

TAXBOOK⁺

Working steps of solutions

B1 to B9

Computation of Total Income & Tax Payable

Build Your Confidence (BYC)

B1. CA2021(JUL) – Mr. Arun is working as a Senior Manager in ABCD Bank, a listed commercial bank, in Delhi since.....

Note: It is assumed that Mr. Arun is not a senior citizen

Computation of total income of Mr. Arun for AY 2022-23 (as per regular provisions)

Particulars	Rs.	Rs.	Rs.
Salaries			
Basic salary @ 20,000 p.m.		2,40,000	
Dearness allowance @ 5,000 p.m.		60,000	
House rent allowance @ 15,000 p.m.	1,80,000		
Less: Exempt u/s 10(13A) = Lower of:			
• HRA received Rs. 1,80,000			
• Rent paid – 10% of salary = 6,00,000 (@ 50,000 p.m.) – 27,000 (10% of 2,70,000 (basic 2,40,000 + DA forming part of retirement benefits 30,000)) = 5,73,000			
• 50% of salary = 1,35,000	(1,35,000)		
		45,000	
Personal accident policy premium: Exempt		-	
Taxable value of sweat equity shares:			
• FMV on date of exercise of option @ 1,500 per share	30,00,000		
• Less: Amount paid @ 1,300 per share	(26,00,000)		
		4,00,000	
Gross salary		7,45,000	
Less: Standard deduction u/s 16(ia)		(50,000)	
			6,95,000
Income from house property (Kanpur)			
Expected rent = Higher of municipal valuation or fair rent but not exceeding standard rent	2,40,000		
Actual rent	2,64,000		
Gross annual value = Higher of expected rent or actual rent		2,64,000	
Less: Municipal taxes paid by Mr. Arun during the PY @ 10% of municipal valuation		(26,000)	
Net annual value		2,38,000	
Less: Deduction u/s 24(a) @ 30% of NAV		(71,400)	
			1,66,600
Capital gains			
Full value of consideration @ 2,100 per share for 2,000 shares		42,00,000	
Less: COA being FMV taken for valuation of perquisite		(30,00,000)	
Short term capital gain (since shares not held for more than 12 months)			12,00,000
Income from other sources			
Interest income of minor son: Clubbed u/s 64(1A) assuming total income of Mr. Arun, before such clubbing, is greater than this spouse. ¹	43,750		
Less: Exempt u/s 10(32)	(1,500)		
		42,250	

¹ Alternatively, interest income of Rs. 50,000 p.a. given in the question can also be taken. Suitable note should be given in the answer.

Gold chain from friend: Taxable u/s 56(2)(x) since FMV > 50,000		70,000	
LED TV set: Not taxable u/s 56(2)(x) as not a specified property therein		-	
Cash from married sister of wife: Not taxable u/s 56(2)(x) since received from a relative		-	
			1,12,250
Gross total income			21,73,850
Less: Deductions under Chapter VIA			-
Total income			21,73,850

Computation of tax liability of Mr. Arun for AY 2022-23 (as per regular provisions)

Particulars	Rs.
Tax on STCG u/s 111A @ 15% of 12,00,000	1,80,000
Tax on balance total income of 9,73,850	1,07,270
	2,87,270
Add: HEC @ 4%	11,491
Tax liability	2,98,761
Tax liability (rounded off)	2,98,760

Computation of total income of Mr. Arun for AY 2022-23 (as per section 115BAC)

Particulars	Rs.
Total income as per regular provisions	21,73,850
Add: Exemption for HRA not allowed	1,35,000
Add: Standard deduction u/s 16(ia) not allowed	50,000
Add: Exemption u/s 10(32) not allowed	1,500
Total income u/s 115BAC	23,60,350

Computation of tax liability of Mr. Arun for AY 2022-23 (as per section 115BAC)

Particulars	Rs.
Tax on STCG u/s 111A @ 15% of 12,00,000	1,80,000
Tax on balance total income of 11,60,350	1,07,070
	2,87,070
Add: HEC @ 4%	11,483
Tax liability	2,98,553
Tax liability (rounded off)	2,98,550

Tax liability of Mr. Arun u/s 115BAC is marginally lower. Thus, he can opt to be governed by section 115BAC.

Mistake by students:

- *Incorrect computation in respect of sweat equity shares – Both as perquisite and as capital gains.*
- *No computation u/s 115BAC even when the question required computation in a manner most beneficial to Mr. Arun.*

B1a. CA2021(JULY) – Ashish, a resident individual, aged 43 years, provides professional services in the field of interior.....

Computation of total income of Ashish for AY 2022-23

Particulars	Rs.	Rs.	Rs.
Profits and gains of business or profession			
Excess of income over expenditure		39,43,000	
Add: Items debited but not deductible:			
Family planning expenditure: Not deductible as deduction u/s 36(1)(ix) is allowed only to a company	20,000		
Salary to sister-in-law which is excessive or unreasonable: Not disallowed u/s 40A(2) as sister-in-law is not relative under that section. Hence, no adjustment required.	-		
Employees' contribution to EPF: Not deductible u/s 36(1)(va) since deposited after the due date under the EPF law	10,000		
Medical expenses on treatment of father: Not deductible u/s 37(1) as not incurred for purpose of business or profession	80,000		
Commission paid without deducting TDS: 30% disallowed u/s 40(a)(ia) assuming Anjaleem is a resident. TDS is deductible u/s 194H (para 215) since gross receipts of Ashish exceed 50 lakh in the preceding FY and amount of commission > 15,000.	7,500		

Depreciation as per books	90,000		
Purchase of furniture: Disallowed as it is a capital expenditure. Depreciation allowed separately.	48,000		
		2,55,500	
Less: Depreciation			
Books @ 40% of 90,000	36,000		
Computers @ 40% of 35,000	14,000		
Furniture @ 10% of 19,000 as put to use for \geq 180 days. Payment in cash of 18,000 and 11,000 not added to actual cost since made to a person in a day, exceeding 10,000, otherwise than by a specified mode.	1,900		
Car @ 15% of 3,35,000. Actual purchase price is taken to be the actual cost.	50,250		
		(1,02,150)	
Less: Items credited but not taxable or taxable under another head of income			
Interest on PPF: Exempt u/s 10	60,000		
Interest on savings bank account: Taxable as IFOS	20,000		
Interest on NSC VIII issue: Taxable as IFOS	21,000		
		(1,01,000)	
			39,95,350
Income from other sources			
Interest on savings bank account		20,000	
Interest on NSC VIII issue		21,000	
			41,000
Gross total income			40,36,350
Less: Deductions under chapter VIA:			
U/s 80C: Contribution to PPF of 1,00,000 + Interest on NSC of 21,000 (accrued interest is deemed reinvested)		1,21,000	
U/s 80D: Medical treatment on health of father (senior citizen, assuming he is a resident) as no health insurance premium has been paid for him. Deductible up to 50,000 since paid by a mode other than cash.		50,000	
U/s 80TTA: Interest on savings bank account deductible up to 10,000		10,000	
			(1,81,000)
Total income			38,55,350

Computation of tax liability of Ashish for AY 2022-23

Particulars	Rs.
Tax on total income of 38,55,350	9,69,105
Add: HEC @ 4%	38,764
Tax liability	10,07,869
Tax liability (rounded off)	10,07,870

Mistake by students:

- Family planning expenditure allowed as deduction to Ashish though it is available only to company.
- Disallowance u/s 40A(2) wrongly made for payment to sister-in-law even though she is not a relative.
- Failure to make disallowance u/s 40(a)(ia) in respect of commission payment made without deducting TDS.
- Failure to provide exemption for interest on PPF.

B1b. CA2021(JULY) – Rohini, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1997.....

Visit rule applies to Rohini since she is a citizen of India or person of Indian origin who comes on a visit to India during the PY. Threshold to become a resident is 182 days. Since her stay of 60 days is < 182 days, she is not a resident. She is a non-resident. Accordingly, her total income and tax liability is computed below.

Computation of total income of Rohini for AY 2022-23

Particulars	Rs.	Rs.
Salaries		
Pension received from Russian Government: Not taxable since it accrues/arises outside India and is received outside India		-
Income from house property		
Annual value (rent received) in respect of house property in New Delhi: Taxable in India. It is deemed	90,000	

to accrue/arise in India as property is situated in India.		
Less: Standard deduction u/s 24(a) of 30%	(27,000)	
		63,000
Capital gains		
Long term capital gain on sale of land at New Delhi (computed) – U/s 112. Taxable in India. It is deemed to accrue/arise in India as transfer is of capital asset situated in India.	3,00,000	
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) – U/s 111A. Taxable in India. It is deemed to accrue/arise in India as transfer is of capital asset situated in India.	60,000	
		3,60,000
Gross total income		4,23,000
Less: Deduction u/s 80C in respect of premium paid to Russian Life Insurance Corporation at Russia (assuming it is on the life of self, spouse or child and premium is within the specified % limit of sum assured). However, deduction is not allowable from LTCG u/s 112 or STCG u/s 111A. Thus, it is restricted to income from house property only.		(63,000)
Total income		3,60,000

Computation of tax liability of Rohini for AY 2022-23

Particulars	Rs.
Tax on LTCG u/s 112 @ 20% of 3,00,000. Benefit of unexhausted basic exemption limit is not available to a non-resident.	60,000
Tax on STCG u/s 11A @ 15% of 60,000. Benefit of unexhausted basic exemption limit is not available to a non-resident.	9,000
	69,000
Less: Rebate u/s 87A: Not available to a non-resident	-
	69,000
Add: HEC @ 4%	2,760
Tax liability	71,760

Mistake by students – Allowed deduction u/s VIA (80C in this case) on LTCG u/s 112 and STCG u/s 111A.

B1c. CA2021(J) (modified) - Mr. Krishna (aged 65 years), a furniture manufacturer, reported a profit of Rs. 5,64,20,700....

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

Particulars	Rs.	Rs.	Rs.
Profits and gains of business or profession			
Net profit as per profit and loss account		5,64,20,700	
Add: Items debited but not deductible:			
• Donation to Gurudwara in cash: Not deductible u/s 37(1) as not for purpose of business or profession	20,000		
• Interest on loan for purchase of e-vehicle: Not deductible u/s 37(1) as it is for personal purpose	1,67,000		
• Contribution to a university approved and notified u/s 35(1)(ii): Allowed. No adjustment required.	-		
• Sale of furniture to brother below FMV: No adjustment required. Section 40A(2) applies to expenditure.	-		
		1,87,000	
Less: Items credited but not taxable or taxable under other heads:			
• Royalty on patent: Taxable as IFOS since Krishna is engaged in manufacturing business and not in business of earning royalty	4,00,000		
• Recovery of bad debt: Deemed business income taxable u/s 41(1) = Recovery of 3,00,000 – (Amount of debt 5,00,000 – Deduction allowed u/s 36(1)(vii) 3,00,000) = 1,00,000. Excess credited is to be reduced (3,00,000 – 1,00,000)	2,00,000		
		(6,00,000)	
Less: Depreciation on cars (put to use > 180 days) @ 15% (assuming general rate is applicable) of 24 lakh. Additional depreciation is not allowed on cars.		(3,60,000)	
			5,56,47,700
Capital gains			
Withdrawal of 25 lakh from CGAS: Not taxable since used to acquire new asset			-

within 3 years from 30.3.2019.			
Long term capital gain on sale of residential house	50,00,000		
Less: Exemption u/s 54 = Lower of capital gain (50 lakh) or cost of new asset (1 crore – 25 lakh, i.e., 75 lakh)	(50,00,000)	-	
			Nil
Income from other sources			
Royalty on patent			4,00,000
Gross total income			5,60,47,700
Less: Deduction u/c VIA			
U/s 80D:			
• Lump sum premium: Deduction for each PY = 30,000 / 6 (beginning with PY 2021-22 in which amount is paid and subsequent PYs during which insurance will be in force, i.e., till PY 2026-27)	5,000		
• Preventive health-check: Eligible upto 5,000	5,000		
		10,000	
U/s 80EEB for interest on loan to purchase e-vehicle: Allowed up to 1,50,000 as loan sanctioned in PY 2021-22 (within the eligible period)		1,50,000	
U/s 80G for donation to Gurudwara: Not allowed for donation > 2,000 in cash			-
U/s 80RRB for royalty on patent: Up to 3,00,000		3,00,000	
			(4,60,000)
Total income			5,55,87,700

Computation of tax liability of Mr. Krishna for AY 2022-23 (as per regular provisions)

Particulars	Rs.
Tax on total income of 5,55,87,700 (assuming he is resident and, thus, a senior citizen)	1,64,86,310
Add: SC @ 37% since total income > 5 crore	60,99,935
	2,25,86,245
Add: HEC @ 4%	9,03,450
Tax liability	2,34,89,695

Computation of tax liability of Mr. Krishna for AY 2022-23 (as per AMT provisions as he has claimed deduction u/s 80RRB, provided he does not opt for section 115BAC)

Particulars	Rs.
Computation of Adjusted Total Income	
Total income	5,55,87,700
Add: Deduction u/s 80RRB	3,00,000
	5,58,87,700
AMT applicable? Deduction claimed u/s 80RRB, ATI > 20 lakh and (in case) he has not opted for 115BAC	Yes
Computation of Alternate Minimum Tax	
AMT @ 18.5% of ATI	1,03,39,225
Add: SC @ 37% since ATI > 5 crore	38,25,513
	1,41,64,738
Add: HEC @ 4%	5,66,590
AMT liability	1,47,31,328
Since regular Tax is not less than AMT, Mr. Krishna will not pay tax under AMT provisions	

Computation of tax liability of Mr. Krishna for AY 2022-23 (as per section 115BAC)

Particulars	Rs.
Total income as per regular provisions	5,55,87,700
Add: Contribution to a university approved and notified u/s 35(1)(ii) not allowed	48,000
Add: Deductions u/s 80D, 80EEB, 80RRB not allowed	4,60,000
Total income u/s 115BAC	5,60,95,700
Tax on total income @ 115BAC rates	1,65,66,210
Add: SC @ 37% since total income > 5 crore	61,29,498
	2,26,95,708
Add: HEC @ 4%	9,07,828
Tax liability u/s 115BAC	2,36,03,536

Tax liability of Mr. Krishna under regular provisions is less than that u/s 115BAC. Tax payable is determined below.

Particulars	Rs.	Rs.
Tax liability as per regular provisions		2,34,89,695
Less: TDS/TCS		
• U/s 206C(1) for timber obtained under forest lease @ 2.5% of 20 lakh (assuming that Mr. Krishna did not furnish declaration to the seller that goods are to be utilized for manufacturing and not for trading; if it is assumed that he furnished the declaration, the seller would not collect TCS)	(50,000)	
• U/s 206C(1F) for sale of motor car of value > 10 lakh: Assumed that seller is covered u/s 206C(1F). TCS @ 1% of 12 lakh. No TCS on cars of value ≤ 10 lakh.	(12,000)	
• U/s 194-IA on sale of house since consideration ≥ 50 lakh. TDS @ 1% of 1 crore	(1,00,000)	
		(1,62,000)
Tax payable		2,33,27,695
Tax payable (rounded off)		2,33,27,700

B2. CA2021(J) - Given below are the details provided to you by Mr. Rayan, a resident individual aged 54 years, engaged.....

Computation of total income of Mr. Rayan for AY 2022-23 (as per regular provisions)

Particulars	Rs.	Rs.	Rs.
Profits and gains of business or profession			
Net profit as per profit and loss account		75,21,000	
Add: Items debited but not allowable as deduction:			
• Depreciation	17,50,000		
• Interest on loan for purchase of plant and machinery till date asset is first put to use: Added to actual cost = 11% of 55 lakh for 5 months. Not deductible u/s 36(1)(iii).	2,52,083		
• Bonus of 5% of net profit not deductible u/s 36(1)(ii) as it is payable as share of profit	3,76,050		
• VRS compensation: Amortized u/s 35DDA in 5 instalments starting from year of payment. Hence, 4/5 th of 9 lakh added back.	7,20,000		
		30,98,133	
Less: Items not taxable or taxable under other heads of income:			
• Income tax refund: Not taxable	10,000		
• Interest on income tax refund: Taxable as IFOS	4,850		
		(14,850)	
Less: Depreciation (Note)		(26,22,729)	
			79,81,554
Income from other sources:			
Interest on income tax refund			4,850
Gross total income			79,86,404
Less: Deduction u/s 80C			
• Life insurance premium on life of father: Not eligible			-
• Life insurance premium on life of daughter: Up to 10% of sum assured		45,000	
			(45,000)
Total income			79,41,404
Total income (rounded off)			79,41,400

Note:

Particulars	Building	P&M
Opening WDV	5,45,000	9,00,000
Add: Actual cost of assets acquired during the PY		
• P&M acquired on 1.4.2021 on hire purchase (put to use ≥ 180 days): As per Circular 9/1943, in case of hire purchase, depreciation is allowed to lessee on cash value (sale price as on date on agreement) and hire charges are deductible over the term of agreement. In absence of information regarding hire charges component comprised in the instalments, the entire cost of asset of 12 lakh is taken to be the initial value or capital outlay entitled to depreciation. Since cash payment in a day ≤ 10,000, no disallowance is made on this count.		12,00,000

• P&M acquired on 1.5.2019 (put to use ≥ 180 days): 55,00,000 + interest on loan till date it is first put to use 2,52,083		57,52,083
WDV of Block (as on 31.3.2022) for depreciation	5,45,000	78,52,083
Normal depreciation = 10% on building and 15% on P&M	54,500	11,77,812
Additional depreciation on P&M (as Mr. Rayan is engaged in manufacture) = 20% of actual cost of new P&M acquired and installed during the year = 20% of 69,52,083	-	13,90,417
Total = 26,22,729	54,500	25,68,229

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

Particulars	Rs.
Total income as per regular provisions	79,41,404
Add: Additional depreciation not allowed	13,90,417
Add: Deductions u/s 80C not allowed	45,000
Total income u/s 115BAC	93,76,821
Total income u/s 115BAC (rounded off)	93,76,820

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

Particulars	Regular rates	115BAC rates
Total income	79,41,400	93,76,820
Tax on total income	21,94,920	25,50,546
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	21,94,920	25,50,546
Add: Surcharge @ 10% as total income > 50 lakh and up to 1 crore	2,19,492	2,55,055
	24,14,412	28,05,610
Add: HEC @ 4%	96,576	1,12,224
Tax liability	25,10,988	29,17,825
Less: TDS u/s 194N @ 2% of 2 crore. It is assumed that Mr. Rayan has filed ROI for all of the 3 immediately preceding PYs, for which time limit to file ROI u/s 139(1) has expired, immediately preceding the PY 2021-22 and, hence, rate of 2% applies. ²	(4,00,000)	(4,00,000)
Tax payable	21,10,988	25,17,825
Tax payable (rounded off)	21,10,990	25,17,830
Mr. Rayan 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. 21,10,990.		

B3. CA2021(J) - Mr. Xavier, an Indian resident individual, set up a unit in SEZ in the FY 2017-18 for production of.....

Computation of total income and tax liability of Mr. Xavier for AY 2022-23 (as per regular provisions)

Particulars	Rs.	Rs.
Profits and gains of business or profession		
Profit from SEZ unit	50,00,000	
Less: Deduction u/s 10AA = 50 lakh × (90 lakh / 150 lakh). 100% deduction being 5 th year of manufacturing.	(30,00,000)	
		20,00,000
Profit from warehousing facility	1,10,00,000	
Less: Deduction u/s 35AD = 100% of capital expenditure incurred prior to commencement of operations since it is capitalized in books on that date = 93 lakh – exp on land 13 lakh	(80,00,000)	
		30,00,000
Total income		50,00,000
Tax on total income (assuming he is not a senior citizen)		13,12,500
Less: Rebate u/s 87A (N/A as total income > 5 lakh)		-
		13,12,500
Add: Surcharge Nil as total income ≤ 50 lakh		-
		13,12,500

² As per an alternative view, TDS u/s 194N applies to excess over the threshold limit. Pending CBDT clarification, this view is not followed in this book, in view of express language of the Act.

Add: HEC @ 4%		52,500
Tax liability		13,65,000

Computation of tax liability of Mr. Xavier for AY 2022-23 (as per AMT provisions, assuming he has not opted for section 115BAC)

Particulars	Rs.
Computation of Adjusted Total Income	
Total income	50,00,000
Add: Deduction u/s 10AA	30,00,000
Add: Deduction u/s 35AD	80,00,000
Less: Depreciation allowable u/s 32 on assets in respect of which depreciation claimed = 10% of 80 lakh, assuming entire capital expenditure is on building	(8,00,000)
	1,52,00,000
AMT applicable? Deduction claimed u/s 10AA/35AD, ATI > 20 lakh and he has not opted for 115BAC	Yes
Computation of Alternate Minimum Tax	
AMT @ 18.5% of ATI	28,12,000
Add: SC @ 15% since ATI > 1 crore and upto 2 crore	4,21,800
	32,33,800
Add: HEC @ 4%	1,29,352
AMT liability	33,63,152
AMT liability (rounded off)	33,63,150
Is Regular Tax < AMT?	Yes
Since regular tax < AMT, ATI is deemed to be the total income and AMT is the tax liability.	

AMT credit to be carried forward u/s 115JEE

Particulars	Rs.
Tax liability u/s 115JC	33,63,150
Less: Tax liability under regular provisions	(13,65,000)
	19,98,150

B4. CA2021(J) - Rajesh was employed in Axis Ltd., Mumbai. He received a salary of Rs. 45,000 p.m. from 1.4.2021 to.....

Citizen of India, who leaves India during the PY for purpose of employment outside India is a resident if he is in India \geq 182 days in the PY. Since Rajesh was in India for 181 days (1.4.2021 to 28.9.2021), he is a non-resident for PY 2021-22.

Computation of taxable income of Rajesh for AY 2022-23 (under regular provisions)

Particulars	Rs.	Rs.
Income from salaries		
For 1.4.2021 to 20.9.2021 = (45,000 \times 5 months) + (45,000 \times 20/30 days): Taxable as received in India and accrued/arose in India (services rendered in India).	2,55,000	
For October to December: Taxable as received in India	2,70,000	
For January to March: Not taxable as received outside India and is not deemed to accrue/arise in India u/s 9(1)(ii) (since services rendered outside India)	-	
Gross salary income	5,25,000	
Less: Standard deduction u/s 16(ia)	(50,000)	
		4,75,000
Income from other sources		
Cost of air tickets funded by sister: Not taxable u/s 56(2)(x), as sister is a relative	-	
Cost of initial stay in Dubai funded by friend: Not taxable u/s 56(2)(x), as amount \leq 50,000	-	
Interest on fixed deposits with Mumbai bank	10,500	
Interest on savings a/c with Mumbai bank	7,500	
		18,000
Gross total income		4,93,000
Less: Deductions u/c VIA		
• U/s 80C for LIC premium for self and spouse (assuming it is within permissible limit of sum assured); not eligible for mother.	25,000	
• U/s 80TTA on interest on savings account upto limit of Rs. 10,000 (since Rajesh is not a senior citizen)	7,500	

citizen)		
		(32,500)
Total income		4,60,500

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

Particulars	Rs.
Total income as per regular provisions	4,60,500
Add: Standard deduction u/s 16(ia)	50,000
Add: Deduction u/s 80C and 80TTA	32,500
Total income u/s 115BAC	5,43,000

B5. CA2020(N) – From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the PY....

Computation of total income of Mr. Ganesh for AY 2022-23 (as per regular provisions)

Particulars	Rs.	Rs.	Rs.
Income from house property			
<i>Let out portion (assuming ground and first floors are of equal area):</i>			
• Gross annual value (rent taken in absence of further information)	2,28,000		
• Less: Municipal taxes paid (50% of Rs. 60,000)	(30,000)		
• Net annual value	1,98,000		
• Less: Standard deduction u/s 24(a) @ 30% of NAV	(59,400)	1,38,600	
<i>Self occupied portion:</i>			
• Income from house property from self occupied portion: Annual value is Nil and no deduction is allowed for municipal taxes paid.		Nil	
			1,38,600
Profits and gains from business or profession			
Profit of business of SEZ unit		25,00,000	
Share of profit from AOP (Note)		47,000	
			25,47,000
Capital gains			
Full value of consideration = SDV u/s 50C as it is > 110% of consideration		15,12,000	
Indexed cost of acquisition = COA × (CII of 2021-22/CII of 2001-02) = 4,00,000 × (317/100). COA = Higher of Rs. 1,90,000 (1,80,000 + 10,000) or Rs. 4,00,000 FMV as on 1.4.2001		(12,68,000)	
Long term capital gain (since land held for more than 24 months)			2,44,000
Income from other sources			
Royalty received	2,88,000		
• Less: Expenditure	(40,000)	2,48,000	
Interest on saving bank deposits		40,000	
			2,88,000
Gross total income			32,17,600
<i>Less: Deduction u/s VIA</i>			
• U/s 80C: Life insurance premium for son (not eligible for father) 39,000 + Tuition fee up to 2 children Rs. 28,000		(67,000)	
• U/s 80QQB: Gross royalty up to 15% (2.4 lakh); gross royalty repatriated till 30.9.2022 (1.9 lakh). Lower of both = 1.9 lakh. Deduction = Lower of 1.9 lakh or 3 lakh limit, restricted to net royalty (included in gross total income) of 2.48 lakh		(1,90,000)	
• U/s 80TTA: On saving bank interest up to Rs. 10,000		(10,000)	
			(2,67,000)
<i>Less: Deduction u/s 10AA: Since SEZ undertaking commenced operations during FY 2019-20, deduction for AY 2022-23 (being 3rd year of operations) = 100% of profits derived from export = Profit of Unit × (Export turnover of unit / Total turnover of unit) = 25L × (140L / 200L)</i>			(17,50,000)
Total income			12,00,600

Computation of tax liability of Mr. Ganesh for AY 2022-23 (as per regular provisions)

Particulars	Rs.
Tax on LTCG of 2,44,000 @ 20%	48,800
Tax on balance total income of 9,56,600 @ normal rates	1,03,820
	1,52,620
Add: HEC @ 4%	6,105
Tax liability	1,58,725
Tax liability (rounded off)	1,58,730

Computation of tax liability of Mr. Ganesh for AY 2022-23 (as per AMT provisions)

Particulars	Rs.
Computation of Adjusted Total Income	
Total income	12,00,600
Add: Deduction u/s 10AA	17,50,000
Add: Deduction u/s 80QQB	1,90,000
	31,40,600
AMT applicable? Deduction claimed u/s 10AA/80QQB, ATI > 20 lakh and (in case) he has not opted for 115BAC	Yes
Computation of Alternate Minimum Tax	
AMT @ 18.5% of ATI	5,81,011
Add: HEC @ 4%	23,240
AMT liability	6,04,251
Is Regular Tax < AMT?	Yes
Tax liability under AMT provisions (rounded off)	6,04,250

Computation of tax liability of Mr. Ganesh for AY 2022-23 (as per section 115BAC)

Particulars	Rs.
Total income as per regular provisions	12,00,600
Add: Deduction u/s 10AA: Not allowed u/s 115BAC	17,50,000
Add: Deduction u/s 80C, 80QQB, 80TTA: Not allowed u/s 115BAC	2,67,000
Total income u/s 115BAC	32,17,600
Tax on LTCG of 2,44,000 @ 20%	48,800
Tax on balance total income of 29,73,600 @ 115BAC rates	6,29,580
	6,78,380
Add: HEC @ 4%	27,135
Tax liability	7,05,515
Tax liability (rounded off)	7,05,520
Since tax liability u/s 115BAC is more than AMT tax liability, Mr. Ganesh should not opt for section 115BAC. He will pay tax payable under AMT provisions and carry forward the AMT credit for being set off in a subsequent year against regular tax liability.	

Note: Since taxable income of Ganesh (excluding share from AOP) is more than BEL, AOP will be taxable at maximum marginal rate by virtue of section 167B and in such case, share of profit will not be included in the total income of Ganesh by virtue of section 86, even if the AOP may have actually paid tax at the normal rates though it is taxable at maximum marginal rate. An alternative view can also be taken that since the AOP has paid tax at normal rates, share of profit will be included in total income of Ganesh by virtue of section 86. Since the former adjustment is not within the scope of CA Intermediate syllabus, the latter view has been adopted in the solution.

B6. CA2020(N) – Mr. Jayaprakash, aged about 40 years, is an authorized wholesale distributor of Fertilizers Ltd. dealing.....

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

Particulars	Rs.	Rs.	Rs.
Income from house property			
GAV/NAV (rent from Mr. Z taken in absence of any other information; assuming it is for house property and, thus, taxable under the head 'Income from house property)		7,20,000	
Less: Standard deduction u/s 24(a) @ 30%		(2,16,000)	
			5,04,000
Profits and gains of business or profession			
Net profit as per Trading and Profit & Loss A/c		75,43,815	

Add: Expenses debited but not allowed			
• Income tax paid		3,45,000	
• Fee u/s 234F for late filing of return: Disallowed u/s 40(a)(ii)		1,000	
• Salary paid in cash exceeding Rs. 10,000: Disallowed u/s 40A(3)		25,000	
• Interest paid to NBFC on loan attributable to personal purpose = Rs. 1,20,000 × (2 lakh / 10 lakh)		24,000	
• Interest paid to NBFC without deduction of TDS u/s 194A: Disallowed u/s 40(a)(ia) @ 30% of Rs. 1,20,000 = Rs. 36,000. 8/10 th for business purposes. TDS to be deducted since his turnover for preceding FY > 1 crore. It is assumed that interest is paid without deducting TDS though language of question is not clear.		28,800	
• Advertisement in souvenir of political party: Disallowed u/s 37(2B)		20,000	
• Interest paid on late filing of GST: Compensatory interest is allowed; it is not for infraction of law		-	
			4,43,800
Add: Undervaluation of closing stock (assuming 'previous year' mentioned in the question is the current previous year 2021-22) ³			45,000
Less: Income credited but not taxable or taxable under other head			
• Dividend from Indian companies (taxable under the head IFOS)	17,20,000		
• Interest received on FDs (taxable under the head IFOS)	1,08,000		
• Rent received (taxable under the head IHP)	7,20,000		
• Income tax refund: Not taxable	18,000		
			(25,66,000)
Less: Depreciation on Maruti Van @ 15% of Rs. 2,10,000 assuming it is put to use for ≥ 180 days during the year			(31,500)
			54,35,115
Income from other sources			
Dividend (gross of TDS)		17,20,000	
Interest received on FDs: Gross interest = Rs. 1,08,000 × (100/10) since TDS deducted @ 10% u/s 194A		1,20,000	
Interest on income tax refund		2,000	
			18,42,000
Gross total income			77,81,115
Less: Deduction u/s 80D for health insurance premium: Allowed up to Rs. 25,000			(25,000)
Total income			77,56,115
Total income (rounded off)			77,56,120

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

Particulars	Rs.
Total income as per regular provisions	77,56,115
Add: Deductions u/s 80D not allowed	25,000
Total income u/s 115BAC	77,81,115
Total income u/s 115BAC (rounded off)	77,81,120

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

Particulars	Regular rates	115BAC rates
Total income	77,56,120	77,81,120
Tax on total income	21,39,336	20,71,836
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	21,39,336	20,71,836
Add: Surcharge @ 10% since total income > Rs. 50 lakh and up to Rs. 1 crore	2,13,934	2,07,184
	23,53,270	22,79,020
Add: HEC @ 4%	94,131	91,161
Tax liability	24,47,401	23,70,181
Less: TDS on dividend @ 10% u/s 194	(1,72,000)	(1,72,000)
Less: TDS on FD interest @ 10% u/s 194A	(12,000)	(12,000)
Less: TDS on rent from Mr. Z: Assuming Mr. Z is not covered u/s 194-I and, thus, it is	(36,000)	(36,000)

³ If previous year is taken as the earlier previous year (denoting opening stock of current previous year), it will be reduced instead of being added.

deducted u/s 194-IB @ 5% since monthly rent > Rs. 50,000		
Less: Advance tax	(15,00,000)	(15,00,000)
Tax liability	7,27,401	6,50,181
Tax liability (rounded off)	7,27,400	6,50,180
Mr. Jayaprakash can opt for section 115BAC (but 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 6,50,180.		

B7. CA2019(N) – Mrs. Mitul, a resident individual, aged 63 years, is a qualified medical practitioner. She runs her own.....

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

Particulars	Rs.	Rs.	Rs.
Income from salaries:			
Basic pay: Rs. 13,000 × 12 months		1,56,000	
Transport allowance: Rs. 2,000 × 12 months; fully taxable		24,000	
Medical treatment of son (family) in employer's hospital is exempt u/s 17(2), proviso		-	
Gross salary		1,80,000	
Less: Standard deduction u/s 16(ia)		(50,000)	1,30,000
Income from house property:			
Let out portion (first floor): Assumed that both floors are of equal area			
• Gross annual value: Annual rent taken in absence of information on expected rent: Rs. 10,000 × 6 months		60,000	
• Less: Municipal taxes actually paid during the PY = Rs. 10,000/2		(5,000)	
• Net annual value		55,000	
• Less: Deductions u/s 24			
o Standard deduction @ 30% of NAV	16,500		
o Interest on housing loan for reconstruction: (Rs. 60,000 + Rs. 40,000)/2	50,000	(66,500)	
		(11,500)	
Self occupied portion (ground floor)			
• Annual value	Nil		
• Less: Deduction u/s 24			
o Interest on loan taken for reconstruction: (Rs. 60,000 + Rs. 40,000)/2, i.e., Rs. 50,000, but limited to Rs. 30,000	(30,000)	(30,000)	
Loss from house property: Set off against income from salary u/s 71 (alternatively, it can also be set off against business income and/or income from other sources)			(41,500)
			88,500
Profits and gains of business or profession:			
Net income as per Income & Expenditure Account		8,59,000	
Less: Items covered under other heads of income			
• Salary received from True Care Hospitals (P) Ltd	1,80,000		
• Rent from house property	78,000		
• Dividend from foreign companies	10,000	(2,68,000)	
		5,91,000	
Less: Expenditure deductible			
• Depreciation on clinic equipments: WDV for depreciation = Opening WDV Rs. 1,00,000 + Actual cost of asset acquired NIL (as paid in cash > 10,000). Depreciation @ 15% general rate.	15,000	(15,000)	
		5,76,000	
Add: Items debited but not allowed			
• Interest on housing loan for residential house (not business expense)	1,00,000		
• Interest on education loan for son (not business expense)	26,000		
• Conveyance expense in relation to employment (not business expense)	12,000		
• Power & fuel incurred for tenant (not business expense)	6,000		
• Municipal taxes paid for residential house (not business expense)	10,000	1,54,000	
Mrs. Mitul is eligible for section 44ADA under which her presumptive income would be 50% of gross receipts of 12 lakh, i.e., Rs. 6 lakh and no deduction of any expenditure will		7,30,000	7,30,000

be allowed. Since she has maintained books of account, she can claim the higher sum of Rs. 7,30,000 as business income. ⁴			
Income from other sources:			
Power back up charges from tenant @ Rs. 3,000 pm for 6 months (in case of letting of building along with services, rent for building is taxable as IHP and charges of services are taxable under IFOS)	18,000		
Less: Expenses incurred for generator fuel	(6,000)	12,000	
Dividend from foreign companies (assuming no tax deducted at source)		10,000	
			22,000
Gross total income			8,40,500
Less: Deduction under Chapter VIA			
• U/s 80C: Tuition fee paid for grand daughter: Not eligible			-
• U/s 80E: Interest on loan taken for higher education of son (principal repayment is not deductible)		26,000	
• U/s 80EEA: Not available since housing loan not taken for acquisition			(26,000)
Total income			8,14,500

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

Particulars	Rs.	Rs.
Total income as per regular provisions		8,14,500
Add: Allowance and deductions not allowed u/s 115BAC:		
• Standard deduction u/s 16(ia)		50,000
• Loss from house property: Interest u/s 24(b) for self occupied portion is not allowed u/s 115BAC; inter-head set off loss from let out portion is also not allowed but this loss can be carried forward to AY 2022-23.		41,500
• Payment to scientific research association u/s 35		25,000
• Deduction u/s 80E		26,000
Total income u/s 115BAC		9,57,000

Computation of tax liability of Mrs. Mitul for AY 2022-23

Particulars	Regular rates	115BAC rates
Total income	8,14,500	9,57,000
Tax on total income	72,900	68,550
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	72,900	68,550
Add: Surcharge (N/A as total income ≤ 50 lakh)	-	-
	72,900	68,550
Add: HEC @ 4%	2,916	2,742
Tax liability	75,816	71,292
Tax liability (rounded off)	75,820	71,290
Mrs. Mitul can opt for section 115BAC (she should note the restrictive conditions of opting in/out of section 115BAC since she has income from business/profession). Tax liability will be Rs. 71,290.		

Mistake by students – Treating power back up charges as IHP instead of IFOS. In some cases, not even including this income in the computation.

B8. CA2019(N) – Kanchan, a resident individual aged 61 years, provides the following information for FY 2021-22.....

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

Particulars	Rs.	Rs.	Rs.
Income from salaries:			
Salary for 2 months @ Rs. 30,000 p.m.		60,000	
Less: Standard deduction u/s 16(ia)		(50,000)	10,000
Income from house property:			
Office: Annual value (in absence of any other information, rent of office taken as		1,44,000	

⁴ Alternatively, she can claim the sum of Rs. 6 lakh as presumptive business income.

annual value)			
• Less: Standard deduction @ 30% u/s 24(a)		(43,200)	
		1,00,800	
Arrears of rent: Taxable u/s 25A even if she is no longer the owner of property; assuming it was not taxed earlier on due basis	90,000		
• Less: Standard deduction @ 30% u/s 25A	(27,000)	63,000	1,63,800
Profits and gains of business or profession:			
Income from firm:			
• Share of profit from firm: Exempt u/s 10(2A)	-		
• Interest on capital: Deductible in hands of firm up to 12% and, hence, taxable for Kanchan: Rs. 2,85,000 × (12/15)	2,28,000		
• Salary as working partner: Taxable since fully allowed in the hands of firm	1,20,000	3,48,000	
Income from boutique business:			
• Net profit as per P&L Account	3,50,000		
• Add: Expenses debited but not allowed			
o Advance income tax paid: Disallowed u/s 40(a)(ii)	90,000		
o Personal drawings: Personal expenses not allowed u/s 37(1)	80,000		
	5,20,000		
• Less: Income chargeable as IFOS but credited to P&L account			
o Interest on savings bank account with PNB	(27,000)		
o Interest on savings account with post office	(11,000)		
o Interest on fixed deposits with Canara Bank	(25,000)	4,57,000	8,05,000
Capital gains:			
Full value of consideration on sale of house		80,00,000	
Less: Indexed cost of acquisition = COA × (CII of 2021-22/ CII of 2003-04) = 31.5 L × (317/109)		(91,61,009)	
Long term capital loss: Carried forward u/s 74 to next year		(11,61,009)	
Income from other sources:			
Interest on savings bank account with PNB		27,000	
Interest on savings account with post office	11,000		
• Less: Exempt u/s 10(15)	(3,500)	7,500	
Interest on fixed deposits with Canara Bank		25,000	59,500
Gross total income			10,38,300
Less: Deductions under Chapter VIA			
• U/s 80C: Life insurance premium: up to 10% of Rs. 8 lakh since policy taken after 31.3.2012		80,000	
• U/s 80D: Health insurance premium for mother aged 83 (even if not dependent): Allowed up to Rs. 50,000 (assuming she is resident and, thus, senior citizen)		50,000	
• U/s 80TTB: Interest of Rs. 59,500 up to limit of Rs. 50,000		50,000	(1,80,000)
Total income			8,58,300

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

Particulars	Rs.	Rs.
Total income as per regular provisions		8,58,300
Add: Allowance and deductions not allowed u/s 115BAC:		
• Standard deduction u/s 16(ia)		50,000
• Deductions under Chapter VIA		1,80,000
Total income u/s 115BAC		10,88,300

Computation of tax liability of Kanchan for AY 2022-23

Particulars	Regular rates	115BAC rates
Total income	8,58,300	10,88,300
Tax on total income	81,660	92,660
Less: Rebate u/s 87A (N/A as total income > 5 lakh)	-	-
	81,660	92,660

Add: Surcharge (N/A as total income ≤ 50 lakh)	-	-
	81,660	92,660
Add: HEC @ 4%	3,266	3,706
Tax liability	84,926	96,366
Less: TDS u/s 194-IA for sale of house @ 1% of 80 lakh as it is ≥ 50 lakh	(80,000)	(80,000)
Less: Advance income tax paid	(90,000)	(90,000)
Tax payable/refundable	(85,074)	(73,634)
Tax payable/refundable (rounded off)	(85,070)	(73,630)

Kanchan 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. 85,070.

B9. CA2019(N) – Mr. Jagdish, aged 61 years, has set up his business in Thailand and is residing in Thailand since last 20....

Residential status of Mr. Jagdish for AY 2022-23

Mr. Jagdish should be in India ≥ 182 days in PY 2021-22 or should be in India ≥ 60 days in PY 2021-22 and in India ≥ 365 days in preceding 4 PYs. Since he does not satisfy any of these conditions, he is a non-resident.

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

Particulars	Rs.	Rs.	Rs.
Income from house property:			
House property in Bangkok:			
• Income does not accrue or arise in India, it is not deemed to accrue or arise in India and it is not received in India. Hence, not taxable.			-
House property in Pune:			
• Accrues or arises in India, hence, taxable.			
• Gross annual value (annual rent taken in absence of information about expected rent) @ Rs. 27,500 p.m.		3,30,000	
• Less: Municipal taxes: Not deductible since not paid		-	
• Net annual value		3,30,000	
• Less: Deductions u/s 24:			
o Standard deduction @ 30% of NAV	(99,000)		
o Interest on capital borrowed: Deductible on due basis	(84,000)	(1,83,000)	
		1,47,000	
Arrears of rent received for house in Jaipur: Taxable u/s 25A (since not taxed earlier) even if he is no more the owner of house.	96,000		
• Less: Deduction @ 30%	(28,800)	67,200	2,14,200
Profits and gains of business or profession:			
Business in Thailand: Income does not accrue or arise in India, it is not deemed to accrue or arise in India and it is not received in India. Hence, not taxable.			-
Income from other sources:			
Interest on bonds of Japanese company: Taxable to the extent received in India		22,500	
Income from Apple Orchid in Nepal: Taxable as deposited directly in Kathmandu Branch of UBI in Mr. Jagdish's account maintained at branch in Pune (alternate view possible that amount is first received in Kathmandu and then remitted in India; in such case, income will not be taxable in India)		5,00,000	5,22,500
Total income			7,36,700

Mistake by students – Absence of proper reasoning, especially for house property in Bangkok and profit from business in Thailand.

TAXBOOK⁺

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.
Income from salaries:		
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
Income from house property:		
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
Profits and gains of business or profession:		
Profit from share business	1,70,000	
Less: STT deductible u/s 36(1)(xv)	(30,000)	
		1,40,000
Capital gains:		
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
Income from other sources:		
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
Gross total income		16,85,100
Less: Deduction under Chapter VIA		
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)
Total income		15,00,100

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
Total income u/s 115BAC	17,45,900

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
Tax liability (rounded off)	2,13,230	2,11,920
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
Income from house property:			
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
Profits and gains of business or profession:			
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
Capital gains:			
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
Income from other sources:			
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
Gross total income			41,93,000
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)
Total income			41,28,000

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.
Income from salaries:			
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"> Avg. salary of preceding 10 months = $[10 \times \text{Rs. } 1,50,000] \div 10 = \text{Rs. } 1,50,000$; assumed DA does not form part of pay for retirement benefits; commission not considered since not based on turnover Half month salary = Rs. 75,000 Years of service (completed) = 10 			
<ul style="list-style-type: none"> Half month salary for each year of service = Rs. 7,50,000 	(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
Income from house property:			
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"> Current year interest 		(1,10,000)	
<ul style="list-style-type: none"> Prior period interest of 1.5 lakh deductible in 5 annual instalments 		(30,000)	
Loss from house property: Set off against salary income u/s 71			(1,40,000)
			41,80,000
Profits and gains of business or profession:			
Income u/s 44AE:			
<ul style="list-style-type: none"> Heavy goods vehicle = 3 vehicles \times Rs. 1,000 \times 15 MT \times 4 months 		1,80,000	
<ul style="list-style-type: none"> Other vehicles = 3 vehicles \times Rs. 7,500 \times 5 months 		1,12,500	2,92,500
Capital gains:			
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).			-
Income from other sources:			
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
Gross total income			54,32,500
Less: Deduction under Chapter VIA:			

• 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
Total income		52,57,500

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
Total income u/s 115BAC	56,22,500

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
Tax liability (rounded off)	15,89,870	16,29,340
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.
Income from house property:		
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
Profits and gains of business or profession:		
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
Income from other sources:		
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
Gross total income		14,95,000
Less: Deduction under Chapter VIA		
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)
Total income		14,20,000

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
Total income u/s 115BAC	14,95,000

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)
Tax payable	2,18,040	1,68,900
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.
Profits and gains of business or profession:		
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 (Note 1)	-	
• 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 (Note 2)	47,800	(95,800)
		2,57,400
Income from other sources:		
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)
Total income		2,85,400

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
Tax liability	Nil

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.
Income from salaries:		

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
Income from house property		
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
Capital gains:		
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	-	-
Income from other sources:		
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) = $12,040 \times (100/90)$	13,378	23,378
Gross total income		4,92,178
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)
Total income		3,65,326
Total income (rounded off)		3,65,330

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
Total income u/s 115BAC	5,42,178
Total income u/s 115BAC (rounded off)	5,42,180

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
Tax liability (rounded off) (subject to adjustment of TDS u/s 193 of Rs. 1,338)	Nil	17,390
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.
Income from house property:			
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
Profits and gains of business or profession:			
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 th 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 th of 50% of 15% of Rs. 4,00,000: Car is used < 180 days and 1/4 th 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
Income from other sources:			
Cash gift of Rs. 60,000 from family friends: Taxable u/s 56(2)(x) as aggregate exceeds Rs. 50,000			60,000
Gross total income			9,09,760
Less: Deduction under Chapter VIA			
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)
Total income			4,04,260

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
Total income u/s 115BAC	9,09,760

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
Tax liability (rounded off)	Nil	63,920
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.
Profits and gains of business or profession:			
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
Income from other sources:			
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
Gross total income			18,98,500
Less: Deduction under Chapter VIA			
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)
Total income			18,66,500

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
Total income u/s 115BAC	18,98,500

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
Tax payable (rounded off)	2,67,350	1,99,330

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.

TAXBOOK⁺

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.
Income from house property			
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
Profits and gains of business or profession			
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	
Profit from rice mill			
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
Income from other sources			
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
Gross total income			9,99,500
Less: Deduction under Chapter VIA			
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)
Total income			9,04,500

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

Total income u/s 115BAC	9,99,500
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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)
Tax refundable (rounded off)	(10,860)	(30,080)
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.
Profits and gains of business or profession			
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
Income from other sources			
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
Gross total income			6,72,500
Less: Deduction under Chapter VIA (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)
Total income			5,47,500

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
Total income u/s 115BAC	6,72,500

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
Tax liability	22,880	30,940
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.
Income from salary			
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
Profits and gains of business or profession			
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 th personal use disallowed	2,25,000	(6,80,000)	
			5,80,000
Capital gains			
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
Income from other sources			
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
Gross total income			15,45,500
Less: Deduction under Chapter VIA			
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)

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

Particulars	Rs.
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
Total income u/s 115BAC	15,95,500

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

Particulars	Regular rates	115BAC rates
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
Tax payable (rounded off)	1,40,880	1,58,330

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)

Particulars	Rs.	Rs.	Rs.
Profits and gains of business or profession			
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
Income from other sources:			

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
Gross total income			7,07,700
Less: Deduction under Chapter VIA			
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)
Total income			4,78,815
Total income (rounded off)			4,78,820

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
Total income u/s 115BAC	7,07,700

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
Tax refundable/payable (rounded off)	(3,100)	30,000

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.
Income from house property			
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
Profits and gains of business or profession			

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)	
			-
Capital gains			
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
Income from other sources			
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
Gross total income			3,55,000
Less: Deduction under Chapter VIA			
Section 80C – Repayment of housing loan (assuming loan is for purchase or construction of residential house property)			(70,000)
Total income			2,85,000

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
Total income u/s 115BAC	3,55,000

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%	-	-
Tax liability	Nil	Nil
Less: TDS u/s 194 @ 10% on dividend (assuming it is applicable)	(3,200)	(3,200)
Tax liability	(3,200)	(3,200)

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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Income from house property			
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
Profits and gains of business or profession			
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 th 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 th 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
Capital gain			
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)	-
Income from other sources			
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
Gross total income			19,21,000
Less: Deduction under Chapter VIA			
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)
Total income			17,86,000

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
Total income u/s 115BAC	19,22,500

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
Tax payable (rounded off)	3,47,230	3,11,820
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.
Income from salaries			
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
Income from house property			
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
Profits and gains of business or profession			
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)	
			-
Capital gains			
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"> 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 Since income (other than LTCG) is taxable at a lower rate than LTCG, it is most beneficial to set off unabsorbed depreciation against LTCG. 			
Income from other sources			
Rent from vacant site let on lease			1,12,000
Gross total income			3,80,000
Less: Deduction u/s 80G			
<ul style="list-style-type: none"> Donation to PM National Relief Fund @ 100% 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 . 		30,000	
		15,500	
			(45,500)
Total income			3,34,500

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
Total income u/s 115BAC	4,30,000

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
Tax liability (rounded off)	2,310	7,280
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.
Profits and gains of business or profession			
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 th	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
Income from other sources			
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
Gross total income		11,76,000
Less: Deduction u/s 80C for investment in NSC		(15,000)
Total income		11,61,000

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
Total income u/s 115BAC	12,76,000

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
Tax payable (rounded off)	1,58,780	1,29,090
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.
Income from house property			
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)
Profits and gains of business or profession			
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 th 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 th for official use	37,500	(1,03,000)	
Less: Depreciation			

• Commercial vehicle put to use \geq 180 days: $\frac{3}{4}$ th 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
Income from other sources			
Honorarium for lectures		5,000	
Family pension: Rs. 2,80,000 – Rs. 15,000 (lower of $\frac{1}{3}$ rd 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
Gross total income			6,44,125
Less: Deduction under Chapter VIA			
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)
Total income			5,63,125
Total income (rounded off)			5,63,130

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
Total income u/s 115BAC	6,90,625
Total income u/s 115BAC (rounded off)	6,90,630

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
Tax payable/refundable (rounded off)	(6,270)	8,230

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.

TAXBOOK⁺

Working steps of solutions

B27 to End

Computation of Total Income & Tax Payable

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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.		

Computation of Total Income & Tax Payable

MCQ

METHOD OF COMPUTATION

M4. Raju, a resident of age 56 years, is having total income of Rs. 5,00,000 (comprising business income). Tax of Rs.....

Tax 12,500 – rebate u/s 87A 12,500 = Nil. Net tax liability = Nil – 14,000 prepaid taxes = (14,000)

M5. Suresh, a resident of age 65 years, has total income of Rs. 60,00,000 (including winning from lottery of Rs.....

Tax = 15,80,000 on normal income + 30,000 on lottery = 16,10,000.

Tax + 1,61,000 SC = 17,71,000

Tax+SC + 70,840 HEC @ 4% = 18,41,840

Net tax liability = 18,41,840 – 30,000 TDS = 18,11,840

ALTERNATE MINIMUM TAX (AMT)

M9. Mr. K, a resident individual aged 35 years, having gross total income of Rs. 30 lakh has claimed deduction u/s.....

TI = 30,00,000 – 3,00,000 80QQB = 27,00,000.

Regular tax = 6,47,400.

ATI = 27,00,000 + 3,00,000 80QQB = 30,00,000.

AMT = 5,77,200. AMT N/A as regular tax is not less than AMT.

Regular Tax – AMT = 70,200.

Tax liability = 6,47,400 – 70,200 credit b/fd = 5,77,200. Balance credit c/fd 29,800.

M10. Mr. J is a resident individual aged 65 years carrying on business. His business income (computed) is Rs. 10 lakh.....

TI = 10,00,000. Regular tax = 1,14,400.

ATI = 10,00,000 + 25,00,000 35AD – 5,00,000 depreciation = 30,00,000.

AMT = 5,77,200.

AMT payable as regular tax < AMT. AMT credit (b/fd + current year) c/fd to next year.

M11. Mr. Q is a resident individual aged 40 years having gross total income of Rs. 25 lakh. He has claimed deduction of.....

TI = 25,00,000 – 8,00,000 VIA deduction = 17,00,000.

Regular tax = LTCG (20%) 40,000 + on balance 2,62,500 = 3,02,500. Tax + 12,100 HEC @ 4% = 3,14,600.

ATI = 17,00,000 TI + 8,00,000 80JJAA/80RRB = 25,00,000.

AMT = 4,81,000.

AMT payable as regular tax < AMT. Credit = 4,81,000 – 3,14,600 = 1,66,400

M12. Mrs. Y, a resident individual aged 55 years, has earned business income of Rs. 45 lakh and income from other.....

TI = 45,00,000 business income + 10,00,000 IFOS – 5,00,000 VIA deductions = 50,00,000.

Regular tax = Card game @ 30% + Balance at normal rates + SC NIL + HEC @ 4% (on Tax + SC) = 13,65,000.

ATI = 50,00,000 + 3,00,000 80RRB = 53,00,000.

AMT = 9,80,500 + 10% SC+ 4% HEC (on Tax + SC) = 11,21,692. AMT not payable as regular tax is not < AMT

CONCESSIONAL RATE OF TAX FOR INDIVIDUAL AND HUF

M21. While computing total income u/s 115BAC, normal depreciation on any block of assets cannot exceed the rate.....

Cannot exceed 40%

M25. Suyash, a resident aged 50 years, draws basic salary of Rs. 40,000 per month and has earned interest on.....

GTI = 4,30,000 salary (after standard deduction) + interest 50,000 = 4,80,000. TI = GTI – 80TTA 10,000 = 4,70,000.

Regular tax = Nil.

115BAC TI = 4,70,000 + 50,000 standard deduction + 10,000 80TTA = 5,30,000.

115BAC tax = 16,120.

M26. Rishabh, a resident aged 35 years, has business income (computed) of Rs. 20,00,000, loss from house property.....

GTI = BI 20,00,000 – IHP 2,00,000 + LTCG 3,00,000 = 21,00,000. TI = GTI – 1,50,000 80C = 19,50,000.

Regular tax = 3,82,200.

115BAC TI = 19,50,000 + 1,50,000 80C + IHP loss 2,00,000 = 23,00,000.

115BAC tax = 4,13,400.

M27. Gaurav, aged 32 years is employed with BCD Ltd. Income from salary (computed) is Rs. 40 lakh. He has also.....

TI = 40,00,000 + 5,00,000 u/s 111A = 45,00,000.

Regular tax = 11,31,000.

115BAC TI = 45,00,000 + 50,000 standard deduction = 45,50,000.

115BAC tax = 10,68,600.

M28. Sushi, resident of age 65 years, has the following incomes during the PY 2021-22: Basic salary received Rs.....

Salary = Basic salary 12,00,000 + 50,000 HRA – 50,000 standard deduction = 12,00,000

GTI = 12,00,000 – IHP 3,00,000 + 45,000 pension (60,000 – 15,000 deduction) + 50,000 interest (51,500 – 1,500 exempt u/s 10(32)) = 9,95,000

TI = 9,95,000 – 80D 50,000 = 9,45,000.

115BAC TI = 9,45,000 + 2,50,000 HRA exemption + 50,000 standard deduction + 3,00,000 IHP (inter-head set off not allowed) + 15,000 family pension deduction + 1,500 exempt u/s 10(32) + 50,000 80D = 16,11,500.

Regular tax = 1,02,960. 115BAC tax = 2,29,788

M29. Juhi, age 36 years, has earned income from salary of Rs. 9,00,000 (computed) for the PY 2021-22. She has claimed.....

TI = 9,00,000 – 1,00,000 80CCD(2) – 50,000 80CCD(1B) – 1,50,000 80CCE (for 80CCD(1) and 80C) = 6,00,000.

115BAC TI = 6,00,000 + 50,000 80CCD(1B) + 1,50,000 80CCE (for 80CCD(1) and 80C) + 50,000 standard deduction u/s 16 = 8,50,000.

Regular tax = 33,800. 115BAC tax = 54,600.

M30. Rana, resident age 40 years and carrying on a business, has computed business income for the PY 2021-22 of.....

REGULAR TI = 30,00,000 – 5,00,000 u/c VIA = 25,00,000. Regular tax = 5,85,000.

AMT: ATI = 25,00,000 + 2,00,000 80JJAA = 27,00,000. AMT = 5,19,480.

115BAC TI = 25,00,000 + 3,00,000 80G = 28,00,000. 115BAC tax = 6,00,600.

AMT N/A as regular tax is not less than AMT. 115BAC not beneficial.

M31. Srishti, resident age 46 years, has the following particulars of income for AY 2022-23: Business income Rs.....

NORMAL: TI = 20,00,000 - 3,00,000 u/c VIA = 17,00,000. Regular tax = 3,35,400.

AMT: ATI = 17,00,000 + 2,00,000 8ORRB + 10,00,000 35AD - 1,00,000 depreciation = 28,00,000. AMT = 5,38,720.

115BAC TI = 17,00,000 + 3,00,000 u/c VIA + 10,00,000 35AD - 1,00,000 dep = 29,00,000. 115BAC tax = 6,31,800.

115BAC not beneficial. AMT to apply as regular tax < AMT.