

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B10 to B17

#### Computation of Total Income & Tax Payable

#### Build Your Confidence (BYC)

**B10. CA2019(M)** – From the following particulars of Shri Jagdish (aged 59 years) for AY 2022-23, you are required to find.....

*Computation of total income of Mr. Jagdish for AY 2022-23 (under regular provisions)*

Particulars	Rs.	Rs.
<b>Income from salaries:</b>		
Basic salary = Rs. 51,000 × 12	6,12,000	
Dearness allowance = Rs. 10,000 × 12	1,20,000	
House rent allowance = Rs. 4,000 × 12	48,000	
Less: HRA exempt u/s 10(13A) = Lower of:		
(a) Actual HRA received = Rs. 48,000		
(b) Rent paid – 10% of salary of Rs. 7,32,000 (basic + DA) = Rs. 84,000 – Rs. 73,200 = Rs. 10,800		
(c) 50% of salary for Mumbai = Rs. 3,66,000	(10,800)	
Gross salary	7,69,200	
Less: Standard deduction u/s 16(ia)	(50,000)	
		7,19,200
<b>Income from house property:</b>		
In absence of information regarding expected rent, it is assumed that actual rent ≥ expected rent for the whole year but due to vacancy, actual rent < expected rent. Hence, vacancy allowance is available and gross annual value is actual rent = Rs. 46,000 × 9	4,14,000	
Less: Municipal taxes paid during PY 2021-22	(27,000)	
Net annual value	3,87,000	
Less: Standard deduction u/s 24(a) @ 30% of NAV	(1,16,100)	
		2,70,900
<b>Profits and gains of business or profession:</b>		
Profit from share business	1,70,000	
Less: STT deductible u/s 36(1)(xv)	(30,000)	
		1,40,000
<b>Capital gains:</b>		
Full value of consideration on sale of unlisted bonus shares	2,00,000	
Less: Cost of acquisition	Nil	
Long term capital gains (since bonus shares held for more than 24 months)		2,00,000
<b>Income from other sources:</b>		
Dividend (gross of TDS)	3,00,000	
Interest on saving bank account with bank	25,000	
Winning from lottery: Gross = Rs. 21,000 × (100/70)	30,000	
		3,55,000
<b>Gross total income</b>		<b>16,85,100</b>
<b>Less: Deduction under Chapter VIA</b>		
Section 80C: PPF deposit; deduction limited to Rs. 1,50,000	1,50,000	
Section 80D: Medical insurance premium for wife and dependent son; deduction limited to Rs. 25,000	25,000	
Section 80TTA: Interest on saving bank account upto Rs. 10,000	10,000	(1,85,000)
<b>Total income</b>		<b>15,00,100</b>

*Computation of total income of Mr. Jagdish for AY 2022-23 (under section 115BAC)*

Particulars	Rs.
Total income as per regular provisions	15,00,100
Add: Allowance and deductions not allowed u/s 115BAC:	
• Exemption for HRA u/s 10(13A)	10,800
• Standard deduction u/s 16(ia)	50,000
• Deductions under Chapter VIA	1,85,000
<b>Total income u/s 115BAC</b>	<b>17,45,900</b>

*Computation of tax liability of Mr. Jagdish for AY 2022-23*

Particulars	Regular rates	115BAC rates
Total income	15,00,100	17,45,900
Tax on total income		
• On long term capital gain u/s 112 @ 20% of Rs. 2,00,000	40,000	40,000
• On winning from lottery u/s 115BB @ 30% of Rs. 30,000	9,000	9,000
• On balance income of Rs. 12,70,100 at normal rates or Rs. 15,15,900 at 115BAC rates	1,93,530	1,92,270
	2,42,530	2,41,270
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	2,42,530	2,41,270
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	2,42,530	2,41,270
Add: HEC @ 4%	9,701	9,651
Tax liability	2,52,231	2,50,921
Less: TDS from lottery u/s 194B	(9,000)	(9,000)
Less: TDS from rental income: Assumed that TDS is not applicable u/s 194-I on rental income. Also, section 194-IB is not applicable since monthly rent does not exceed Rs. 50,000 pm.	-	-
Less: TDS from dividend u/s 194 @ 10%	(30,000)	(30,000)
Tax payable	2,13,231	2,11,921
<b>Tax liability (rounded off)</b>	<b>2,13,230</b>	<b>2,11,920</b>
Mr. Jagdish can 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 liability will be Rs. 2,11,920.		

*Mistake by students – Failure to apply special tax rate for capital gain and lottery income.*

**B11. CA2019(M) - Ms. Geeta, a resident individual, provides following details of her income/losses for the year ended.....**

*Computation of total income of Ms. Geeta for AY 2022-23*

Particulars	Rs.	Rs.	Rs.
Income from salaries (computed)			41,20,000
<b>Income from house property:</b>			
House property in Delhi (let out)			
• Net annual value: Rent received taken in absence of information regarding expected rent and municipal taxes	5,00,000		
• Less: Deduction u/s 24			
○ Standard deduction @ 30% of NAV	(1,50,000)		
○ Interest on loan for purchase of property	(7,50,000)		
○ Interest on loan for repair of property: 50% of Rs. 1,50,000	(75,000)		
• Loss from house property		(4,75,000)	
House property in Jaipur (let out)			
• Net annual value: Rent received taken in absence of information regarding expected rent and municipal taxes	3,20,000		
• Less: Deduction u/s 24			
○ Standard deduction @ 30% of NAV	(96,000)		
• Income from house property		2,24,000	
House property in Mumbai (self occupied)			
• Annual value	Nil		
• Less: Deduction u/s 24			
○ Interest on loan for purchase and repair of property: Restricted to Rs.	(30,000)		

30,000 for purchase also since original loan taken before 1.4.1999		
• Loss from house property	(30,000)	
Loss from house property after inter source set off u/s 70	(2,81,000)	
Loss from house property set off against income from salary u/s 71 to the extent of Rs. 2,00,000. Balance carried forward u/s 71B to next year.		(2,00,000)
		39,20,000
<b>Profits and gains of business or profession:</b>		
Speculation profit (assumed it is from a business)	2,30,000	
Salary from firm: Taxable since allowed to firm	50,000	
	2,80,000	
Loss of firm in which she is a partner: Cannot be set off since share of profit from firm is exempt u/s 10(2A)	-	
Loss from textile business set off u/s 70 (balance of Rs. 4,70,000 can be set off against capital gains or IFOS u/s 71)	(2,80,000)	Nil
<b>Capital gains:</b>		
Long term capital gains on sale of equity shares u/s 112A	8,95,000	
Less: B/fd short term capital loss on sale of gold set off u/s 74 (assuming period of 8 years has not expired)	(2,75,000)	
Less: B/fd loss on sale of equity shares u/s 111A set off u/s 74 (assuming period of 8 years has not expired)	(25,000)	
	5,95,000	
Less: Loss from textile business set off u/s 71 (Rs. 4,70,000 – Rs. 73,000 set off against IFOS). Better to first set off against IFOS taxable at normal rate and then set off against LTCG taxable at concessional rate.	(3,97,000)	1,98,000
<b>Income from other sources:</b>		
Interest on fixed deposits	73,000	
Less: Loss from textile business set off u/s 71	(73,000)	
	Nil	
Lottery income (assumed it is gross income)	75,000	75,000
<b>Gross total income</b>		<b>41,93,000</b>
Less: Deduction under Chapter VIA: u/s 80C:		
Life insurance premium: Deductible (assuming it is within the % limit of sum assured as specified u/s 80C)	15,000	
Repayment of housing loan:		
• House property in Delhi: Not allowed since loan taken from friend	-	
• House property in Mumbai: Allowed since taken from bank	50,000	
• For repair: Not allowed since taken for repair	-	
U/s 80EE/80EEA for interest on loan taken to acquire residential house property: Not allowed since it is taken that all conditions are not satisfied	-	(65,000)
<b>Total income</b>		<b>41,28,000</b>

*Statement of loss to be carried forward to AY 2023-24*

Particulars	Rs.
Loss from house property u/s 71B: Rs. 2,81,000 – Rs. 2,00,000	81,000

*Computation of tax liability for AY 2022-23 (assuming she is less than 60 years of age)*

Particulars	Rs.
Tax on total income	
• On long term capital gain u/s 112A of Rs. 1,98,000: @ 10% of Rs. 98,000 (Rs. 1,98,000 – Rs. 1,00,000)	9,800
• On lottery income: @ 30% u/s 115BB of Rs. 75,000	22,500
• On balance income of Rs. 38,55,000 at normal rates	9,69,000
	10,01,300
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-
	10,01,300
Add: Surcharge (Nil as total income is up to Rs. 50 lakh)	-
	10,01,300
Add: HEC @ 4%	40,052
Tax liability (subject to adjustment of TDS on lottery of Rs. 22,500, TDS on FD interest, if any, and advance tax, if any)	10,41,352

Tax liability (rounded off).

10,41,350

*Mistake by students: Failed to set off textile business loss against capital gains and IFOS. Allowed deduction u/s 80C for repayment of loan taken for repair.*

**B12. CA2019(M) – Mr. X is working in a private company since last 10 years. His salary details for FY 2021-22 are....**

*Computation of total income of Mr. X for AY 2022-23 (under regular provisions)*

Particulars	Rs.	Rs.	Rs.
<b>Income from salaries:</b>			
Basic salary @ 1,50,000 pm for 6 months		9,00,000	
Dearness allowance @ 55,000 pm for 6 months		3,30,000	
Commission @ 35,000 pm for 6 months		2,10,000	
Transport allowance @ 5,000 pm for 6 months		30,000	
Medical reimbursement: Taxable (in absence of information in the question regarding treatment)		30,000	
Gratuity	20,00,000		
Less: Exemption u/s 10(10) (assuming he is not covered under Payment of Gratuity Act, 1972) = Lower of the following:			
(a) Amount actually received as gratuity = Rs. 20 lakh			
(b) Notified limit Rs. 20 lakh			
(c) Half month salary for each year of service:			
<ul style="list-style-type: none"> <li>Avg. salary of preceding 10 months = <math>[10 \times \text{Rs. } 1,50,000] \div 10 = \text{Rs. } 1,50,000</math>; assumed DA does not form part of pay for retirement benefits; commission not considered since not based on turnover</li> <li>Half month salary = Rs. 75,000</li> <li>Years of service (completed) = 10</li> </ul>			
<ul style="list-style-type: none"> <li>Half month salary for each year of service = Rs. 7,50,000</li> </ul>	(7,50,000)	12,50,000	
Unrecognized PF: Employer's contribution and interest thereon		16,20,000	
Gross salary		43,70,000	
Less: Standard deduction u/s 16(ia)		(50,000)	43,20,000
<b>Income from house property:</b>			
Net annual value (assumed house is self occupied)		Nil	
Less: Deduction u/s 24(b) in respect of interest on loan:			
<ul style="list-style-type: none"> <li>Current year interest</li> </ul>		(1,10,000)	
<ul style="list-style-type: none"> <li>Prior period interest of 1.5 lakh deductible in 5 annual instalments</li> </ul>		(30,000)	
Loss from house property: Set off against salary income u/s 71			(1,40,000)
			41,80,000
<b>Profits and gains of business or profession:</b>			
Income u/s 44AE:			
<ul style="list-style-type: none"> <li>Heavy goods vehicle = 3 vehicles <math>\times</math> Rs. 1,000 <math>\times</math> 15 MT <math>\times</math> 4 months</li> </ul>		1,80,000	
<ul style="list-style-type: none"> <li>Other vehicles = 3 vehicles <math>\times</math> Rs. 7,500 <math>\times</math> 5 months</li> </ul>		1,12,500	2,92,500
<b>Capital gains:</b>			
Income on buy back of equity shares in CMF Ltd.: It is exempt u/s 10(34A). It is also not treated as dividend u/s 2(22).			-
<b>Income from other sources:</b>			
Unrecognized PF – Interest on employee's contribution		3,60,000	
Unrecognized PF – Employee's contribution is not taxable		Nil	
Gift of money from friend exceeding Rs. 50,000: Taxable u/s 56(2)(x)		6,00,000	9,60,000
<b>Gross total income</b>			<b>54,32,500</b>
<b>Less: Deduction under Chapter VIA:</b>			

• U/s 80C: Life insurance premium deductible up to 20% of sum assured since policy taken before 1.4.2012	20,000	
• U/s 80C: Repayment of housing loan (income is taxable under IHP head since possession taken during PY 2021-22)	1,10,000	
• U/s 80CCC: LIC pension fund	25,000	
	1,55,000	
Restricted to Rs. 1,50,000 u/s 80CCE	1,50,000	
U/s 80D: Mediclaim for self and wife; restricted to Rs. 25,000	25,000	
U/s 80EE/80EEA for interest on loan for acquisition of property: Not available taking that conditions are not satisfied.	-	1,75,000
<b>Total income</b>		<b>52,57,500</b>

*Computation of total income of Mr. X for AY 2022-23 (under section 115BAC)*

Particulars	Rs.
Total income as per regular provisions	52,57,500
Add: Allowance and deductions not allowed u/s 115BAC:	
• Standard deduction u/s 16(ia)	50,000
• Interest on borrowed capital u/s 24(b) for self occupied property	1,40,000
• Deductions under Chapter VIA	1,75,000
<b>Total income u/s 115BAC</b>	<b>56,22,500</b>

*Computation of tax payable by Mr. X for AY 2022-23 (assuming he is less than 60 years of age)*

Particulars	Regular rates	115BAC rates
Total income	52,57,500	56,22,500
Tax on total income	13,89,750	14,24,250
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	13,89,750	14,24,250
Add: Surcharge (10% as total income > 50 lakh and up to 1 crore)	1,38,975	1,42,425
	15,28,725	15,66,675
Add: HEC @ 4%	61,149	62,667
Tax liability	15,89,874	16,29,342
<b>Tax liability (rounded off)</b>	<b>15,89,870</b>	<b>16,29,340</b>
Mr. X 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 Rs. 15,89,870.		

*Mistake by students – Computed salary for the whole year instead of six months.*

**B13. CA2018(N) – Miss Sakshitha, a resident individual, aged 32 years, furnishes the following particulars relating to the....**

*Computation of total income of Ms. Sakshitha for AY 2022-23 (under regular provisions)*

Particulars	Rs.	Rs.
<b>Income from house property:</b>		
Arrears of rent: Taxable u/s 25A even if she is no more the owner of house	1,50,000	
Less: Deduction @ 30%	(45,000)	
		1,05,000
<b>Profits and gains of business or profession:</b>		
Interest on capital from partnership firm: Assuming it is authorized by partnership deed and is allowed to firm up to 12% u/s 40(b), hence, taxable = Rs 3,00,000 × (12/15)	2,40,000	
Share of profit from partnership firm: Exempt u/s 10(2A)	-	
Amount received under Keyman insurance policy taxable u/s 28(vi)	2,20,000	
		4,60,000
<b>Income from other sources:</b>		
Gift received from non-relatives exceeding Rs. 50,000 in aggregate (taxable u/s 56(2)(x):		
• From mother's father: Taxable based on view that he is not lineal ascendant. Alternate view is also possible that maternal grandparents are lineal ascendants and, thus, 'relative'.	80,000	
• From close friend	60,000	
		1,40,000

Winning from TV game show: Gross = Rs. 70,000 × (100/70)	1,00,000	
Rent from vacant plot of land	2,00,000	
Amount forfeited from buyer of vacant plot taxable u/s 56(2)(ix)	3,10,000	
Agricultural income from lands in Colombo: Not exempt since land not in India; assumed to be rent or revenue from land, thus, taxable as IFOS	1,80,000	
Interest credited to PPF account: Exempt u/s 10(11)	-	
		9,30,000
<b>Gross total income</b>		<b>14,95,000</b>
<b>Less: Deduction under Chapter VIA</b>		
U/s 80C: PPF subscription for minor daughter	75,000	
U/s 80G: Donation to trust in cash: Not allowed since amount > Rs. 2,000 donated in cash	-	
		(75,000)
<b>Total income</b>		<b>14,20,000</b>

*Computation of total income of Ms. Sakshitha for AY 2022-23 (under section 115BAC)*

Particulars	Rs.
Total income as per regular provisions	14,20,000
Add: Allowance and deductions not allowed u/s 115BAC:	
• Deductions under Chapter VIA	75,000
<b>Total income u/s 115BAC</b>	<b>14,95,000</b>

*Computation of tax liability of Ms. Sakshitha for AY 2022-23*

Particulars	Regular rates	115BAC rates
Total income	14,20,000	14,95,000
Tax on total income		
• On winning from lottery u/s 115BB @ 30% of Rs. 1,00,000	30,000	30,000
• On balance income of Rs. 13,20,000 at normal rates or Rs. 13,95,000 at 115BAC rates	2,08,500	1,61,250
	2,38,500	1,91,250
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	2,38,500	1,91,250
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	2,38,500	1,91,250
Add: HEC @ 4%	9,540	7,650
Tax liability	2,48,040	1,98,900
Less: TDS from winning u/s 194B. In absence of adequate information in the question, TDS u/s 194DA from sum received under Keyman Insurance policy has been ignored.	(30,000)	(30,000)
<b>Tax payable</b>	<b>2,18,040</b>	<b>1,68,900</b>
Ms. Sakshitha can opt for section 115BAC (she should also note the restrictive conditions of opting in/out of section 115BAC since she has income from business/profession). Tax payable will be Rs. 1,68,900.		

*Mistake by students – Allowed deduction u/s 80G for donation in cash.*

**B14. CA2018(N) – Mr. Murari, a resident individual, age 48 years provides consultancy services in the field of .....**

*Computation of total income of Mr. Murari for AY 2022-23*

Particulars	Rs.	Rs.
<b>Profits and gains of business or profession:</b>		
Net income as per Income & Expenditure account		1,52,500
Add: Expenses debited but not allowable:		
• Excess salary to brother-in-law: Not disallowed u/s 40A(2) since he is not a 'relative'	-	
• Motor car expenses attributable to personal use @ 40% of Rs. 58,000	23,200	
• Depreciation as per books of account	47,500	
• Medical expenses:		
○ Family planning expenditure: Not allowed u/s 37(1) as it is taken that it is not for business purpose; not allowed u/s 36(1)(ix) since available only to company	15,000	
○ Medical expenses of father: Not allowed u/s 37(1) since personal in nature	35,000	
○ Balance medical expenses (assumed to be incurred for staff; thus allowed u/s 37(1))	-	
• Purchase of computer (depreciation allowable)	80,000	

• Bonus: Allowed u/s 43B since it is paid before the due date to file ROI u/s 139(1) of 31.10.2022 <b>(Note 1)</b>	-	
• Commission to Mr. Sridhar without TDS (U/s 194H, Mr. Murari is liable to deduct tax if gross receipts for FY 2020-21 > Rs. 50 lakh. Assuming this is not the case, he is not liable to deduct tax. Hence, disallowance u/s 40(a)(ia) not attracted)	-	2,00,700
Less: Income credited but not taxable or not taxable under PGBP:		
• Share of profit from HUF: Exempt u/s 10(2)	25,000	
• Interest on saving bank deposit (covered under IFOS)	15,000	
• Interest on income tax refund (covered under IFOS)	8,000	
• Depreciation as per Income-tax Act <b>(Note 2)</b>	47,800	(95,800)
		2,57,400
<b>Income from other sources:</b>		
Interest on saving bank deposit: Not clubbed u/s 64(1)(iv) assuming that pocket money is in the nature of pin money.	-	
Income tax refund: Not taxable	-	
Interest on income tax refund	8,000	
Gold coins received from family friend: Taxable u/s 56(2)(x) as FMV > Rs. 50,000	55,000	63,000
Gross total income		3,20,400
Less: Deduction under Chapter VIA:		
• U/s 80D: Medical expenses on father aged 65 years (assuming he a resident (thus, a senior citizen) and no health insurance premium has been paid for him)		(35,000)
<b>Total income</b>		<b>2,85,400</b>

*Computation of tax liability of Mr. Murari for AY 2022-23*

Particulars	Rs.
Total income	2,85,400
Tax on total income	1,770
Less: Rebate u/s 87A as total income does not exceed Rs. 5 lakh	(1,770)
	Nil
Add: HEC @ 4%	Nil
<b>Tax liability</b>	<b>Nil</b>

*Note 1:* Mr. Murari is eligible for section 44ADA under which his presumptive income would be 50% of gross receipts, i.e., Rs. 4 lakh and no deduction of any expenditure will be allowed. Since this is more than the business income computed as per regular provisions, he can opt out by maintaining books of account u/s 44AA and getting tax audit done u/s 44AB. In such case, due date of filing ROI u/s 139(1) would be 31.10.2022.

*Note 2: Computation of depreciation*

Particulars	Rs.
Motor car:	
• Rs. 2,00,000 × 15% (general rate taken) × 60% (business use)	18,000
Furniture and fittings:	
• Rs. 50,000 × 10%	5,000
Computer:	
• Actual cost = Rs. 80,000 – Rs. 18,000 paid in cash (> Rs. 10,000) disallowed from actual cost = Rs. 62,000. Depreciation @ 40%	24,800
	47,800

*Mistake by students: Not considering eligibility of section 44ADA, consequent due date of ROI being 31.10.2022 and allowability of bonus u/s 43B.*

**B15. CA2018(M) – Mrs. Babu, working as journalist with ABC Ltd., provides the following information for year ended.....**

*Computation of total income of Mrs. Babu for AY 2022-23 (under regular provisions)*

Particulars	Rs.	Rs.
<b>Income from salaries:</b>		

Basic salary		3,00,000
Dearness allowance		1,50,000
Employer's contribution to RPF:		
• Actual contribution = 20% of Rs. 3,00,000	60,000	
• Less: Exempt @ 12% of Rs. 3,75,000 (Rs. 3,00,000 basic + Rs. 75,000 DA meant for retirement benefits)	(45,000)	15,000
Interest credited to RPF @ 15% p.a.	15,000	
• Less: Exempt up to 9.5%	(9,500)	5,500
Gross salary		4,70,500
Less: Standard deduction u/s 16(ia)		(50,000)
		4,20,500
<b>Income from house property</b>		
Arrears of rent: Taxable u/s 25A even if she is no longer the owner of property	69,000	
Less: Standard deduction u/s 25A @ 30%	(20,700)	48,300
<b>Capital gains:</b>		
On sale of guest house: Not taxable in AY 2022-23 since pertains to AY 2021-22	-	
On jewellery: Not taxable u/s 45(1A) since not covered under any event referred in that provision	-	-
<b>Income from other sources:</b>		
Interest received on savings bank account	10,000	
Interest received on debentures (grossed up for TDS @ 10% u/s 193 assuming it is received net of TDS) = 12,040 × (100/90)	13,378	23,378
<b>Gross total income</b>		<b>4,92,178</b>
Less: Deduction under Chapter VIA:		
U/s 80C:		
• Own contribution to RPF	30,000	
• Deposit in Sukanya Samridhi Account	60,000	(90,000)
U/s 80CCD(1): Own contribution to Atal Pension Yojana @ 1,196 p.m. allowed upto 10% of 80CCD-salary (Rs. 3,75,000 in this case)		(14,352)
U/s 80D: Mediclaim premium or major daughter (assuming she is dependent)		(12,500)
U/s 80TTA: Interest on savings bank account allowed up to Rs. 10,000		(10,000)
<b>Total income</b>		<b>3,65,326</b>
<b>Total income (rounded off)</b>		<b>3,65,330</b>

*Computation of total income of Mrs. Babu for AY 2022-23 (under section 115BAC)*

Particulars	Rs.
Total income as per regular provisions	3,65,326
Add: Allowance and deductions not allowed u/s 115BAC:	
• Standard deduction u/s 16(ia)	50,000
• Deductions under Chapter VIA	1,26,852
<b>Total income u/s 115BAC</b>	<b>5,42,178</b>
<b>Total income u/s 115BAC (rounded off)</b>	<b>5,42,180</b>

*Computation of tax liability of Mrs. Babu for AY 2022-23 (assuming she is less than 60 years of age)*

Particulars	Regular rates	115BAC rates
Total income	3,65,330	5,42,180
Tax on total income	5,767	16,718
Less: Rebate u/s 87A (where total income ≤ Rs. 5 lakh)	(5,767)	-
	Nil	16,718
Add: HEC @ 4%	Nil	669
Tax liability	Nil	17,387
<b>Tax liability (rounded off) (subject to adjustment of TDS u/s 193 of Rs. 1,338)</b>	<b>Nil</b>	<b>17,390</b>
Mrs. Babu should not opt for section 115BAC. Tax liability will be Nil. TDS will be refunded.		

*Mistake by students: Deduction for Sukanya Samridhi and Atal Pension Yojana claimed u/s 80G. Arrears of rent wrongly charged under IFOS.*

**B16. CA2018(M) – Mr. Hari, aged 55 years, a resident individual and practicing Chartered Accountant, furnishes you the.....**

*Computation of total income of Mr. Hari for AY 2022-23 (under regular provisions)*

Particulars	Rs.	Rs.	Rs.
<b>Income from house property:</b>			
Gross annual value: Rent receivable taken in absence of information on expected rent		4,80,000	
Less: Municipal taxes paid by Mr. Hari		(4,200)	
Net annual value		4,75,800	
Less: Deduction u/s 24			
• Standard deduction @ 30% of NAV		(1,42,740)	
• Interest on loan @ 10% of Rs. 10,00,000 (assuming entire loan is outstanding)		(1,00,000)	
			2,33,060
<b>Profits and gains of business or profession:</b>			
Fees from professional services		39,60,000	
Less: Expenses deductible			
• Staff salary, bonus and stipend (including incentive)	20,50,000		
• Other general and administrative expenses (foreign travel assumed to be towards official purposes)	12,00,000		
• Office rent	48,000		
• Domestic drawing: Not deductible as for personal purpose	-		
• Motor car maintenance: 3/4 <sup>th</sup> of Rs. 12,000	9,000		
• Interest on car loan after the car is first put to use: Not allowed u/s 43B (assumed it is not paid on or before the due date of ROI u/s 139(1))	-	(33,07,000)	
		6,53,000	
Less: Depreciation u/s 32			
• Motor car: 3/4 <sup>th</sup> of 50% of 15% of Rs. 4,00,000: Car is used < 180 days and 1/4 <sup>th</sup> is for personal use. Interest on loan not added to actual cost assuming interest was not payable till the date motor car was first put to use.	22,500		
• Books: 40% of Rs. 22,000 (assuming put to use ≥ 180 days)	8,800		
• Computer: 50% of 40% of Rs. 25,000 (put to use < 180 days); assumed payment by specified mode	5,000	(36,300)	
Since gross receipts is ≤ Rs. 50 lakh, Mr. Hari can claim income u/s 44ADA @ 50% of gross receipts, i.e, Rs. 19,80,000 which is more than business income computed as per normal provisions. He can claim lower amount as business income if he maintains books of account u/s 44AA and gets tax audit done u/s 44AB.		6,16,700	
Income from share speculation business	1,00,000		
Less: Loss in commodity speculation business set off. Balance of Rs. 50,000 carried forward u/s 73 to the next year.	(1,00,000)	Nil	
			6,16,700
<b>Income from other sources:</b>			
Cash gift of Rs. 60,000 from family friends: Taxable u/s 56(2)(x) as aggregate exceeds Rs. 50,000			60,000
<b>Gross total income</b>			<b>9,09,760</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C			
• Life insurance premium (assuming premium is within the % limit of sum assured specified u/s 80C)	23,000		
• PPF subscription	1,40,000		
	1,63,000		
• Allowed up to Rs. 1,50,000		1,50,000	
Section 80EE/80EEA on interest on loan for acquisition of residential house property: Not available taking that all conditions are not satisfied; even otherwise entire interest is deducted in computing IHP		-	
Section 80G: Donation to PM Drought Relief Fund by bank draft: @ 50%		55,500	
Section 80GGC: Donation to political party by cheque		3,00,000	
			(5,05,500)
<b>Total income</b>			<b>4,04,260</b>

*Computation of total income of Mr. Hari for AY 2022-23 (under section 115BAC)*

Particulars	Rs.
Total income as per regular provisions	4,04,260

Add: Allowance and deductions not allowed u/s 115BAC:	
• Deductions under Chapter VIA	5,05,500
<b>Total income u/s 115BAC</b>	<b>9,09,760</b>

*Computation of tax liability of Mr. Hari for AY 2022-23*

Particulars	Regular rates	115BAC rates
Total income	4,04,260	9,09,760
Tax on total income	7,713	61,464
Less: Rebate u/s 87A (where total income ≤ Rs. 5 lakh)	(7,713)	-
	Nil	61,464
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	Nil	61,464
Add: HEC @ 4%	-	2,459
Tax liability	Nil	63,923
<b>Tax liability (rounded off)</b>	<b>Nil</b>	<b>63,920</b>
Mr. Hari 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.		

**B17. CA2017(N) – Mr. Pandey, a resident individual, aged 45 years, is a Chartered Accountant in practice. He maintains.....**

*Computation of total income of Mr. Pandey for AY 2022-23 (under regular provisions)*

Particulars	Rs.	Rs.	Rs.
<b>Profits and gains of business or profession:</b>			
Net profit as per Profit & Loss Account		19,13,500	
Add: Expenses debited but not deductible			
• Payment in cash to tax consultant > Rs. 10,000: Disallowed u/s 40A(3)	55,000		
• Payment of rent without TDS: 30% disallowed u/s 40(a)(ia) assuming tax was deductible at source u/s 194-I (194IB is not applicable since rent ≤ Rs. 50,000)	15,000		
• Depreciation as per books of account	55,000	1,25,000	
		20,38,500	
Less: Income credited but not taxable or taxable under other heads			
• Audit fee received in advance (taxable on receipt basis in cash system of accounting; no adjustment required as already credited)	-		
• Dividend from Indian companies	12,00,000		
• Interest on deposit certificates issued under Gold Monetization Scheme, 2015	15,000		
• Gift by client: Taxable u/s 28(iv) under PGBP being value of benefit or perquisite arising from profession. No adjustment required as already credited.	-	(12,15,000)	
		8,23,500	
Less: Depreciation under Income Tax Act		(1,25,000)	
			6,98,500
<b>Income from other sources:</b>			
Dividend from Indian companies (assuming it is gross of TDS)		12,00,000	
Interest on deposit certificates issued under Gold Monetization Scheme, 2015: Exempt u/s 10		-	
			12,00,000
<b>Gross total income</b>			<b>18,98,500</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C: Repayment of housing loan: Not allowable since income not taxable under the head IHP for PY 2021-22.		-	
Section 80D			
• Medical insurance premium of parents (senior citizens and not dependent on him) by cheque: Allowed up to Rs. 50,000		27,000	
• Preventive health checkup, paid in cash, for self and spouse: Allowed up to Rs. 5,000		5,000	
Section 80EEA: Not deductible assuming that all conditions are not satisfied		-	
			(32,000)
<b>Total income</b>			<b>18,66,500</b>

*Computation of total income of Mr. Pandey for AY 2022-23 (under section 115BAC)*

Particulars	Rs.
Total income as per regular provisions	18,66,500
Add: Allowance and deductions not allowed u/s 115BAC:	
• Deductions under Chapter VIA	32,000
<b>Total income u/s 115BAC</b>	<b>18,98,500</b>

*Computation of tax liability of Mr. Pandey for AY 2022-23*

Particulars	Regular rates	115BAC rates
Total income	18,66,500	18,98,500
Tax on total income	3,72,450	3,07,050
Less: Rebate u/s 87A (N/A as total income exceeds Rs. 5 lakh)	-	-
	3,72,450	3,07,050
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	3,72,450	3,07,050
Add: HEC @ 4%	14,898	12,282
Tax liability	3,87,348	3,19,332
Less: TDS u/s 194 on dividend @ 10% (taking that TDS is applicable)	(1,20,000)	(1,20,000)
Tax payable	2,67,348	1,99,332
<b>Tax payable (rounded off)</b>	<b>2,67,350</b>	<b>1,99,330</b>

Mr. Pandey can 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 Rs. 1,99,330.