. 11 crores and Rs. 12

crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any?

**[Answer – Rs. 16,00,000; Rs. 15,000]**

9. State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2022-23 under the Income- tax Act, 1961. Assume that all payments are made to residents :

- i. Sanjay, a resident Indian individual, not deriving any income from business or profession makes payments of Rs. 12 lakh in January, 2023, Rs. 20 lakh in February, 2023 and Rs. 20 lakh in March, 2023 to Mohan, a contractor for reconstruction of his residential house.
- ii. ABC Ltd. makes the payment of Rs. 1,50,000 to Ramlal, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN.
- iii. Smt. Sarita paid Rs. 5,000 on 17<sup>th</sup> April, 2022 to Smt. Deepa from the deposits in National Savings Scheme account.

**[Answer – Rs. 2,60,000; Rs. 30,000; Rs. 500]**

10. Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS and amount required to be deducted at source as applicable in each case. Assume that all payments are made to residents.

	Particulars of the payer	Nature of payment	Aggregate payments made
(A)	Mr. Kale, receiving pension from Central Government	Contractual payment made during April 2022 for reconstruction of his residential house in Arunachal Pradesh	52,50,000
(B)	Mr. Rahul, a wholesale trader of spices whose turnover was Rs. 5 crores F.Y.2021-22	Contract payment for construction of office godown during January to March 2023 to Mr. Akhilesh, an individual	50,00,000
(C)	Mr. Golu, an individual carrying garment trading business with turnover of Rs. 95 lakhs in F.Y. 2021-2022	Payment of commission to Mr. Vinay for securing a contract from a big business house in November 2022	1,20,000
(D)	XYZ Urban Co-operative bank	Payment by way of cash withdrawal, by ABC & Co. a partnership firm, amounting Rs. 1.2 crores during Financial Year 2022-23. ABC & Co. has filed its tax returns for the last 3 financial years with in time.	1,20,00,000

**[Answer – Rs. 2,62,500; Rs. 50,000; Rs. Nil; Rs. 40,000]**

11. State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2022-23 under Income-tax Act, 1961. Assume that all payments are made to residents:

- i. Mr. Mahesh has paid Rs. 6,00,000 on 15.10.2022 to M/s Fresh Cold Storage Pvt. Ltd. for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of Rs. 3 Crores during the previous year 2021-22.
- ii. Mr. Ramu, a salaried individual, has paid rent of Rs. 60,000 per month to Mr. Shiv Kumar from 1<sup>st</sup> July, 2022 to 31<sup>st</sup> March, 2023. Mr. Shiv Kumar has not furnished his Permanent Account Number.

**[Answer – Rs. 12,000; Rs. 60,000]**

12. Examine TDS/TCS implications in case of following transactions, briefly explaining provisions involved assuming that all the payees are residents; state the rate and amount to be deducted, in case TDS/TCS is required to be deducted/collected.

- i. On 1.5.2022, Mr. Brijesh made three fixed deposits of nine months each of Rs. 3 lakh each, carrying interest @ 9% p.a. with Mumbai Branch, Delhi Branch and Chandigarh Branch of CBZ Bank, a bank which had adopted CBS. These Fixed Deposits mature on 31.01.2023.
- ii. Mr. Marwah, aged 80 years, holds 6½% Gold Bonds, 1977 of Rs. 2,00,000 and 7% Gold Bonds 1980 of Rs. 3,00,000. He received yearly interest on these bonds on 28.02.2023.
- iii. M/s AG Pvt. Ltd. took a loan of Rs. 50,00,000 from Mr. Haridas. It credited interest of Rs. 79,000 payable to Mr. Haridas during the previous year 2022-23. M/s AG Pvt. Ltd. is not liable for tax audit during previous years 2021-22 and 2022-23.
- iv. Mr. Prabhakar is due to receive Rs. 6 lakh on 31.3.2023 towards maturity proceeds of LIC policy taken on 1.4.2019, for which the sum assured is Rs. 5 lakhs and the annual premium is Rs. 1,40,000.

**[Answer – Rs. 6,075; Rs. 3,400; Rs. 7,900; Rs. 2,000]**

13. Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2023-24.

- i. XY a partnership firm is selling its product 'R' through the E-commerce Platform provided by AB Ltd. (E-commerce Operator). AB Ltd., credited in its books of account, the account of XY on 28<sup>th</sup> February, 2023 by sum of Rs. 4,90,000 for the sale of product R, made during the month February, 2023. Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of Rs. 60,000 directly to XY on 21<sup>st</sup> February, 2023.

- ii. ABC Ltd is a producer of natural gas. During the year it sold natural gas worth Rs. 26,50,000 to M/s Deep Co., a partnership firm. It also incurred Rs. 1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.
- iii. ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2022-23 as under:

BILL NO.	DATE	AMOUNT Rs.
1	30-04-2022	27,000
57	30-06-2022	25,000
105	30-09-2022	28,000
151	30-12-2022	32,000

[Answer – Rs. 5,500; Rs. Nil/ Rs. 3,400; Rs. 7,900; Rs. 2,240]

14. Examine the TDS implications under section 194A in the cases mentioned hereunder–

- i. On 1.10.2022, Mr. Harish made a six-month fixed deposit of Rs. 10 lakh @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2023.
- ii. On 1.6.2022, Mr. Ganesh made three nine months fixed deposits of Rs. 3 lakh each, carrying interest @ 9% p.a. with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2023.
- iii. On 1.10.2022, Mr. Rajesh started a six months recurring deposit of Rs. 2,00,000 per month @ 8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2023.

[Answer - Rs. 4,500; Rs. 6,075; Nil]

15. ABC Ltd. makes the following payments to Mr. X, a contractor, for contract work during the P.Y. 2022-23

–

- Rs. 20,000 on 1.5.2022
- Rs. 25,000 on 1.8.2022
- Rs. 28,000 on 1.12.2022
- On 1.3.2023, a payment of Rs. 30,000 is due to Mr. X on account of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to Mr. X.

[Answer - Rs. 1,030]

16. Calculate the amount of tax to be deducted at source (TDS) on payment made to Ricky Ponting, an Australian cricketer non-resident in India, by a newspaper for contribution of articles Rs. 25,000.

[Answer - Rs. 5,200]

17. Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of Rs. 60 lakh and Rs. 15 lakh, respectively, to Mr. Y on 1.8.2022. He has purchased the house property and the land in the year 2021 for Rs. 40 lakh and Rs. 10 lakh, respectively. The stamp duty value on the date of transfer, i.e., 1.8.2022, is Rs. 85 lakh and Rs. 20 lakh for the house property and rural agricultural land, respectively. Examine the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

[Answer - Rs. 85,000]

18. Mr. X, a salaried individual, pays rent of Rs. 55,000 per month to Mr. Y from June, 2022. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.

Would your answer change if Mr. X vacated the premises on 31st December, 2022? Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?

[Answer - Rs. 27,500; Rs. 19,250; Rs. 55,000; Rs. 55,000]

19. XYZ Ltd. makes a payment of Rs. 28,000 to Mr. Ganesh on 2.8.2022 towards fees for professional services and another payment of Rs. 25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions under section 194J are attracted.

[Answer - Rs. Nil]

20. Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS applicable in each case. Assume that all payments are made to residents.

	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y.2022-23
1	Mr. Ganesh, an individual carrying on retail business with turnover of Rs. 2.5 crores in the P.Y.2021-22	Contract Payment for repair of residential house	Rs. 5 lakhs
		Payment of commission to Mr. Vallish for business purposes	Rs. 80,000
2.	Mr. Rajesh, a wholesale trader whose turnover was Rs. 95 lakhs in P.Y. 2021-22.	Contract Payment for reconstruction of residential house (made during the period January-March, 2023)	Rs. 20 lakhs in January, 2023, Rs. 15 lakhs in Feb 2023 and Rs. 20 lakhs in March 2023.
3.	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house in March, 2023	Rs. 52 lakhs

4.	Mr. Dheeraj, a pensioner	Contract payment made during October-November 2022 for reconstruction of residential house	Rs. 48 lakhs
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[Answer - Rs. Nil; Rs. 4,000; Rs. 2,75,000; Rs. 2,60,000; Rs. Nil]

21. Mr. Sharma, a resident Indian aged 77 years, gets pension of Rs. 52,000 per month from the UP State Government. The same is credited to his savings account in SBI, Lucknow Branch. In addition, he gets interest @ 8% p.a. on fixed deposit of Rs. 20 lakh with the said bank. Out of the deposit of Rs. 20 lakh, Rs. 2 lakh represents five year term deposit made by him on 1.4.2022. Interest on savings bank credited to his SBI savings account for the P.Y.2022-23 is Rs. 9,500.

- 1) From the above facts, compute the total income and tax liability of Mr. Sharma for the A.Y. 2023-24, assuming that he has not opted for section 115BAC.
- 2) What would be the amount of tax deductible at source by SBI, assuming that the same is a specified bank? Is Mr. Sharma required to file his return of income for A.Y.2023-24, if tax deductible at source has been fully deducted? Examine.
- 3) Is Mr. Sharma required to file his return of income for A.Y. 2023-24, if the fixed deposit of Rs. 20 lakh was with Canara Bank instead of SBI, other facts remaining the same?

[Answer - Rs. 19,450]

22. Mr. Gupta, a resident Indian, is in retail business and his turnover for F.Y.2021-22 was Rs. 12 crores. He regularly purchases goods from another resident, Mr. Agarwal, a wholesaler, and the aggregate payments during the F.Y.2022-23 was Rs. 95 lakh (Rs. 20 lakh on 1.6.2022, Rs. 25 lakh on 12.8.2022, Rs. 22 lakh on 23.11.2022 and Rs. 28 lakh on 25.3.2023). Assume that the said amounts were credited to Mr. Agarwal's account in the books of Mr. Gupta on the same date. Mr. Agarwal's turnover for F.Y.2021-22 was Rs. 15 crores.

- 1) Based on the above facts, examine the TDS/TCS implications, if any, under the Income-tax Act, 1961.
- 2) Would your answer be different if Mr. Gupta's turnover for F.Y.2021-22 was Rs. 8 crores, all other facts remaining the same?
- 3) Would your answer to (1) and (2) change, if PAN has not been furnished by the buyer or seller, as required?

[Answer - Rs. 1,700 + Rs. 2,800; Rs. 1,700 + Rs. 2,800; Rs. 17,00 + Rs. 2,800; Rs. 85,000 + Rs. 1,40,000; Rs. 17,000 + Rs. 28,000]

23. An amount of Rs. 40,000 was paid to Mr. X on 1.7.2022 towards fees for professional services without deduction of tax at source. Subsequently, another payment of Rs. 50,000 was due to Mr. X on 28.2.2023,

from which tax @ 10% (amounting to Rs. 9,000) on the entire amount of Rs. 90,000 was deducted. However, this tax of Rs. 9,000 was deposited only on 22.6.2023. Compute the interest chargeable under section 201(1A).

[Answer - Rs. 860]

24. Ashwin doing manufacture and wholesale trade furnishes you the following information:

Total turnover for the financial year

Particulars	Rs.
2021-22	1,05,00,000
2022-23	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2022-23:

Particulars	Rs.
Interest paid to UCO Bank on 15.8.2022	41,000
Contract payment to Raj (2 contracts of Rs. 12,000 each) on 12.12.2022	24,000
Shop rent paid (one payee) on 21.1.2023	2,50,000
Commission paid to Balu on 15.3.2023	7,000

[Answer - Nil; Nil; Rs. 25,000; Nil]

25. Compute the amount of tax deduction at source on the following payments made by M/s S Ltd. during the financial year 2022-23 as per the provisions of the Income-tax Act, 1961.

S. No.	Date	Nature of Payment
(i)	1-10-2022	Payment of Rs. 2,00,000 to Mr. R, a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect alongwith his PAN.
(ii)	1-11-2022	Payment of fee for technical services of Rs. 25,000 and Royalty of Rs. 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2022	Payment of Rs. 25,000 to M/s X Ltd. for repair of building.
(iv)	01-01-2023	Payment of Rs. 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd or its associates.



(v)	01-01-2023	Payment of Rs. 2,30,000 made to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
(vi)	01-02-2023	Payment of commission of Rs. 14,000 to Mr. Y.

[Answer - Nil; Nil; Nil; Nil; Nil; Nil]

26. Examine the applicability of TDS provisions and TDS amount in the following cases:

- a) Rent paid for hire of machinery by B Ltd. to Mr. Raman Rs. 2,60,000 on 27.9.2022.
- b) Fee paid on 1.12.2022 to Dr. Srivatsan by Sundar (HUF) Rs. 35,000 for surgery performed on a member of the family.
- c) ABC and Co. Ltd. paid Rs. 19,000 to one of its Directors as sitting fees on 01-01-2023.

[Answer – Rs. 5,200; Nil; Rs. 1,900]

27. Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2022-23:

- a) Payment of Rs. 27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02-07-2022 for contribution of articles in relation to the sport of cricket.
- b) Payment made by a company to Mr. Ram, sub-contractor, Rs. 3,00,000 with outstanding balance of Rs. 1,20,000 shown in the books as on 31-03-2023.
- c) Winning from horse race Rs. 1,50,000 paid to Mr. Shyam, an Indian resident.
- d) Rs. 2,00,000 paid to Mr. A, a resident individual, on 22-02-2023 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

[Answer – Rs. 5,616; Rs. 4,200; Rs. 45,000; Nil]

## Return of income

1. Paras aged 55 years is a resident of India. During the F.Y. 2022-23, interest of Rs. 2,88,000 was credited to his Non-resident (External) Account with SBI. Rs. 30,000, being interest on fixed deposit with SBI, was credited to his saving bank account during this period. He also earned Rs. 3,000 as interest on this saving account. Is Paras required to file return of income?

What will be your answer, if he has incurred Rs. 3 lakhs as travel expenditure of self and spouse to US to stay with his married daughter for some time?

**(Answer – No, Yes)**

2. Explain with brief reasons whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:
- (i) Belated return filed under section 139(4).
  - (ii) Return already revised once under section 139(5).
  - (iii) Return of loss filed under section 139(3).

3. State with reasons whether you agree or disagree with the following statements:

- a) Return of income of Limited Liability Partnership (LLP) could be verified by any partner.
- b) Time limit for filing return under section 139(1) in the case of Mr. A having total turnover of Rs. 160 lakhs (Rs. 100 lakhs received in cash) for the year ended 31.03.2023 whether or not opting to offer presumptive income under section 44AD, is 31st October, 2023.

**(Answer – Disagree; Disagree)**

4. Mr. Vineet submits his return of income on 12-09-2023 for A.Y 2023-24 consisting of income under the head “Salaries”, “Income from house property” and bank interest. On 21-12-2023, he realized that he had not claimed deduction under section 80TTA in respect of his interest income on the Savings Bank Account. He wants to revise his return of income. Can he do so? Examine. Would your answer be different if he discovered this omission on 21-03-2024?

**(Answer – Yes; No)**

5. Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (i) The Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.
- (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.

**(Answer – Yes; No)**

6. Explain the term “return of loss” under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required?

**(Answer – Loss from house property and unabsorbed depreciation)**

7. Mr. Aakash has undertaken certain transactions during the F.Y.2022-23, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –

S.No.	Transaction
1.	Payment of life insurance premium of Rs. 45,000 in the F.Y.2022-23 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of Rs. 1,00,000 to a five-star hotel for stay for 5 days with family, out of which Rs. 60,000 was paid in cash
3.	Payment of Rs. 80,000 by ECS through bank account for acquiring the debentures of A Ltd., an Indian company
4.	Payment of Rs. 95,000 by account payee cheque to Thomas Cook for travel to Dubai for 3 days to visit relatives
5.	Applied to SBI for issue of credit card.

**(Answer – No; Yes; Yes; No; Yes)**

8. Mr. Prince, a senior citizen, has reported a Total Income Rs. 1,90,000. He has claimed exemption of Rs. 50,000 under section 54EC in respect of long term capital gain on sale of house property and deductions under Chapter VI-A amounting to Rs. 1,50,000 for the previous year 2022-23. Is he liable to file his return of income under section 139(1) for the Assessment year 2023-24? If so why?

**(Answer –Yes)**

9. Mr. Rakesh has submitted his income-tax return containing certain losses/deductions in respect of the P.Y. 2022-23 on 22.10.2023. The due date for filing the return for Mr. Rajesh was 31<sup>st</sup> July, 2023 under section 139(1). You are required to examine with reference to the relevant provisions of Income-tax Act, 1961 whether the following losses/deductions can be carried forward/claimed in subsequent years by Mr. Rakesh.

(i) Loss from the business carried on by him as a proprietor: Rs. 10,80,000 (computed)

(ii) Unabsorbed Depreciation: Rs. 2,00,000 (computed)

(iii) Loss from House property: Rs. 2,50,000 (computed)

**(Answer – Not allowed; Allowed; Allowed)**

10. What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default?

11. Enumerate the cases where a return of loss has to be filed on or before the due date specified u/s 139(1) for carry forward of the losses. Also enumerate the cases where losses can be carried forward even though the return of loss has not been filed on or before the due date.

12. State any three conditions when a person is required to furnish Income-tax return in the prescribed form & manner on or before the due date even if such person (other than a company or a firm) is not otherwise required to furnish a return u/s 139(1).

13. Can Mr. Raghuram file his return for the A.Y. 2023-24 belatedly u/s 139(4) in the previous year 2024-25, if he has failed to file said return on or before the due date of filing return of income for the A.Y. 2023-24, due to inadvertent reasons? Also, specify the consequences of non-filing of return within the due date under section 139(1).

**(Answer – No)**

14. Mrs. Shivani is a US Citizen. She got married to Mr. Sriram, an Indian citizen and resident of India, in the year 2015. Since then, she has been staying in India. She has a Bank account in US. She sold a residential house in US and earned a long term capital gain of Rs. 2 lakhs. She invested the whole sales

consideration in Capital Gain bonds under section 54EC so that no long term capital gain is taxable. She does not have any source of income in India during the P.Y. 2022-23. Is she required to furnish her return of income? If yes, can she furnish a belated return?

**(Answer – Yes)**

15. Mr. Vikas, a resident in India aged 80 years, is having a house property in Mumbai. He has let out the house property to ABC Ltd. for a rent of Rs. 50,000 per month from 1.4.2022. He does not have any other source of income. Is Mr. Vikas required to file his return of income for A.Y. 2023-24. If yes, why?

**(Answer – Yes)**

16. Mr. Mukesh born on 1.4.1963 furnished his original return for Assessment Year 2023-24 on 30.07.2023. He has shown salary income of Rs. 7.30 lakhs (computed) and interest from his savings bank of Rs. 12,700 and from his fixed deposits of Rs. 43,000. He also claimed deduction under section 80C of Rs. 1.50 lakhs. He had claimed deduction u/s 80D of Rs. 25,000. He also claimed deduction u/s 80TTA of Rs. 10,000. His employer had deducted TDS of Rs. 33,950 from his salary, which he adjusted fully against tax payable.

He paid health insurance premium of Rs. 38,000 by account payee cheque for self and wife. He paid Rs. 1,500 in cash for his health check-up and Rs. 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of Rs. 33,000 during the year to insure the health of his mother, aged 80 years, staying with his younger brother. He further incurred medical expenditure of Rs. 25,000 on his father, aged 81 years, who is staying with him. His father is not covered under any mediclaim policy.

He seeks your advice about possibility of revising his return and if possible file his revised return. Analyse the above narrated facts as per applicable provisions of the Income-tax Act, 1961. Does he need to revise his return and for what reasons? Please advise him suitably and if needed, re-compute his income and tax payable or refund due for the Assessment Year 2023-24.

**(Answer – Rs. 6,00,700; Rs. 4,96,200)**

17. In the following cases relating to P.Y.2022-23, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the

basic exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2023-24 in each of the following independent situations:

- (i) Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of Rs. 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable.
- (ii) Mrs. Archana was born in Germany and married in India. Her residential status under section 6(6) of the Income-tax Act, 1961 is 'resident and ordinarily resident'. She owns a car in Germany which she uses for her personal purposes during her visit to her parents' place in that country.
- (iii) Sudhakar has incurred an expenditure of Rs. 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels.

**(Answer – Yes; No/ Yes; Yes)**

18. Mr. Hari aged 57 years is a resident of India. He provides you the following details of his incomes pertaining to F.Y. 2022-23.

- Interest on Non-Resident (External) Account maintained with State Bank of India as per RBI stipulations - Rs. 3,55,000
- Interest on savings bank account maintained with State Bank of India - Rs. 8,000
- Interest on Fixed Deposits with Punjab National Bank - Rs. 40,000

He seeks your advice on his liability to file return of income as per Income-tax Act, 1961 for the Assessment Year 2023-24.

What will be your answer, if he has incurred Rs. 4 lakhs on travel expenses of his newly married son and daughter in law's honeymoon in Canada?

**(Answer – No; Yes)**

19. Explain with brief reasons, whether the return of income can be revised under Section 139(5) of the Income-tax Act, 1961 in the following cases:

- (i) Belated return filed under Section 139(4)
- (ii) Return already revised twice under Section 139(5)
- (iii) Return of loss filed under Section 139(3)

**(Answer – Yes; Yes; Yes)**

20. Due to some inconsistent information provided in the return of income furnished under Section 139(1), the Assessing Officer considers it defective under Section 139(9) of the Income-tax Act, 1961.

- (i) How, the Assessing Officer would deal with the issue?
- (ii) What are the consequences if defect is not rectified within the time allowed?
- (iii) Specify the remedies available if not rectified within time allowed by the Assessing Officer?