

TAXBOOK⁺

Working steps of solutions

B27 to End

Computation of Total Income & Tax Payable

Build Your Confidence (BYC)

B27. CA2010(M) (modified) – Mr. Dinesh Karthik, a resident individual aged 45, furnishes the following information.....

Computation of total income of Mr. Dinesh for AY 2022-23

Particulars	Rs.	Rs.	Rs.
Income from house property			
Arrears of rent u/s 25A taxable even if Mr. Dinesh is no more the owner of property		75,000	
Less: Deduction @ 30%		(22,500)	
			52,500
Profits and gains of business or profession			
From Badrinath & Co.:			
Interest on capital: Taxable at 12% (assuming allowed to firm) = Rs. 3,06,250 × (12/15)	2,45,000		
Salary as working partner: Taxable assuming allowed to firm	90,000	3,35,000	
From wheat flour business:			
Net profit as per profit and loss account		4,32,000	
Add: Expenses debited but not allowed			
• Advance tax	70,000		
• Depreciation as per books	4,25,000		
• Bonus not paid: Disallowed u/s 43B, since not paid till due date to file ROI u/s 139(1) of 31.7.2022. He is partner in a firm whose sales is Rs. 90 lakh (his salary of Rs. 90,000 is 1% of sales). Since this is ≤ 1 crore, firm is not liable to tax audit u/s 44AB. Assuming he is also not liable to tax audit, due date of ROI for him is 31 July.	33,000		
• Car expenses for personal use: 1/5 th	10,000	5,38,000	
Less: Items credited but not taxable or not taxable as business income			
• Interest on Bank FD	45,000		
• Agricultural income: Exempt u/s 10(1)	60,000		
• Pension from LIC Jeevandhara	24,000	(1,29,000)	
Less: Depreciation (Note)		(2,74,750)	
			9,01,250
Income from other sources			
Interest on Bank FD (gross of TDS of Rs. 5,000)		50,000	
Pension from LIC Jeevandhara		24,000	
			74,000
Gross total income			10,27,750
Less: Deduction under Chapter VIA			
Section 80C: Life insurance premium for major son: Allowed up to 20% of sum assured		30,000	
Section 80CCC: Contribution to LIC pension Fund		70,000	
Section 80D: Medical insurance premium for father		22,000	
			(1,22,000)
Total income			9,05,750

Note: Computation of depreciation

Particulars	Car	Machinery
Opening WDV	1,50,000	6,50,000
Add: Actual cost of assets acquired during the PY		

• Machinery purchased (put to use \geq 180 days)		3,25,000
• Machinery purchased (put to use $<$ 180 days)		3,00,000
WDV of Block (as on 31.3.2022) for depreciation	1,50,000	12,75,000
Normal depreciation		
• Car @ 30% less $1/5^{\text{th}}$ for personal use	36,000	
• Machinery = 50% of 15% of Rs. 3,00,000 + 15% of remaining Rs. 9,75,000		1,68,750
Additional depreciation (since asset acquired and installed after 31.3.2005 and assessee engaged in business or manufacture or production):		
• 20% of Rs. 2,00,000 (put to use \geq 180 days) + 10% of Rs. 3,00,000 (put to use $<$ 180 days). Not allowed on old machinery purchased.		70,000
Total depreciation Rs. 2,74,750	36,000	2,38,750

Computation of tax liability of Mr. Dinesh for AY 2022-23

Particulars	Rs.
Agricultural income	60,000
Non-agricultural income (total income)	9,05,750
Is agricultural income $>$ Rs. 5,000 and total income $>$ Rs.2,50,000?	Yes
Tax on AI + TI, i.e., on Rs. 9,65,750	1,05,650
Less: Tax on AI + 2,50,000, i.e., Rs. 3,10,000	(3,000)
Tax on total income	1,02,650
HEC @ 4%	4,106
Tax liability	1,06,756
Less: TDS on bank interest	(5,000)
Less: Advance tax	(70,000)
Tax payable	31,756
Tax payable (rounded off)	31,760

B24. CA2009(N) – From the following details, compute the total income of Siddhant of Delhi, aged 41 years, and tax....

Computation of total income of Siddhant for AY 2022-23 (under regular provisions)

Particulars	Rs.	Rs.	Rs.
Income from salaries			
Salary including dearness allowance		3,13,400	
Bonus		11,000	
Value of perquisites:			
• Salary of servant provided by employer		12,000	
• Free gas, electricity, water		11,000	
• Car (assuming it is up to 1,600 cc) @ Rs. 1,800 p.m.		21,600	
Gross salary		3,69,000	
Less: Standard deduction u/s 16(ia)		(50,000)	
			3,19,000
Income from house property			
Gross annual value: Rent taken in absence of information regarding expected rent = Rs. 3,500 \times 12		42,000	
Less: Municipal taxes paid		(4,300)	
Net annual value		37,700	
Less: Deduction u/s 24			
• Standard deduction @ 30% of NAV		(11,310)	
• Interest on borrowed capital @ 15% of Rs. 1,60,000 (assuming entire loan is outstanding on 31.3.2022)		(24,000)	
			2,390
Profits and gains of business or profession			
Income from share speculation business		2,700	
Less: Loss from cotton speculation business set off u/s 73. Balance of Rs. 1,500 carried forward u/s 73.		(2,700)	
			-

Income from other sources		
Interest earned by wife out of amount gifted: Clubbed u/s 64(1)(iv) = 19% of Rs. 30,000		5,700
Interest earned by minor son out of amount gifted: Clubbed u/s 64(1A) = 19% of Rs. 20,000	3,800	
Less: Exemption u/s 10(32)	(1,500)	2,300
Gift of money from six friends: Taxable u/s 56(2)(x) since aggregate > Rs. 50,000		1,20,000
National award from Central Government: Assumed exempt u/s 10(17A)		-
		1,28,000
Gross total income		4,49,390
Less: Deduction under Chapter VIA		
Section 80C: Investment in PPF and notified bonds of NABARD		50,000
Section 80GG (assuming he satisfies all the conditions of that section)		9,611
Adjusted Total Income = GTI Rs. 4,49,390 – 80C Rs. 50,000 = Rs. 3,99,390		
Deduction = Lower of (a) Rs. 60,000, (b) Rs. 9,661 (Rent paid Rs. 49,600 – 10% of ATI Rs. 39,939), (c) Rs. 99,848 (25% of ATI)		
		(59,611)
Total income		3,89,779
Total income (rounded off)		3,89,780

Computation of total income of Siddhant for AY 2022-23 (under section 115BAC)

Particulars	Rs.
Total income as per regular provisions	3,89,779
Add: Allowance and deductions not allowed u/s 115BAC:	
• Standard deduction u/s 16(ia)	50,000
• Exemption for minor child u/s 10(32)	1,500
• Deductions under Chapter VIA	59,611
Total income u/s 115BAC	5,00,890

Computation of tax liability of Siddhant for AY 2022-23

Particulars	Regular rates	115BAC rates
Total income	3,89,780	5,00,890
Tax on total income	6,989	12,589
Less: Rebate u/s 87A (where total income ≤ 5 lakh)	(6,989)	-
	Nil	12,589
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	Nil	12,589
Add: HEC @ 4%	Nil	504
Tax liability	Nil	13,093
Tax liability (rounded off)	Nil	13,090
Siddhant should not opt for section 115BAC (he should also note the restrictive conditions of opting in/out of section 115BAC since he has income from business/profession). Tax payable will be Nil		

B29. From the following details, compute the total income and tax liability of Ram and Shyam, citizens of India, for AY.....

Computation of total income of Ram and Shyam for AY 2022-23 (under regular provisions)

Particulars	Ram (resident)	Shyam (NR)
Income from salaries		
Pension	72,000	-
Less: Standard deduction u/s 16(ia)	(50,000)	-
	22,000	-
Income from house property		
Annual value: Rent taken in absence of information for expected rent	60,000	60,000
Less: Standard deduction u/s 24(a) @ 30%	(18,000)	(18,000)
	42,000	42,000
Capital gains		
Long term capital gain on sale of vacant land situated in Mumbai	1,00,000	1,00,000
Short term capital gain on sale of units of equity oriented fund (STT paid on sale)	1,50,000	1,50,000

		2,50,000		2,50,000
Income from other sources				
Interest on fixed deposits with ICICI Bank in India		2,00,000		60,000
Gross total income		5,14,000		3,52,000
Less: Deduction under Chapter VIA				
Section 80C: Deposit in PPF and life insurance premium	80,000		1,30,000	
Section 80G: Donation to Clean Ganga Kosh: Available only to resident	10,000		-	
Section 80TTB: Interest on fixed deposits: Available only to resident senior citizen: Upto 50,000.	50,000		-	
	1,40,000		1,30,000	
Allowed to the extent of gross total income (excluding short term capital gain u/s 111A and long term capital gain u/s 112)		1,40,000		1,02,000
Total income		3,74,000		2,50,000

Computation of total income of Ram and Shyam for AY 2022-23 (under section 115BAC)

Particulars	Ram (resident)	Shyam (non resident)
Total income as per regular provisions	3,74,000	2,50,000
Add: Allowance and deductions not allowed u/s 115BAC:		
• Standard deduction u/s 16(ia)	50,000	-
• Deductions under Chapter VIA	1,40,000	1,02,000
Total income u/s 115BAC	5,64,000	3,52,000

Computation of tax liability of Ram for AY 2022-23

Particulars	Regular rates	115BAC rates
Total income	3,74,000	5,64,000
Tax on total income		
• Unexhausted basic exemption limit (UBEL) = Basic exemption limit (Rs. 3 lakh under normal provisions / Rs. 2.5 lakh u/s 115BAC) – normal income, i.e., excluding capital gain (Rs. 1,24,000 / Rs. 3,14,000)	1,76,000	-
• Tax on LTCG u/s 112 @ 20% on Nil (Rs. 1,00,000 – UBEL of Rs.1,00,000) / @ 20% on Rs. 1,00,000. Better to first exhaust UBEL against LTCG u/s 112 since it is taxable at rate higher than STCG u/s 111A.	-	20,000
• Tax on STCG u/s 111A @ 15% on Rs. 74,000 (Rs. 1,50,000 – Rs. 76,000 balance UBEL) / @ 15% on Rs. 1,50,000	11,100	22,500
• Tax on balance income, i.e., on Rs. 3,14,000 at 115BAC rates	-	3,200
	11,100	45,700
Less: Rebate u/s 87A (where total income ≤ 5 lakh)	(11,100)	-
	-	45,700
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	-	45,700
Add: HEC @ 4%	-	1,828
Tax liability	-	47,528
Tax liability (rounded off)	-	47,530
Ram should not opt for section 115BAC. Tax liability will be Nil		

Computation of tax liability of Shyam for AY 2022-23

Particulars	Regular rates	115BAC rates
Total income	2,50,000	3,52,000
Tax on total income		
• Tax on LTCG u/s 112 @ 20% on Rs. 1,00,000 (benefit of unexhausted BEL not available to non-resident)	20,000	20,000
• Tax on STCG u/s 111A @ 15% on Rs. 1,50,000 (benefit of unexhausted BEL not available to non-resident)	22,500	22,500
• Tax on balance income: On Nil income at normal rates and on Rs. 1,02,000 at 115BAC rates	-	-
	42,500	42,500

Less: Rebate u/s 87A (not available to non-resident)	-	-
	42,500	42,500
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	42,500	42,500
Add: HEC @ 4%	1,700	1,700
Tax liability	44,200	44,200
Tax liability will remain same with or without section 115BAC. Tax liability will be Rs. 44,200.		