

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B18 to B26

#### Computation of Total Income & Tax Payable

#### Build Your Confidence (BYC)

**B18. CA2017(M)** – Ms. Rekha, a resident individual aged 50, provides the following information for FY 2021-22.....

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

Particulars	Rs.	Rs.	Rs.
<b>Income from house property</b>			
Arrears of rent: Taxable u/s 25A even if she is no more the owner of property		90,000	
Less: Deduction @ 30%		(27,000)	
			63,000
<b>Profits and gains of business or profession</b>			
Share of profit from firm: Exempt u/s 10(2A)		-	
Interest on capital: Taxable up to 12% (assuming it is allowed to the firm to this extent) = Rs. 3 lakh × (12/15)		2,40,000	
Salary as working partner: Taxable since fully allowed to the firm		1,00,000	
<b>Profit from rice mill</b>			
Net profit		4,50,000	
Add: Amounts debited but not allowed			
• Advance income tax paid	1,00,000		
• Personal drawings	50,000	1,50,000	
Less: Amounts taxable under other heads			
• Interest on savings bank account with SBI	12,000		
• Interest on savings account with post office	5,000		
• Dividend from listed Indian company	80,000	(97,000)	
			8,43,000
<b>Income from other sources</b>			
Interest on savings bank account with SBI		12,000	
Interest on savings account with post office	5,000		
• Less: Exempt u/s 10: Assuming account is individual	(3,500)	1,500	
Dividend from listed Indian company (assuming it is gross of TDS)		80,000	
			93,500
<b>Gross total income</b>			<b>9,99,500</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C: Life insurance premium for married daughter: Deductible up to 10% of sum assured		50,000	
Section 80D: Health insurance premium for mother aged 75 years (assumed she is resident and, thus, senior citizen): Allowed up to Rs. 50,000		35,000	
Section 80TTA: Interest on savings accounts of Rs. 13,500 deductible up to Rs. 10,000		10,000	
			(95,000)
<b>Total income</b>			<b>9,04,500</b>

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

Particulars	Rs.
Total income as per regular provisions	9,04,500
Add: Allowance and deductions not allowed u/s 115BAC:	
• Deductions under Chapter VIA	95,000

<b>Total income u/s 115BAC</b>	<b>9,99,500</b>
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*Computation of tax liability of Ms. Rekha for AY 2022-23*

Particulars	Regular rates	115BAC rates
Total income	9,04,500	9,99,500
Tax on total income	93,400	74,925
Less: Rebate u/s 87A (N/A as total income exceeds Rs. 5 lakh)	-	-
	93,400	74,925
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	93,400	74,925
Add: HEC @ 4%	3,736	2,997
Tax liability	97,136	77,922
Less: TDS @ 10% u/s 194 on dividend from listed Indian company	(8,000)	(8,000)
Less: Advance tax paid	(1,00,000)	(1,00,000)
Tax refundable	(10,864)	(30,078)
<b>Tax refundable (rounded off)</b>	<b>(10,860)</b>	<b>(30,080)</b>
Ms. Rekha 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 refundable will be Rs. 30,080		

**B19. CA2016(N) – Mr. Raghuveer, a resident individual aged 35 years, furnished the following information from his.....**

*Computation of total income of Mr. Ravhuveer 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		6,50,000	
Less: Incomes credited but not taxable under this head			
• Interest on Government securities	25,000		
• Dividend from foreign company	18,000		
• Gift of gold coins	55,000	(98,000)	
		5,52,000	
Less: Adjustment for depreciation as per Income Tax Act (Rs. 96,000 – Rs. 85,000)		(11,000)	
		5,41,000	
Add: Expenses debited but not deductible			
• Interest till the asset is first put to use: Not allowed u/s 36(1)(iii) assuming it is debited	68,000		
• Expenditure > Rs. 10,000 paid by bearer cheque: Disallowed u/s 40A(3)	20,500		
• Compensation paid to employee: Allowed u/s 37(1). No adjustment since already debited.	-	88,500	
			6,29,500
<b>Income from other sources</b>			
Interest on Government securities: Assumed not notified u/s 10(15); hence, taxable		25,000	
Dividend from foreign company (assumed not liable to tax deduction at source)		18,000	
Gift of gold coins from father: Not taxable u/s 56(2)(x) since received from relative		-	
			43,000
<b>Gross total income</b>			<b>6,72,500</b>
<b>Less: Deduction under Chapter VIA</b> (assumed that the below amounts were not debited to Profit & Loss Account; hence no adjustment has been made in computing PGBP)			
Section 80C: Sukanya Samriddhi Scheme		45,000	
Section 80D: Self and wife: Rs. 30,500 allowed up to Rs. 25,000		25,000	
Section 80D: Medical expenditure of father (assumed he is resident and, thus, senior citizen); allowed up to Rs. 50,000		35,000	
Section 80G: Donation to Swachh Bharat Kosh @ 100%		20,000	
			(1,25,000)
<b>Total income</b>			<b>5,47,500</b>

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

Particulars	Rs.
Total income as per regular provisions	5,47,500
Add: Allowance and deductions not allowed u/s 115BAC:	

• Deductions under Chapter VIA	1,25,000
<b>Total income u/s 115BAC</b>	<b>6,72,500</b>

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

Particulars	Regular rates	115BAC rates
Total income	5,47,500	6,72,500
Tax on total income	22,000	29,750
Less: Rebate u/s 87A (N/A as total income exceeds Rs. 5 lakh)	-	-
	22,000	29,750
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	22,000	29,750
Add: HEC @ 4%	880	1,190
<b>Tax liability</b>	<b>22,880</b>	<b>30,940</b>
Mr. Raghuveer 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 liability will be Rs. 22,880		

**B20. CA2016(M) – Mr. Vinod Kumar, resident aged 62 years, furnishes the following information pertaining to the year.....**

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

Particulars	Rs.	Rs.	Rs.
<b>Income from salary</b>			
Pension received: Gross of TDS = Rs. 6,27,000 + Rs. 25,000		6,52,000	
Less: Standard deduction u/s 16(ia)		(50,000)	
			6,02,000
<b>Profits and gains of business or profession</b>			
Gross receipts		12,60,000	
Less: Expenses			
• Rent for premises: Deductible u/s 30	1,44,000		
• Salary of PA: Deductible u/s 37(1)	1,20,000		
• Stenographer's salary: Deductible u/s 37(1)	1,00,000		
• Business development expenditure: Deductible u/s 37(1)	91,000		
• Conveyance: Deductible u/s 37(1): 1/4 <sup>th</sup> personal use disallowed	2,25,000	(6,80,000)	
			5,80,000
<b>Capital gains</b>			
Short term capital gain from sale of listed shares (u/s 111A)		65,000	
Long term capital gain from sale of listed shares (assuming STT paid on purchase as well) (u/s 112A)		1,24,000	
			1,89,000
<b>Income from other sources</b>			
Interest on fixed deposit in bank		1,60,000	
Interest on Post Office Saving A/c	18,000		
Less: Exempt u/s 10(15) (assumed account is individual)	(3,500)	14,500	
			1,74,500
<b>Gross total income</b>			<b>15,45,500</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C			
• Life insurance premium: Allowed up to 10% of sum assured	50,000		
• Contribution to PPF	1,10,000		
• Restricted to Rs. 1,50,000	1,60,000	1,50,000	
Section 80D			
• Medclaim insurance premium for self (paid otherwise than by cash)	27,000		
• Preventive health checkup for self (in cash): Allowed up to Rs. 5,000	5,000		
• Allowed up to Rs. 50,000 since Mr. Vinod is a senior citizen		32,000	
Section 80G: Donation given in cash to a charitable trust: Donation > Rs. 2,000 in cash not allowed			-
Section 80TTB: Interest of Rs. 1,74,500 allowed up to Rs. 50,000		50,000	
			(2,32,000)

<b>Total income</b>			<b>13,13,500</b>
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*Computation of total income of Mr. Vinod Kumar for AY 2022-23 (under section 115BAC)*

<b>Particulars</b>	<b>Rs.</b>
Total income as per regular provisions	13,13,500
Add: Allowance and deductions not allowed u/s 115BAC:	
• Standard deduction u/s 16(ia)	50,000
• Deductions under Chapter VIA	2,32,000
<b>Total income u/s 115BAC</b>	<b>15,95,500</b>

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

<b>Particulars</b>	<b>Regular rates</b>	<b>115BAC rates</b>
Total income	13,13,500	15,95,500
Tax on total income		
• On long term capital gain u/s 112A @ 10% of Rs. 24,000 (Rs. 1,24,000 – Rs. 1,00,000)	2,400	2,400
• On short term capital gain u/s 111A @ 15% of Rs. 65,000	9,750	9,750
• On balance income of Rs. 11,24,500 at normal rates and Rs. 14,06,500 at 115BAC rates	1,47,350	1,64,125
	1,59,500	1,76,275
Less: Rebate u/s 87A (N/A as total income exceeds Rs. 5 lakh)	-	-
	1,59,500	1,76,275
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	1,59,500	1,76,275
Add: HEC @ 4%	6,380	7,051
Tax liability	1,65,880	1,83,326
Less: TDS from pension u/s 192. It is assumed that TDS was not deducted from interest on Bank FD u/s 194A.	(25,000)	(25,000)
Tax payable	1,40,880	1,58,326
<b>Tax payable (rounded off)</b>	<b>1,40,880</b>	<b>1,58,330</b>

Mr. Vinod 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. 1,40,880.

**B21. CA2015(M) - Dr. Shashank is a noted child specialist of Mumbai. His Income & Expenditure Account for FY ended.....**

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

<b>Particulars</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Profits and gains of business or profession</b>			
Net profit as per Income & Expenditure A/c		6,58,700	
Add: Expenses debited but disallowed			
• Depreciation in excess of Income Tax Act = Rs. 1,25,000 – Rs. 75,000	50,000		
• Medicines consumed for self and family: Not allowed u/s 37(1) as personal expenses	18,000		
• Medicines for poor patients who he did not charge: Allowed u/s 37(1) as incurred in course of profession	-		
• Salary in cash to computer specialist: Disallowed u/s 40A(3) as > 10,000	30,000		
• Donation to National Children's Fund	51,000	1,49,000	
		8,07,700	
Less: Income credited but not taxable or taxable under other heads			
• Maturity proceeds of LIC policy: Exempt u/s 10(10D) assuming premium was within the limit specified therein	1,15,000		
• Winning from TV game show: Taxable under IFOS	35,000		
• Honorarium for giving lectures at seminars: Taxable under IFOS	24,000	(1,74,000)	
Dr. Shashank can claim presumptive income of 50% of gross receipts u/s 44ADA, i.e., Rs. 8,38,000. He can also claim a lower amount if he maintains books u/s 44AA and gets tax audit done u/s 44AB.			6,33,700
<b>Income from other sources:</b>			

Winning from TV game show: Gross up for TDS = Rs. 35,000 × (100/70)		50,000	
Honorarium for giving lectures at seminars		24,000	
			74,000
<b>Gross total income</b>			<b>7,07,700</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C			
• Life insurance premium: Allowed up to 10% of sum assured	20,000		
• Contribution to PPF	1,20,000	1,40,000	
Section 80E: Interest on loan taken for higher education of daughter		10,000	
Section 80G			
• Donation to National Children's Fund by A/c payee cheque @ 100%	51,000		
• Donation to registered charitable trust (assuming not in cash) @ 50% but subject to qualifying limit being 10% of adjusted total income (GTI Rs. 7,07,000 – Deduction u/c VIA except 80G of Rs. 1,50,000) = 50% of 10% of Rs. 5,57,700 = Rs. 27,885.	27,885	78,885	
			(2,28,885)
<b>Total income</b>			<b>4,78,815</b>
<b>Total income (rounded off)</b>			<b>4,78,820</b>

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

Particulars	Rs.
Total income as per regular provisions	4,78,815
Add: Allowance and deductions not allowed u/s 115BAC:	
• Deductions under Chapter VIA	2,28,885
<b>Total income u/s 115BAC</b>	<b>7,07,700</b>

*Computation of tax liability of Dr. Shashank for AY 2022-23 (assuming he is less than 60 years of age)*

Particulars	Regular rates	115BAC rates
Total income	4,78,820	7,07,700
Tax on total income		
• On winning from game show u/s 115BB @ 30% of Rs. 50,000	15,000	15,000
• On balance income of Rs. 4,28,820 at normal rates and Rs. 6,57,700 at 115BAC rates	8,941	28,270
	23,941	43,270
Less: Rebate u/s 87A (where total income ≤ 5 lakh)	(12,500)	-
	11,441	43,270
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	11,441	43,270
Add: HEC @ 4%	458	1,731
Tax liability	11,899	45,001
Less: TDS from winning	(15,000)	(15,000)
Tax refundable/payable	(3,101)	30,001
<b>Tax refundable/payable (rounded off)</b>	<b>(3,100)</b>	<b>30,000</b>

Dr. Shashank 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 refundable will be Rs. 3,100

**B22. CA2013(N) (modified) – Compute the total income and tax liability of Mr. Krishna for AY 2022-23 from the following...**

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

Particulars	Rs.	Rs.	Rs.
<b>Income from house property</b>			
Gross annual value		4,32,000	
Less: Municipal taxes paid		(32,000)	
Net annual value		4,00,000	
Less: Deduction u/s 24			
• Standard deduction @ 30% of NAV		(1,20,000)	
• Interest on borrowed capital		(97,000)	
			1,83,000
<b>Profits and gains of business or profession</b>			

Income from business		1,75,000	
Less: Set off			
• Current year depreciation u/s 32		(40,000)	
• Business loss brought forward from AY 2020-21 u/s 72		(70,000)	
• Unabsorbed depreciation of earlier year u/s 32(2) (balance of Rs. 90,000 set off against other incomes)		(65,000)	
			-
<b>Capital gains</b>			
Long term capital gain on sale of debentures	60,000		
Long term capital loss on sale of shares sold through recognized stock exchange (STT paid): Set off u/s 70; balance of Rs. 15,000 carried forward u/s 74 to AY 2023-24.	(60,000)	Nil	
Short term capital gain on sale of plot:			
• Full value of consideration (assuming it complies with section 50C)	6,40,000		
• Less: Cost of acquisition	(4,10,000)	2,30,000	
Less: Set off balance unabsorbed depreciation		(90,000)	
			1,40,000
<b>Income from other sources</b>			
Dividend on shares held as stock in trade (assuming it is paid by domestic company and is gross of TDS u/s 194)		22,000	
Dividend from a company carrying on agricultural business (assuming it is paid by domestic company and is gross of TDS u/s 194)		10,000	
			32,000
<b>Gross total income</b>			<b>3,55,000</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C – Repayment of housing loan (assuming loan is for purchase or construction of residential house property)			(70,000)
<b>Total income</b>			<b>2,85,000</b>

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

Particulars	Rs.
Total income as per regular provisions	2,85,000
Add: Allowance and deductions not allowed u/s 115BAC:	
• Deductions under Chapter VIA	70,000
<b>Total income u/s 115BAC</b>	<b>3,55,000</b>

*It is assumed that brought forward loss or unabsorbed depreciation is not attributable to any of the deductions not allowed u/s 115BAC. Hence, these are not adjusted.*

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

Particulars	Regular rates	115BAC rates
Total income	2,85,000	3,55,000
Tax on total income	1,750	5,250
Less: Rebate u/s 87A	(1,750)	(5,250)
	Nil	Nil
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	Nil	Nil
Add: HEC @ 4%	-	-
<b>Tax liability</b>	<b>Nil</b>	<b>Nil</b>
Less: TDS u/s 194 @ 10% on dividend (assuming it is applicable)	(3,200)	(3,200)
<b>Tax liability</b>	<b>(3,200)</b>	<b>(3,200)</b>
Mr. Krishna should not opt for section 115BAC since there is no impact on tax liability (he should also note the restrictive conditions of opting in/out of section 115BAC since he has income from business/profession). Tax refundable will be Rs. 3,200.		

**B23. CA2013(N) – The following is the Profit & Loss Account of Mr. Aditya, aged 58 years, a resident, for the year ended.....**

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

Particulars	Rs.	Rs.	Rs.
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<b>Income from house property</b>			
Gross annual value: Higher of actual rent Rs. 3,00,000 or annual letting value Rs. 2,50,000		3,00,000	
Less: Municipal taxes actually paid by owner		Nil	
Net annual value		3,00,000	
Less: Deduction u/s 24			
• Standard deduction @ 30% of NAV		(90,000)	
• Interest on capital borrowed		(20,000)	
			1,90,000
<b>Profits and gains of business or profession</b>			
Net profit		13,50,000	
Add: Expenses debited not disallowed			
• Arrears of rent paid in cash: Disallowed u/s 40A(3) as > Rs. 10,000 = Rs. 50,000 × 7 months	3,50,000		
• Repair of car: 1/4 <sup>th</sup> on account of personal use	7,500		
• Personal expenses	50,000		
• Medical expenses incurred for wife: Personal expenses	45,000		
• Salary of car driver: 1/4 <sup>th</sup> on account of personal use of car	45,000		
• Depreciation of car: Not allowed since car sold during the year and block of asset ceases to exist as on 31.3.2022	30,000		
• Advance income tax: Not allowed u/s 40(a)(ii)	15,000	5,42,500	
		18,92,500	
Less: Items credited but taxable under other heads			
• Gift from friend	2,50,000		
• Sale of car	1,70,000		
• Interest on income tax refund	30,000	(4,50,000)	
			14,42,500
<b>Capital gain</b>			
Full value of consideration on sale of car		1,70,000	
Less: Cost of acquisition		2,00,000	
Short term capital loss: Carried forward u/s 74		(30,000)	-
<b>Income from other sources</b>			
Interest on income tax refund		30,000	
Cash gift from friend: Taxable u/s 56(2)(x) since aggregate > Rs. 50,000		2,50,000	
Income from minor daughter from stage acting: Not clubbed u/s 64(1A) since it is from talent and skill		-	
Interest on deposits made out of income from stage acting: Clubbed u/s 64(1A)	10,000		
Less: Exemption u/s 10(32)	(1,500)	8,500	
			2,88,500
<b>Gross total income</b>			<b>19,21,000</b>
<b>Less: Deduction under Chapter VIA</b>			
80DD: Medical treatment of dependent son (assuming son has not claimed deduction u/s 80U) suffering from severe disability (80% or more)		1,25,000	
80E: Interest on loan for higher education of son (assumed loan taken from a bank or notified FI or approved charitable institution)		10,000	
			(1,35,000)
<b>Total income</b>			<b>17,86,000</b>

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

Particulars	Rs.
Total income as per regular provisions	17,86,000
Add: Allowance and deductions not allowed u/s 115BAC:	
• Exemption u/s 10(32)	1,500
• Deductions under Chapter VIA	1,35,000
<b>Total income u/s 115BAC</b>	<b>19,22,500</b>

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

Particulars	Regular rates	115BAC rates
Total income	17,86,000	19,22,500
Tax on total income	3,48,300	3,14,250
Less: Rebate u/s 87A (N/A since total income > Rs. 5 lakh)	-	-
	3,48,300	3,14,250
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	3,48,300	3,14,250
Add: HEC @ 4%	13,932	12,570
Tax liability	3,62,232	3,26,820
Less: Advance tax paid	(15,000)	(15,000)
Tax payable	3,47,232	3,11,820
<b>Tax payable (rounded off)</b>	<b>3,47,230</b>	<b>3,11,820</b>
Mr. Aditya 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. 3,11,820		

**B24. CA2012(N) – Mr. Hari provides the following information for the year ending 31.3.2022.....**

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

Particulars	Rs.	Rs.	Rs.
<b>Income from salaries</b>			
Arrears of salary received from ex employer (assuming it was not taxed earlier on due basis)		80,000	
Less: Standard deduction u/s 16(ia)		(50,000)	
			30,000
<b>Income from house property</b>			
Annual value (rent taken in absence of information regarding expected rent)		2,40,000	
Less: Standard deduction u/s 24(a) @ 30% of NAV		(72,000)	
			1,68,000
<b>Profits and gains of business or profession</b>			
Income from retail trade in grains: Books of account are not maintained and turnover is ≤ Rs. 2 crore. Income can be claimed u/s 44AD @ 6% of turnover assuming turnover is received by specified modes during the PY 2021-22 or up to ROI due date.		1,46,250	
Less: B/fd business loss u/s 72: Continuation of business in which loss incurred is not necessary. Balance loss carried forward u/s 72		(1,46,250)	
			-
<b>Capital gains</b>			
Full value of consideration of bonus shares		2,20,000	
Less: Cost of acquisition		Nil	
Long term capital gain u/s 112 (assumed shares are not listed)		2,20,000	
Less: Set off brought forward unabsorbed depreciation against income under other heads (except salary) u/s 32(2)		(1,50,000)	70,000
<ul style="list-style-type: none"> <li>While section 44AD deems depreciation to have been fully allowed, unabsorbed depreciation is not in respect of retail trade in grains, and, hence, it is not deemed to have been allowed and can be set off</li> <li>Since income (other than LTCG) is taxable at a lower rate than LTCG, it is most beneficial to set off unabsorbed depreciation against LTCG.</li> </ul>			
<b>Income from other sources</b>			
Rent from vacant site let on lease			1,12,000
<b>Gross total income</b>			<b>3,80,000</b>
Less: Deduction u/s 80G			
<ul style="list-style-type: none"> <li>Donation to PM National Relief Fund @ 100%</li> <li>Donation to charitable trust of Rs. 40,000: Deductible @ 50% but subject to qualifying limit being 10% of adjusted total income (GTI Rs. 3,80,000 – LTCG u/s 112 Rs. 70,000) = 50% of 10% of Rs. 3,10,000 .</li> </ul>		30,000	
		15,500	
			(45,500)
<b>Total income</b>			<b>3,34,500</b>

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

Particulars	Rs.
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Total income as per regular provisions	3,34,500
Add: Allowance and deductions not allowed u/s 115BAC:	
• Standard deduction u/s 16(ia)	50,000
• Deductions under Chapter VIA	45,500
<b>Total income u/s 115BAC</b>	<b>4,30,000</b>

It is assumed that brought forward loss or unabsorbed depreciation is not attributable to any of the deductions not allowed u/s 115BAC. Hence, these are not adjusted.

Computation of tax liability of Mr. Hari for AY 2022-23 (assuming he is less than 60 years of age)

Particulars	Regular rates	115BAC rates
Total income	3,34,500	4,30,000
Tax on total income		
• Tax on LTCG u/s 112 @ 20% of Rs. 70,000	14,000	14,000
• Tax on balance income of Rs. 2,64,500 at normal rates and Rs. 3,60,000 at 115BAC rates	725	5,500
	14,725	19,500
Less: Rebate u/s 87A (available since total income ≤ Rs. 5 lakh)	(12,500)	(12,500)
	2,225	7,000
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	2,225	7,000
Add: HEC @ 4%	89	280
Tax liability (relief u/s 89 w.r.t. arrears of salary has not been worked out in absence of details of break up given in the question)	2,314	7,280
<b>Tax liability (rounded off)</b>	<b>2,310</b>	<b>7,280</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 liability will be Rs. 2,310.		

**B25. CA2012(M) – Mr. Y carries on his own business. An analysis of his Trading and Profit and Loss account for the year....**

Computation of total income of Mr. Y 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 and loss account		11,20,000	
Add: Expenses debited but not allowed			
• Salary to brother disallowed u/s 40A(2)	2,500		
• Motor car expenses: Disallowed for personal use 1/4 <sup>th</sup>	19,500		
• Depreciation debited in books	55,000		
• Drawings: Personal expense	10,000		
• Investment in NSC	15,000		
• Contribution to University u/s 35 (allowed)	-		
• Advertisement expenses: Allowed u/s 37(1)	-		
• Cash payment to goods transport agency: Not disallowed u/s 40A(3) since within limit of Rs. 35,000	-	1,02,000	
Add: Understatement of closing stock		12,000	
Less: Understatement of opening stock		(8,000)	
Less: Depreciation as per IT Rules (assumed that it does not include depreciation for motor car attributable to personal use)		(50,000)	
Less: Items credited but taxable under other heads			
• Dividend from shares	22,000		
• Interest on debentures	17,500		
• Winning from races	15,000	(54,500)	
			11,21,500
<b>Income from other sources</b>			
Dividend from shares (assumed it is gross of TDS)		22,000	
Interest on debentures (assumed it is gross of TDS)		17,500	
Winning from races (assumed it is gross of TDS)		15,000	

		54,500
<b>Gross total income</b>		<b>11,76,000</b>
Less: Deduction u/s 80C for investment in NSC		(15,000)
<b>Total income</b>		<b>11,61,000</b>

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

Particulars	Rs.
Total income as per regular provisions	11,61,000
Add: Allowance and deductions not allowed u/s 115BAC:	
• Deduction u/s 35(1)(ii)	1,00,000
• Deductions under Chapter VIA	15,000
<b>Total income u/s 115BAC</b>	<b>12,76,000</b>

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

Particulars	Regular rates	115BAC rates
Total income	11,61,000	12,76,000
Tax on total income		
• Tax on winning from races u/s 115BB @ 30% of Rs. 15,000	4,500	4,500
• Tax on balance income of Rs. 11,46,000 at normal rates and Rs. 12,61,000 at 115BAC rates	1,56,300	1,27,750
	1,60,800	1,32,250
Less: Rebate u/s 87A (N/A since total income > Rs. 5 lakh)	-	-
	1,60,800	1,32,250
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	1,60,800	1,32,250
Add: HEC @ 4%	6,432	5,290
Tax liability	1,67,232	1,37,540
Less: TDS on dividend from shares @ 10% u/s 194 (assuming dividend is paid by a domestic company, Mr. Y is a resident and TDS is applicable)	(2,200)	(2,200)
Less: TDS on interest on debentures @ 10% u/s 193 (assuming Mr. Y is a resident and TDS is applicable)	(1,750)	(1,750)
Less: TDS on winnings from races @ 30% u/s 194BB (assuming winning is from horse race and TDS is applicable)	(4,500)	(4,500)
Tax payable	1,58,782	1,29,090
<b>Tax payable (rounded off)</b>	<b>1,58,780</b>	<b>1,29,090</b>
Mr. Y 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. 1,29,090.		

**B26. CA2010(N) – Dr. Shuba is a medical practitioner. Her age is 64 as on 1.1.2022. The receipts and payments account.....**

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

Particulars	Rs.	Rs.	Rs.
<b>Income from house property</b>			
Annual value		Nil	
Less: Interest on capital borrowed u/s 24(b) of Rs. 60,000: Deductible up to Rs. 30,000 since original loan taken before 1.4.1999		(30,000)	
			(30,000)
<b>Profits and gains of business or profession</b>			
Sale of medicine	2,50,000		
Consultation fees	50,000		
Visiting fees	2,00,000	5,00,000	
Less: Expenses			
• Interest on vehicle loan: 3/4 <sup>th</sup> of 8% of Rs. 3 lakh for 9 months	13,500		
• Purchase of medicine	47,000		
• Payment for medical journal	5,000		
• Vehicle expenses: 3/4 <sup>th</sup> for official use	37,500	(1,03,000)	
Less: Depreciation			

• Commercial vehicle put to use $\geq$ 180 days: $\frac{3}{4}$ <sup>th</sup> of (15% of Rs. 4,00,000)	45,000		
• Surgical instrument put to use $\geq$ 180 days: 15% of Rs. 50,000	7,500	(52,500)	
			3,44,500
<b>Income from other sources</b>			
Honorarium for lectures		5,000	
Family pension: Rs. 2,80,000 – Rs. 15,000 (lower of $\frac{1}{3}$ <sup>rd</sup> or Rs. 15,000)		2,65,000	
Saving bank interest		1,000	
Share from HUF (exempt u/s 10(2))		-	
Winning from lottery: Grossed up for TDS = Rs. 35,000 $\times$ (100/70)		50,000	
Interest from debentures in name of minor daughter: Clubbed u/s 64(1A): 9% of Rs. 1.5 lakh for 9 months – Exemption of Rs. 1,500 u/s 10(32)		8,625	
			3,29,625
<b>Gross total income</b>			<b>6,44,125</b>
<b>Less: Deduction under Chapter VIA</b>			
Section 80C: Repayment of housing loan		48,000	
Section 80D: Mediclaim for self and mother		32,000	
Section 80TTB: Interest on saving bank account		1,000	
			(81,000)
<b>Total income</b>			<b>5,63,125</b>
<b>Total income (rounded off)</b>			<b>5,63,130</b>

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

Particulars	Rs.
Total income as per regular provisions	5,63,125
Add: Allowance and deductions not allowed u/s 115BAC:	
• Interest u/s 24(b)	30,000
• Exemption for family pension	15,000
• Exemption for minor child u/s 10(32)	1,500
• Deductions under Chapter VIA	81,000
<b>Total income u/s 115BAC</b>	<b>6,90,625</b>
<b>Total income u/s 115BAC (rounded off)</b>	<b>6,90,630</b>

*Computation of tax liability of Dr. Shuba for AY 2022-23*

Particulars	Regular rates	115BAC rates
Total income	5,63,130	6,90,630
Tax on total income		
• Tax on winning from lottery u/s 115BB @ 30% of Rs. 50,000	15,000	15,000
• Tax on balance income of Rs. 5,13,130 at normal rates and Rs. 6,40,630 at 115BAC rates	12,626	26,563
	27,626	41,563
Less: Rebate u/s 87A (N/A since total income > Rs. 5 lakh)	-	-
	27,626	41,563
Add: Surcharge (N/A as total income does not exceed 50 lakh)	-	-
	27,626	41,563
Add: HEC @ 4%	1,105	1,663
Tax liability	28,731	43,226
Less: TDS on lottery	(15,000)	(15,000)
Less: TDS on interest on debentures u/s 193 (assuming TDS is not deductible)	-	-
Less: Advance tax paid	(20,000)	(20,000)
Tax payable/refundable	(6,269)	8,226
<b>Tax payable/refundable (rounded off)</b>	<b>(6,270)</b>	<b>8,230</b>

Dr. Shuba should not 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 refundable will be Rs. 6,270.