



Learning Simplified

Direct Tax
Notes

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BASICS and DEDUCTIONS

IMPORTANT TERMS

(1) **Person:-** The term person when used in Ordinary language means an individual or human beings. However in taxation the term 'person' is much wider & it includes the following:

- a) **Individual:-** A natural human being is included in individual. It will also include minors and persons of unsound mind.
- b) **Firm:-** When two or more persons come together to earn income, it is called as 'firm'. If the liability of the persons is unlimited, they come under Indian Partnership Act, 1932. If the liability is limited, they will come under Limited Liability Partnership Act, 2008.
- c) **Hindu Undivided Family (HUF):-** When members of the same family come together to earn income, they are called as "Joint Hindu Family or HUF". The main members of the HUF is called the "KARTA" and the others are called "Co-parceners". HUF is of two types:-
 - 1) Daybhaga in West Bengal & Assam
 - 2) Mitakshara in Rest of India
- d) **Company:-** This form of organisation divides ownership and management. Owners who contribute capital are called "shareholders" & those who manage the business are called "Board of Directors". According to Indian Companies Act, 1956, "A Company must have the words "Ltd." (Public Company) or "Pvt Ltd." (Private Company) after its name.
- e) **Local Authority:-** A local body which is entrusted by the govt. to look after administration of Local Jurisdictional Area is called Local Authority.
e.g. Municipal Corporation, ZillaParishad, Gram Panchayat
- f) **Association of Persons (AOP):-** When a group of persons come together intentionally, to earn income through a common purpose it is called "An Association of persons". It can include individual, firms, companies, etc.
- g) **Body of Individuals (BOI):-** When a group of individuals come together not intentionally but by situation, it is called a "body of individuals". It can include any individuals.
- h) **Artificial Juridical Person (AJP):-** It is a miscellaneous category where all those not included in the above seven will be included here.
e.g. Temple Trust, Universities etc.

(2) **Assessee:-** When a person as listed above becomes liable to pay any amount under the Act, or if a proceeding is carried out against him, such a person becomes an assessee.

All Assessee are persons but every persons may or may not be an Assessee

A = P

P = A or P ≠ A

- (3) Assessment:-** The Computation or calculation of income & its tax liability is called Assessment. When it is done by assessee himself, it is called 'Self Assessment' and when the govt. concludes it, it is called "Final Assessment".
- (4) Assessment Year (A.Y.):**- The financial year in which assessment is carried out is called A.Y. Relevant Assessment Year is 2016-17
- (5) Previous Year (P.Y.):**- The financial year for which assessment is carried out is called the previous year. It is the year in which income is earned. Relevant Previous Year is 2015-16

Objectives

Multiple Choice Questions

1. Income-Tax Act extends to

(a) Whole of India	(b) Whole of India except Jammu & Kashmir
(c) Whole of Maharashtra only	(d) None of these

2. Out of the following which is a revenue receipt?

(a) Premium received on issue of new shares	(b) Annually received from former of employer
(c) Interest from investments	(d) None of these

3. A.O.P should consists of

(a) Individually only	(b) Persons other than individual only
(c) Both the above	(d) None of these

4. Body of individual should consist of

(a) Individually only	(b) Persons other than individual only
(c) Both the above	(d) None of these

5. A new business was set up on 15-11-2011 and it commenced its business from 1-12-2011. The first previous year in this case shall be:

(a) 15-11-2011 to 31-3-2012	(b) 1-12-2011 to 31-3-2012	(c) 2011-12	(d) None of these
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6. Shivaji University is assessable under the Income Tax Act as

(a) An individual	(b) An artificial juridical person	(c) A local authority	(d) None of these
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I. Fill in the blanks

1. Previous year means the year immediately preceding the Assessment Year.
2. The first previous year of a newly set up business can be 12 months.
3. An assessment is defined under Income Tax Act to include
4. A person by whom any tax is payable under the act is known as

II. Match the following columns

(a)

Column A	Column B
(1) Narayan Murthy	a. Company
(2) Infosys Technologies Ltd.	b. Association of Person
(3) Solapur Gram-Panchayat	c. Firm
(4) Andheri Sports Club	d. Individual
(5) Karnataka University	e. Body of Individuals
	f. Artificial Juridical Person
	g. Local Authority

III. State whether True or False

1. Income means any receipt in cash.
2. A company under the Income Tax Act means a company as defined under the Companies Act.
3. Previous year always indicates a period of 12 months from 1st April to 31st March.
4. Assesse means a person liable to pay tax on his income.
5. On Sale of goods illegally imported from a foreign country C generates a surplus of Rs.5500. As the income is derived from an illegal activity, it is not chargeable to tax.

Chapter 2- Residential Status

1. Mr.X left India for the first time in his life on 20th September, 2015 for the purpose of Higher Education. He did not return India till 31st March, 2016.
Find out his residential status for AY 2016-17
2. Mr. Rajesh, who is born and brought up in India and an Indian citizen, went for further studies to U.S.A. on 1st March, 2008 and came back to India on 1st October, 2010 and since then he is in India. Determine his residential status for the assessment year 2011-12 giving explanation for your answer.
3. Mr. X and Mrs. X came to India on October 13, 2015 for the visit of seven months; both of them are India citizen. In the earlier years, they were in India as follows.

Year	Mr. X	Mrs. X
2014- 15	240 days	365 days
2013-14	340 days	20 days
2012- 13	Nil	15 days
2011-12	118 days	120 days

Find out the residential status of Mr. X and Mrs. X for the A.Y 16-17

4. Mr. Mike a citizen of Japan, but a person of Indian origin, came to India for the first time on 1st October, 2010. His passport shows that he was in India from 1-4-2015 to 28-6-2015 (both days inclusive). His total stay during last 5 years was a under:

Year ended	No. of days in India
31-3-2011	25
31-3-2012	180
31-3-2013	80
31-3-2014	100
31-3-2015	25

Determine his residential status under the income tax act, 1961 for the assessment year 2016-17

5. Mr. Kapadia born in Japan is an Indian citizen. He came to India at the age of 19 and never went outside India till the age of 29 years. He left for U.S.A. on 1st May, 2013 for further studies after staying in India for 10 years continuously and again came back to India on 1st March, 2015. He again leaves India on 1st August, 2015 for the purposes of employment in U.K. and did not return in India till 31st March, 2016.
Find out his residential status for the assessment year 2016-17

6. Shri Ram GopalVarma , a citizen of USA has been staying in India since 2001 . He left India on 16 July 2015 on a visit to USA and returned on 4th January 2016. Determine his residential status for P.Y. 2015-16
7. Ramesh an Indian Citizen, left India for the first time on 22/9/15 for employment in UK and did not return to India till 31st March 2016 . Determine his residential status for the P.Y 2015-16
8. Mr. Sanjay, an Indian Citizen went to U.S.A. for the first time for the purpose of employment on 10th May, 2004. He came back to India on 19th November, 2004. Find out his residential status for assessment year 2005-06.
9. Mr. Virat .Koholi an Indian Citizen and professional Cricketer toured many countries The details of departure and arrival to India are as under

Countries	Date of Departure	Date of Arrival
South Africa (For the 1 st time)	1-03-2013	25-03-2015
Australia	15-04-2015	1-05-2015
U.K	5-05-2015	11-07-2015
West Indies	31-08-2015	14-09-2015
Zimbabwe	1-01-2016	23-03-2016

Determine his residential status for the A.Y 2016- 17 . Give your working and explanation

10. Mr. Joe Root a British Citizen came to India as a commentator during the following period

Reasons	Period
World Cup 2015	10-2-15 –to- 20-4-15
Winter Cricket Tour of English	6-10-15- to- 25-12-15
Chief Guest Lady cricket	4-1-16 – to- 12-1-16
Triangular cup	2-3-16 – to- 29-3- 16

Determine his residential status for the PY 2015-16 , state your reasons assuming that he never visited India prior to World Cup 2015.

11. Miss. Cindy, a resident of U.S.A. came to India for the first time on 1st May, 2009. She stayed here without break for 3 years and left for Japan on 1st May, 2012. She returned to India on 1st April, 2013, and got back to U.S.A. on 21st September 2015. She did not come back after that. Find out her residential status for the previous year ended on 31st March, 2016, giving explanation for your answer.

12. Mr. Lobo a Canadian citizen came to India on 1st October, 2010, for the first time. His total stay resident status:

Year ended	No. of days
31 st March, 2011	25
31 st March, 2012	80
31 st March, 2013	180
31 st March, 2014	100
31 st March, 2015	25

He informs that he was in India from 1st April, 2015 to 28th June, 2015, both days inclusive. Determine his residential status under the income tax Act, 1961, for the assessment year 2016-17

13. MR. X is a U.S.A. citizen. He came to India on October 15, 2015 for a visit and was in India till 31st March, 2016. In earlier previous years, he is in India as under:

2005-06	-	188 days
2006-07	-	190 days
2007-08	-	185 days
2008-09	-	200 days
2009-10	-	040 days
2010-11	-	300 days
2011-12	-	195 days
2012-13	-	185 days
2013-14	-	100 days
2014-15	-	200 days

Find out the residential status of Mr. X for the assessment year 2016-17 assuming that he is not a person of Indian Origin.

Chapter 3- Scope of Total Income

1. **Mr. Tom, a British citizen had the following income during the year ended on 31st March, 2015:**

Particular	Rs.
Income from house property in India	15,000
Income from property in Rome	10,000
Interest from bank account in India	1,200
Income from business in Bangladesh, being controlled from India	16,000
Interest on bank account in U.S.A	11,000
Salary earned and received in Tokyo	12,000
Income earned and received in London	13,000
Dividend from British company received in India	17,000

Compute his total income for the assessment year 2015-16 if he is:

- i) A resident;
 - ii) A resident but not ordinary resident;
 - iii) A non-resident.
2. **Mr. Anuj, an Indian citizen furnishes the following particulars of his income earned during the year (previous year) ended 31-3-2016 relevant to the assessment year 2016-17**
- a) Interest on U.K. development bond (received in India) Rs. 42000
 - b) Profit on sale of plant in Malaysia (fully received in India) Rs. 92000
 - c) Income from business in Ceylon controlled from India. Rs. 20000
 - d) Rental income from property in New York deposited by a tenant in a foreign branch of Indian bank deposited there. Rs. 25000
 - e) Salary earned and received in new Zealand Rs. 25000
 - f) Pension from employer in India received in Mauritius Rs. 38000

You are required to find out his total income if he is:

- i) Resident and ordinarily resident in India,
 - ii) Resident but not ordinarily resident in India and
 - iii) Non-resident
3. **Compute the income of Mr. Kake for the assessment year 2016-17. Assuming that he is resident in India during the previous year:**

Particulars	Rs.
Interest on company deposits in India	70000
Income deemed to be earned in India	31000
Income from business, situated in Japan and controlled in India (40% is received in India and balance is received outside India)	84000
Salary received in India for services rendered outside India	92000
Interest received from the government of India (on capital which is utilized outside India)	160000
Past untaxed profit of the year 2000-01 brought into India	70000
Royalty received in India from a non-resident in respect of technology used by such person outside India	110000

4. Miss Chilly, a foreign national, furnishes the following particulars of her income earned during the previous year relevant to assessment year 2016-17

Find out her gross total income, if she is-

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

- **Income from property in Rome received in India. Rs. 1000**
- **Dividends from shares from foreign companies.**
 - i) Received abroad Rs. 2000
 - ii) Received in India Rs. 3000
- **Profit from business in Mumbai and managed from U.S.A. Rs. 4000**
- **Income from house property in India Rs. 5000**
- **Dividend on shares of Indian companies**
 - i. Received abroad Rs. 5000
 - ii. Received in India Rs. 8000
- **Income earned in past but brought in India during the year Rs. 7000**

5. From the following income of MR. Hitesh for the previous year 2015-16, compute his gross total income for the A.Y 2016-17

If he is (a) Resident and ordinarily resident (b) Resident but not ordinary resident

(c) Non- resident

- i. Dividend received from McDonalds Ltd a USA company in USA Rs 180
- ii. Rent received from house in Kolkata Rs 60000
- iii. Income from agriculture in Sri Lanka Rs 50000
- iv. Income from business in Dhaka , controlled from Mumbai Rs 60000
- v. Rent from office property in UK credited to bank account in Switzerland Rs 20000
- vi. Income from profession in Nairobi received in Nairobi which has set up in India Rs 30000
- vii. Past untaxed foreign Income brought to India , during the P.Y Rs 10000
- viii. Royalties from Indian Company Rs 40000

6. Mr. Nishu had the following incomes during the previous year ended 31st March, 15:

- a. Professional fees received in India Rs. 9000
- b. Payment received in the United Kingdom for the services rendered in India Rs. 8000
- c. Income from business in Bangladesh, being controlled from India Rs. 7000
- d. Income from agriculture in Indonesia Rs. 6000
- e. Interest received in Paris in respect of securities in French Companies Rs. 5000
- f. Amount brought into India out of the past untaxed profits earned in Germany Rs.4000.

You are required to compute his total income, if he is:

- i) A resident and ordinarily resident,
- ii) A resident but not ordinarily resident, and
- iii) Non resident

CHAPTER 4- INCOME FROM HOUSE PROPERTY

1. Calculate Gross Annual Value for following House Properties

Particulars	H1	H2	H3	H4
Municipal Valuation	90,000	97,500	1,08,000	---
Fair Rent	95,000	94,000	---	80,000
Standard Rent	97,000	---	1,04,000	88,000
Actual Rent Received	99,000	88,000	1,12,000	84,000

2. Sadhna provides following details for computation of house property income.

- a) Fair rent Rs.6,00,000
- b) Municipal value Rs.5,50,000
- c) Rent as per rent control Act Rs.5,00,000
- d) Rent per month Rs.40,000 p.m.
- e) Municipal taxes Rs.50,000
- f) Repairs Rs.40,000
- g) Insurance premium Rs.10,000
- h) Society maintenance Rs.9,000
- i) Land revenue Rs.6,000
- j) Interest on loan Rs.75,000

Compute Income from House Property for A.Y 16-17

3. Calculate income from House Property for AY 2016-17 for Mr.Yogesh

- Municipal Valuation Rs. 1,00,000
 Fair Rent Rs. 1,20,000
 Standard Rent Rs. 1,15,000
 Rent Rs.10,000pm
 Unrealised for 2 months
 Municipal Tax Rs,10,000 (Rs.3,000 not paid)
 Society Maintenance Rs.14,000
 Fire Insurance Rs.24,000
 Interest on loan for Repairs Rs.35,000

4. Mr. Jeevan provides following details for computation of house property income for A.Y.16-17

Particulars	H1	H2
Municipal value	7,10,000	6,95,000
Fair rent	8,00,000	8,85,000
Municipal tax	10%	10%
Repairs	25,000	24,000
Insurance	7,000	11,000
Interest on loan (taken on 1/6/04)	2,85,000	2,50,000

Note: Half of the municipal taxes are outstanding.

House 2 receives a rent of Rs. 80,000pm

5. Calculate Income From House Property for AY 2015-16 for Ms.Dimple

Particulars	House 1	House 2
Municipal Valuation	1,20,000	1,95,000
Rent as per Rent Control Act	1,40,000	1,75,000
Municipal Tax		
- Paid	7,000	10,000
- Outstanding	5,000	11,000
Interest on Loan for Repairs		
- Paid	25,000	35,000
- Outstanding	15,000	45,000
Rent per month	-	20,000
Society Maintenance	19,590	14,000
Insurance Premium	14,550	17,000

6. Mr. Jay occupied two flats for his residential purpose, particulars of which are as follows:

Particulars	H1	H2
Municipal Value	80,000	2,00,000
Fair rent	90,000	1,85,000
Municipal Tax	8,000	20,000
Fire insurance	5,000	7,000
Interest on loan for repairs	20,000	40,000

Calculate income from House Property for AY 16-17

7. Meera provided following details for computation of house property for AY 2016-17

Particulars	H1	H2
Annual rental Value	90,000	1,50,000
Fair rent	84,000	1,50,000
Rent as per rent control act	96,000	1,44,000
Rent received	77,000	1,25,000
Vacant	1 month	2 month
Municipal tax	10%	8%
Interest on loan taken by mortgaging house 1 (loan was used for purchase of house no 2)	40,000	

8. Robin provides following details for computation of house property income for AY 2016-17:

Particulars	H1	H2
Municipal Value	4,00,000	3,00,000
Fair rent	5,00,000	3,60,000
Rent p.m.	40,000	25,000

Municipal tax paid	12,000	10,000
Municipal tax	10%	10%
Interest on loan	35,000	50,000

Notes:

1. In respect of H2, he recovered unrealized rent of Rs. 20,000.
2. Arrears of rent Rs. 70,000 is received in respect of H1.

9. Sameer provides the following details of his 3 houses: Calculate his IFHP for A.Y. 16-17

Particulars	H1	H2	H3
Municipal Value	10,00,000	5,00,000	1,00,000
Fair rent	13,00,000	7,00,000	1,00,000
Actual rent per month	1,50,000	70,000	-
Municipal tax paid by tenant	10%	10%	10%
Vacancy	Nil	3m	Nil
Interest on loan for repairs	60,000	60,000	60,000
Unrealised Rent	80,000	-	-

10. Mr. Prakash started construction of a House by taking loan of Rs.10,00,000/- @ 10% on 1st April, 2010. Construction was completed in October 2013.

Calculate house property income for AY 16-17:

- a) Municipal value Rs. 10,50,000
- b) Fair rent Rs. 13,60,000
- c) Municipal tax 10%
- d) Actual Rent Rs 1,00,000 pm
- e) Entire loan is still outstanding

11. Rima provides following details for computation of house property income for AY 16-17:

- a) Municipal value Rs. 10,50,000
- b) Fair rent Rs. 13,60,000
- c) Municipal tax 10%
- d) Actual Rent Rs 1,00,000 pm

He took a loan of Rs. 30,00,000 @ 12% p.a. on 1/7/2011 & started construction of this house. The construction was completed on 1/8/13.

12. Mr. X started constructing a House by taking loan of Rs. 20,00,000/- @ 8% interest from ICICI Bank on 01/10/2010. Construction was completed on 21/8/2013.

He repaid Rs. 12,00,000 to bank on 1/4/2015.

Calculate his IFHP by considering following details for A.Y. 16-17.

M.V. Rs.38,00,000/-

Actual Rent Rs. 2,50,000 p.m. for entire year

Municipal Taxes Rs.20,000.

13. Mr. Mungerilal who is a resident of Mumbai owns 2 houses, the particulars of which are given as under for the year ended 31st March, 2016

- a) The first house is occupied by him for his own residence, the gross annual value of which is Rs. 450,000. He paid Rs. 2,500 as municipal tax and Rs. 16,000 as interest on loan taken for construction of house.
- b) The second house has been let out for a rent of Rs.10,000 per month. The municipal valuation of the house was Rs. 90,000 where as the fair rent was Rs. 1,10,000. The above house remained vacant for 2 months. He paid Rs. 9,000 as municipal tax. The insurance premium paid amounted to Rs. 2,225 and ground rent Rs. 1,075.

14. Calculate Income From House Property for Mr.Amit for AY 2016-17 Calculate IFHP

Particulars	H1	H2
Municipal Value	2,50,000	2,00,000
Fair rent	2,30,000	2,10,000
Municipal Tax	10%	5%
Interest on loan for repairs	45,000	40,000
Insurance Premium	23,000	25,000

CHAPTER 5- INCOME FROM OTHER SOURCES

1. Ms. Kavita furnishes following details. Calculate his taxable income from other sources for the previous year 2015-16:

- a. Rent from letting out of tools and equipment Rs 25000
- b. Dividend from TATA Ltd Rs.35000
- c. Award from Friends club for best member of the year Rs.19,000
- d. Agricultural income in Dhaka Rs.75,000
- e. Income from units of UTI Rs.10,000
- f. Dividend from a Pizza Hut Ltd. Rs.12,000
- g. As a member of parliament, he received salary of Rs.7100 p.m. & daily allowance of Rs.40,000
- h. Amount received on maturity of life insurance policy Rs.12,00,000
- i. Family pension received after death of his father Rs. 70,000/-
- j. Winnings from gambling Rs.340000
- k. Income from article published in a daily newspaper Rs.500.

2. Mr. Girish is a member of parliament. During the previous year, he had the following incomes:

- a) As a member of parliament, he received a salary of Rs. 3,000 p.m. and daily allowance of Rs. 5,100 for attending various sessions.
- b) He received dividend of Rs. 500 from a co-operative society and Rs. 5,000 from ABC Ltd.
- c) He has won Rs. 9,000 in crossword puzzle.
- d) On 1st September, 2015 he purchased a plot of land for constructing his house. On account of shortage of funds, he could not get this house constructed and hence let out the plot at Rs. 1,500 per month from 1st October, 2015
- e) He has let machinery & furniture and also building to Mr. Waman at a monthly rent of Rs. 6,000. He spent Rs. 4,500 on the repair of machinery, furniture & building during the previous year. Depreciation allowed in respect of these assets for the previous year was Rs. 18,000

Compute the income from other sources of Shri Girish for A.Y 2016-17

3. Ram gives following information regarding PY 2015-16

- a) Interest on Maharashtra Govt. securities Rs. 3600
- b) Dividend from foreign Co. Rs. 11,000 Net (TDS Rs. 1,000). Collection Charges Rs. 300
- c) Dividend from a co-operative society Rs. 1,000
- d) Interim dividend on equity shares from ABC Ltd. Rs. 9,000
- e) Rent from letting out a building at Andheri along with plant & Machinery under a composite lease- Rs. 4,000 p.m. His expenditure on this was Rs. 39,500
- f) He is an author of a text book which fetched him a gross royalty of Rs. 45,000. He claims the following deductions from this amount:
 - i. Salary to a clerk who collects from his necessary data from goes through the final proof- reading Rs. 2,400
 - ii. Purchased stationery worth Rs. 1,400 in connection with the revision of the book.
 - iii. Telephone expenses of Rs. 800 attributes to the publication and sale of his book.

- g) Family pension received after death of his wife Rs. 2,500 per month
- h) Agricultural income from Gujarat Rs. 40,000 (expenses Rs. 13,000)
- i) Agricultural income from Malaysia Rs. 80,000 (expenses Rs. 13,000)
- j) Interest on post office savings bank Rs. 1,500
- k) Interest accrued on national savings certificate Rs. 4,000

You are required to calculate income from other sources for P.Y 2015-16

4. Mr Naved provides you the following details . Find his income from other sources for AY 2016-17

- a) He received salary of Rs 6000 p.m
- b) Medical allowance of Rs 10000 and constituency allowance as Rs 8000 as a MLA
- c) Rent from vacant land RS 25000 pm from 1st August 2015
- d) Amount received from UTI Rs 105000
- e) Winning from horse race Rs 59000
- f) Agricultural income from Kerela Rs 36000 (expenses 15%) and from USA Rs 80000 (expenses 12%)
- g) Income from COOL Techno and company Rs 30000 in which he is a partner

5. Mr Farhan provided the following information for AY 2016-17 to find Income from other Sources

- a- Interest received on –
 - Post office saving a/c Rs 3100
 - Recurring deposit a/c Rs 3000
 - Debenture Rs 7500
- b- Composite rent Rs 12000 per Months from 1st June 2015.
- c- Amount received from UTI Rs 176000
- d- Income of minor child Rs 3200
- e- Salary of Rs 4000 pm and daily allowance of Rs 600 pm received as a MP
- f- Award of Rs 50000 received from government and of Rs 20000 received from private institution
- g- Gift received
 - From father Rs 75000
 - From friends on his birthday Rs 10000
 - From a charitable organization Rs 5000

5. Mr. Sunny furnishes following details. Calculate his taxable income from other sources for the previous year 2015-16:

- a) Winnings from horse race Rs.25,000
- b) Rent from letting out of plant & machinery and furniture Rs.9,000 p.m.
- c) Dividend from PQR Ltd Rs.20,000
- d) Award from Lions club for best member of the year Rs.25,000
- e) Agricultural income in Pakistan Rs.75,000
- f) Income from units of UTI Rs.10,000
- g) Dividend from a foreign Co. Rs.12,000
- h) As a member of parliament, he received salary of Rs.8,000 p.m. & daily allowance of Rs.20,000
- i) Amount received on maturity of life insurance policy Rs.2,00,000
- j) Family pension received after death of his father Rs. 60,000/-.

6. Mrs. Neena furnishes following details. Calculate his taxable income from other sources for the previous year 2015-16

- a) Interest on bank deposit Rs.14,000
- b) Agricultural income in china Rs.1,45,000 [expenses Rs.25,000]
- c) Rent from letting of a building along with plant, machinery and furniture fitted there in Rs.20,000 depreciation on building, furniture, etc. Rs.6,000 insurance premium paid in respect of these assets is Rs.1,000.
- d) Winnings from race Rs.40,000 [expenses on race tickets Rs.1,000]
- e) Private tuition fees Rs.10,000 [conveyance expenses. 20%]
- f) Family pension after the death of his husband Rs.48,000. [Expenses Rs. 6,000]
- g) Amount received from LIC on maturity of life policy Rs.60,000.

CHAPTER 6 - DEDUCTIONS U/CH VI-A

I. Mr. Shastri provides following details of his two houses.

- A The first house the fair rent of which was Rs.2,20,000 was let out at Rs.20,000p.m. he paid Rs.6,000 as interest on money borrowed for construction of this house, Rs.900 as ground rent and Rs.10,000 as municipal taxes. Unrealised Rent was Rs.15,000
- B The second house of the actual value of Rs.5,00,000 was occupied by him for his residence. Municipal taxes paid by him were Rs.25,000. He has borrowed Rs.20 Lakhs from HDFC Ltd. In April 2007 for acquiring this house property. Interest for the year was Rs.2,20,000 and he has repaid Rs.40,000 out of the loan amount during the year.

The details of his other income during the year 2015-16 are as follows:

- (i) Directorship fees received from JDC Ltd. Rs.1,60,000
- (ii) Winning from lottery Rs.1,00,000.
- (iii) Medical Insurance Premium Rs.35,000

Compute the net taxable income of Mr. Shastri for the P.Y 2015-16

2. Mr. Wahid owns two houses in Mumbai. The particulars of which are as follows as for the previous year 2015-16

Particulars	House I	House II
Municipal valuation	Rs.2,00,000	Rs.3,00,000
Fair rent	Rs.1,90,000	Rs.2,70,000
Rent received	Rs.3,50,000	Nil
Municipal taxes paid	Rs.20,000	Rs.30,000
Fire insurance premium paid	Rs.3,000	Rs.5,000
Collection charges	Rs.1,000	Nil
Land revenue payable	Rs.1,500	Rs.2,400
Interest paid on loan taken for construction of house property	Rs.1,60,000	Rs.40,000
Repayment of principal amount of loan		
Date on which loan was taken	Rs.50,000 20-12-2000	Rs.10,000 25-1-1999

He also received the following income during the P.Y. 2015-16

- 1) Royalty on book written by him Rs.25,000.
- 2) Dividend received from Co-operative society Rs.5,000.
- 3) Interest received on debentures from Indian company Rs.5,000.

He contributed Rs.11,000/- to L.I.C. pension fund policy

Compute the net taxable income of Mr. Wahid for the previous year 2015-16.

CHAPTER 6 - INCOME FROM SALARY

1. Mr.X provides following details.

- Gross Basic Salary Rs.10,000 pm
- Total Allowances Rs.40,000 (includes Entertainment Allowance Rs.550pm)
- Profession Tax Deducted Rs.2500

Calculate his Income From Salary if Mr.X is

- a) Government Employee
- b) Non-Government Employee

2. Ramesh is a Central Government employee. From the following details calculate his Income from Salary for AY 2019-20

- a) Net basic Salary Rs.18,000pm
- b) TDS Rs.10,000
- c) Profession Tax Rs.2500
- d) Transport Allowance Rs.2,500pm
- e) Telephone Allowance Rs.1,000pm (spent Rs.750pm)
- f) Research Allowance Rs.500pm (Spent Rs.4,000)
- g) Conveyance Allowance Rs.600pm (Spent Rs.4,700)
- h) Helper Allowance Rs.900pm
- i) Entertainment Allowance Rs.14,000

3. Pranoti is an employee of Maharashtra Government. From the following details:

- a) Gross Basic Salary Rs. 22,000 p.m.
- b) Dearness allowance Rs. 1,400 p.m.
- c) Conveyance allowance Rs. 3,000 (Amount spent for Rs. 2,500)
- d) House Rent allowance Rs. 800 p.m. (Exempt u/s 10(13A) Rs. 3,700)
- e) Entertainment allowance Rs. 1,100 p.m.
- f) Lunch allowance Rs. 800 p.m. (spent Rs.800pm)
- g) Profession Tax Paid Rs. 150 p.m.

Calculate taxable salary for the A.Y. 2019-20

4. Mr. Shyam Narayan gives you the following details:

- a) Basic salary Rs. 15,000 p.m.
- b) D.A. Rs. 1,000 p.m.
- c) House Rent Allowance Rs. 2,000 p.m.
Rent paid Rs. 4,000 p.m. in Mumbai
- d) Children Education Allowance for 3 children Rs. 80 p.m.
- e) Entertainment allowance Rs. 3,000/-.
- f) Lunch allowance Rs. 750 p.m.
- g) Profession Tax Rs. 200 p.m.
- h) Travelling Allowance Rs. 1,900 p.m.
- i) Research allowance Rs. 6,000/- (spent Rs. 5,700)
- j) Uniform Allowance Rs. 350 p.m. (spent Rs. 4,700)

Calculate taxable salary for A.Y. 2019-20.

5. Mr. Anand is a general manager of Aryan Ltd. He provides following details for computation of his salary for the A.Y. Calculate taxable salary for the A.Y. 2019-20:

	Particulars	From 1.4.2018 to 31.8.2018	From 1.9.2018 to 31.3.2019
a)	Basic salary	8,000 p.m.	10,000 p.m.
	Dearness allowance	800 p.m.	10% of salary

- b) House rent allowance Rs. 800 p.m. (exempted Rs. 300 p.m.)
 - c) Motor car allowance Rs. 1,000 p.m. (spent for office purpose Rs. 6,800).
 - d) Servant salary paid by employer Rs. 800 p.m.
 - e) Loan from employer Rs. 1,00,000 for son's marriage on 1/10/2015 @ 3% interest. SBI interest rate is 8%.
 - f) Hostel Allowance Rs. 400 p.m. for 2 children each.
 - g) Medical bills reimbursement by employer Rs.22,000
 - h) Employer provided free furnished house to use (Perquisite value Rs.90,000)
- Compute salary income for A.Y Calculate taxable salary for the A.Y. 2019-20:

6. Ms. Elsa is working with Wipro Ltd. at Pune. Calculate her taxable salary AY 2019-20:

- a) Salary (net) Rs. 13,800 P.m.
- b) Profession tax deducted at source Rs. 200 p.m.
- c) Income tax deducted at source Rs. 500 p.m.
- d) Contribution to R.P.F Rs. 2,400 p.m.
- e) Dearness allowance Rs. 1,000 p.m.
- f) Employer's contribution to R.P.F. Rs.2,400 p.m.
- g) Interest credited to R.P.F. at 10%-Rs. 5,000
- h) House rent allowance Rs. 3600p.m. (rent paid Rs 5500 p.m)
- i) Entertainment allowance Rs. 800 p.m.
- j) City compensatory allowance Rs.300 p.m.

7. Mr. Kedar retired on 1st October, 2018 after completing 23 years and 8 months service. From the following details calculate his taxable salary for A.Y 2019-20:

- a) Basic Salary Rs. 8,000 p.m.
- b) D.A. Rs. 2,000 p.m.
- c) Employer's contribution to R.P.F Rs. 1,500p.m.
- d) Interest on R.P.F. @ 8% Rs.8,000/-.
- e) Amount received from Recognized provident fund Rs. 2,00,000/-.
- f) Gratuity Rs.2,95,000/- (He is covered under POGA)
- g) Pension Rs. 2,000 p.m.

8. Mr. Roshan retired on 1st January, 2019 after completing 31 years and 9 months service. From the following details calculate his taxable salary:

- Rs.18,000 p.m. upto 31st Aug.
- Rs. 19,000 p.m. from 1st Sep.
- a) D.A. Rs.7,000 p.m.
- b) Gratuity Rs. 3,00,000
- c) Voluntary retirement compensation Rs.7,00,000

- d) Uncommuted pension was fixed at Rs.1,200 p.m.
- e) Commuted pension Rs. 3,00,000 [exempt Rs.2,40,000]
Calculate taxable salary for the A.Y. 2019-20

9. **Mr. Akshay is working in L & T Pvt. Ltd. for last 25 years.** His basic salary is Rs. 32,000 p.m. D.A. Rs. 8,000 p.m. Travelling Allowance Rs. 1,000 p.m., Telephone allowance Rs. 2,000 p.m. Tiffin Allowance Rs. 960 p.m. (spent Rs. 700 pm.)
At the end of October 2015, due to liquidation of the company Mr. Akshay lost his job. He received Rs. 8,30,000 as Retrenchment compensation. Calculate his Taxable salary for A.Y. 2019-20

10. **Ramesh is working with a Chocolate company. He submits the following particulars of salary income. Calculate his taxable salary for AY 2019-20:**

- a) Salary (Net) Rs.16,000 p.m.
- b) Profession tax deducted at source Rs.300 p.m.
- c) Income tax deducted at source Rs.250 p.m.
- d) Dearness allowance Rs.2,500 p.m.
- e) Free furnished accommodation [perquisite value Rs.14500
- f) L.I.C. Premium paid by employer Rs.400 p.m.
- g) Medclaim insurance premium paid by employer Rs.2,400.
- h) Free helper at his residence valued at Rs.6,200.
- i) Advance against Salary Rs.60,000
- j) Arrears of Salary Rs.35,000

11. **Mr. Dube is employed as a lecturer in modern college . He furnished the following information for the year ending 31st March 2019**

- | | |
|--|-------------|
| a) Gross Basic salary received | Rs 30000 pm |
| b) Rent free bungalow (perquisite value) | Rs 5000 pm |
| c) Leave salary received | Rs 15000 |
| d) Bonus received | Rs30000 |
| e) Arrears of salary received | Rs 150000 |
| f) Professional tax deducted | Rs 200 pm |
| g) Examinership remuneration | Rs 7500 |

Calculate taxable for the AY 2019-20

12. **Namita is an employee of Maharashtra Telephone Nigam Ltd . From the following details:**

- a) Net Basic Salary Rs. 40,000 p.m.
- b) Dearness allowance Rs. 3,400 p.m.
- c) Conveyance allowance Rs. 5,000 (Amount spent for Rs. 4,500)
- d) House Rent allowance Rs. 900 p.m. (Exempt u/s 10(13A) Rs. 5700)
- e) Employee's contribution to SPF A/c Rs.1500pm
- f) Employer's contribution to SPF A/c Rs.1500pm
- g) Interest on SPF A/c Rs. 7,500
- h) Profession Tax Rs.2,500
- i) TDS Rs.10,000

Calculate taxable salary for the A.Y. 2019-20

13. Mr.Yogesh provides following details. Calculate his taxable salary for AY 2019-20:

- a) Basic Salary Rs. 60,000 p.m.
 - b) Dearness allowance Rs.15,000 p.m.
 - c) Leave Salary Rs.30,000
 - d) Bonus Rs.15,500
 - e) Telephone Allowance Rs. 3,000 p.m.
- He left job from 1st November 2015. After Retirement he received
- f) Uncommuted Pension Rs.10,000p.m.
 - g) Commuted Pension Rs. 70,000 (exempt Rs.25,000)
 - h) Gratuity Rs.3,70,000 (exempt Rs.2,00,000)

CHAPTER 8- CAPITAL GAINS

1. Mr. Aasif purchased a house in May 2016 for Rs.30,00,000/- He spent Rs.12,50,000/- for constructing additional floor in August 2017. He sold his House in April 2018 for Rs.66,00,000/- Brokerage on Sale @2%. Calculate Capital Gain or Loss for AY 2019-20
2. Mr. Farhan purchased a house property during 2005-06 for Rs.2,00,000. During 2009-10, he spent Rs.1,00,000 on improvement.
During 2018-19, the house was sold for Rs.31,00,000 (brokerage 1%).
Compute the amount of capital gains for AY 19-20
3. Mr. Ramesh purchased a house property during 2002-03 for Rs.6,00,000. During 2008-09 he spent Rs.2,50,000 on improvement and during 2011-12 Rs.3,70,000
During 2018-19, the house was sold for Rs.45,00,000 (brokerage Rs.45,000).
Compute the amount of capital gains for AY 19-20.
4. Mr. Rahul purchased a house property during 1995-96 for Rs.6,00,000. During 2008-09 he spent Rs.3,00,000 on improvement.
During 2018-19, the house was sold for Rs.30,00,000
Compute the amount of capital gains for AY 19-20.
(The market value of the house as on 1.4.2001 was Rs.7,00,000)
5. Ms. Bala purchased a house property during 1991-92 for Rs.3,85,000 (FMV on 1/4/01 is Rs.10,00,000). He spent the following amounts on improvement:
 - Rs.10,000 during 1995-96
 - Rs.1,50,000 during 2005-06The property was sold on 3rd December, 2018 for Rs.45,00,000 (Brokerage Rs.2%).
Compute the amount of capital gains for AY 2019-20
6. Ramnath purchases a house property for Rs.76,000 on June 30, 1989.
The following expenses are incurred by him for making addition/alteration to the house property:
 - 1) Cost of construction of first floor in 1996-97 Rs.1,10,000
 - 2) Cost of construction of the second floor in 2005-06 Rs.3,40,000
 - 3) Alteration/reconstruction of the property in 2014-15 Rs.2,90,000Fair market value of the property on April 1, 2001 is Rs.2,50,000. The house property is sold by him on June 15, 2018 for Rs.1,00,00,000 (expenses incurred on transfer: Rs.1,00,000). He purchased new HP worth Rs. 45,00,000. Compute the amt. of capital gains for Mr. Ramnath for AY 2019-20
7. Mr. Amit purchased a house property for Rs 72,000 in 1/6/1989. He made addition for the first time on 2/7/1993 Rs 26,000 and again for the 2nd time in 21/8/2005. Rs 3,00,000. He sold the house for Rs 99,00,000 and paid 1% brokerage for the same in the year 2018-19. He purchased a new house property after one and a half year of sale for Rs 20,00,000 and NHAI Bonds worth Rs. 55,00,000 (fair market value as on 1-4-2001 was Rs 1,20,000)
Compute the taxable Income from Capital Gains for AY 2019-20

8. Mr. Vikas acquired a house for Rs.20,000 in 1995-96. (The market value of the house as on 1.4.2001 was Rs.70,000). This house was acquired by the government on 15th May, 2015 and the compensation of Rs.10,00,000 was paid immediately. Vikas filed a suit against the government challenging the amount of Compensation and the court ordered for giving additional compensation of Rs.2,00,000 which was received on 24th Aug, 2018. Calculate capital gain for PY 2015-16 and PY 2018-19
CII – FY 2001-02=100, FY 2015-16=254, FY 2018-19=280
9. Mr. X provides the following data regarding his transaction for the sale of Residential House. Compute the amount of net capital gain to be included in the total income for the A.Y. 2019-20
- House purchased in April 2008 - Rs 45,00,000
 - House property sold in October 2018 - Rs 2,00,00,000
 - New house property purchased in December 2017 - Rs 25,00,000
 - Amount invested in Notified Bonds issued by NHAI for 5 years - Rs 35,00,000.
CII- FY 2008-09=137, FY 2018-19=280
10. Chetan sold his property on 26 Oct 2018 for 1.5 crore . It was acquired by him on June 30th 2001 for Rs 10,00,000. He made an addition of Rs 4,00,000 in 2008-09. He purchased Bonds of RECL worth Rs 35,00,000 in Dec 18 and Bond of NHAI worth Rs 30,00,000 in FEB 2019 . Find his Capital Gains for AY 19-20
CII- FY 2001-02=100, FY 2008-09=137, FY 2018-19=280
11. Mr.Robin purchased a house in 2001-02 for Rs.10,00,000. In 2006-07 he spent Rs.3,00,000 on his house. This house was compulsorily acquired by Govt in 2014-15 and Compensation was paid in 2016-17 worth Rs.65,00,000/-. Robin filed a suit against Govt and received Additional Compensation worth Rs.20,00,00/- in 2018-19 (Legal Expenses Rs.2,50,000)
Calculate Capital Gain for PY 2016-17 & PY 2018-19
CII- FY 01-02=100, FY 14-15=240, FY18-19=280

Chapter 9- Income from Business and Profession

1. Nikhil furnishes following P & L A/c. you are required to compute his taxable income from business for the P.Y. 2015-16

Profit and Loss A/c for the year ended 31/03/2016

Particulars	Rs.	Particulars	Rs.
To salary to staff	95,000	By Gross profit	4,00,000
To salary to proprietor	10,000	By Discount received	10,000
To Bad debts	7,000	By Gift from customer	20,000
To Printing & Stationery	9,000	By Gift from Friend	25,000
To Bonus to staff (o/s)	20,000	By Interest on Debentures of Indian Company	6,000
To Repairs of Machinery	35,000		
To Insurance premium	3,000		
To Salary to son	25,000		
To Excise duty (Half o/s.)	4,000		
To Income Tax	10,000		
To Sales tax penalty	3,000		
To interest on loan	12,000		
To interest on capital	8,000		
To Advertisement	36,000		
To entertainment exps	9,000		
To Net Profit	1,75,000		
	4,61,000		4,61,000

Additional information:

- a) Advertisement includes Rs. 16,000 in the souvenir of political party
- b) Repairs of machinery is paid in cash
- c) Repairs to machinery includes new machinery purchased worth Rs. 20,000/-.
- d) Depreciation as per income tax is Rs. 7,600/-.

Compute Income from Business & Profession for A.Y 2016-17

2. Mr. Shroff furnishes following P & L A/c. You are required to compute his taxable income from business for the P.Y. 2015-16

Particulars	Rs.	Particulars	Rs.
To Bad Debts	9,300	By Gross profit	4,50,000
To R.D.D	11,500	By Bad debts Recovery	16,000
To Penalty for late delivery of goods	3,500	By Excise refund	12,000
To sales tax penalty	7,000	By W. Tax Refund	10,000
To income tax penalty	14,000	By Dividend Recd.	7,500
To salary to staff	1,26,000		
To salary to proprietor	25,000		
To Bonus to staff	32,000		
To interest on loan to financial institution	22,000		
To Interest on capital	10,500		
To General Exps.	79,000		
To Net profit	1,55,700		
	4,95,500		4,95,500

Additional Information:

- a) Printing and stationery Rs. 12,400 is not recorded.
- b) Discount received from suppliers Rs. 4,700 is not recorded.
- c) Interest to financial institution includes Rs.14,000 which is outstanding.

3. Mr. Shastri furnishes following P & L A/c. you are required to compute his taxable income from business for the P.Y. 2015-16

Particulars	Rs.	Particulars	Rs.
To Advertisement	1,74,000	By Gross profit	6,50,000
To Sales Tax	81,000	By Bad Debts Recovery	12,000
To Insurance premium Of stock/fixed assets	9,500	By Rent from H.P.	1,00,000
To Mediclaim insurance of employee's health	14,000	By int. on securities	45,000
To Mediclaim insurance of own health	5,000		
To General Expenses	1,00,000		
To Depreciation	15,000		
To Life insurance premium	10,000		
To printing charges	25,000		
To commission	37,000		
To Net Profit	1,36,500		
	8,07,000		8,07,000

Additional information:

- a) Printing bill is paid to his brother. Reasonable amt is Rs. 15,000
- b) Commission is paid by bearer cheque
- c) General expenses include Rs. 14,000 as gift to his wife & Service Tax Rs. 15,000 which is outstanding.
- d) Depreciation as per I.T is Rs. 23,000.
- e) Sales tax includes interest for late payment 1,000/- & Penalty for late filing sales tax return Rs. 4,000/-.

4. Mr. X furnishes following profit & loss Account for the year ended March 31, 2015. Ascertain his income from business for the A.Y. 2016-17

Particulars	Rs.	Particulars	Rs.
General expenses	13,400	Gross profit b/d	3,15,500
Bad debts	22,000	Commission	8,600
Advance tax	21,000	Rent Income	37,000
Difference in trial bal.	600	Royalty	2,500
Salary to staff	26,000	Bad debts recovered (earlier not allowed)	11,000
Salary to X	32,000	Int. on deb.	25,000
Interest on overdraft	4,000	Int. on deposit with company (Non trade)	13,000
Int. on loan to Mrs.	42,000		
Interest on capital of X	23,000		
Advertisement exp.	65,000		
Contribution to RPF	13,000		
Net profit	1,50,600		
	4,12,600		4,12,600

Other information:

- a) Advertisement expenditure includes Rs.10,000 being cost of permanent sign board fixed on office premises. Dep. As per IT rules in 15%.
- b) Sales of Rs.4,500 during the year is not recorded in the profit and loss account.
- c) General expenses include Rs.1,500 given to Mrs. X for arranging a party in honor of a friend who has recently come from Canada.
- d) Reasonable interest on loan is Rs.35,000

5. Renveer furnishes following P&L A/c for calculation of his taxable income from business:

Particulars	Rs.	Particulars	Rs.
To office expenses	3,00,000	By gross profit	12,00,000
To selling expenses	4,00,000	By gift from customers	1,00,000
To provision for tax	50,000	By investment income	30,000
To depreciation	90,000		
To net profit	4,90,000		
	13,30,000		13,30,000

Additional Information:

- a) WDV of the assets as on 1/4/14 is as follows:
 - i. Block of 3 motor cars Rs. 7,00,000
 - ii. Block of 2 building Rs.15,00,000
 - b) Purchases during the year:
 - i. Motor car costing Rs.2,00,000& building costing Rs.4,00,000
 - c) Sales during the year:
 - i. All the motor cars were sold for Rs.7,20,000. One building costing Rs.8,00,000 (WDV Rs.6,00,000) was sold for Rs.5,00,000.
- Dep. Rate as per I. tax is 10% on building and 15% on motor cars

6. Dr Gupta a practicing Doctor give you his following details to find Income from Business and profession for AY 2016-17

Receipt	Rs	Payment	Rs
To balance b/f	23,700	By Dispensary rent	72,000
To fees from patient	3,17,600	By staff salary	1,86,000
To fees from surgery	2,40,000	By electricity	45,600
To Interest from FD	16,700	By medical equipment	23,000
To Award from Indian medical association	75,000	By medicines purchased	37,000
		By Drawings	2,00,000
		By Donations	10,000
		By medical insurance for self and spouse	13,800
		By I. TAX paid	80,600

		By balance c/d	5,000
Total	673000	Total	673000

Additional information

- Depreciation on motor car is Rs 33400
 - Staff salary includes Rs 25000 paid to his wife as salary without any work.
 - Dispensary Rent includes 40% as rent to his residential house
 - 25% of motor car expenses are for personal use.
7. Mr A is a practicing CA in Mumbai , for the year end 31st march 2016 his receipt and payment were as under

Particulars	Rs
<u>Receipt</u>	
Fees from client	50,000
Retainership fees	12,000
Interest on FD with bank	3,000
Interest on FD with Public limited company	5,000
Rent received for sub-letting space	1,200
<u>Payment</u>	
Salary to assistant	6,000
Rent and electricity of office	9,600
Telephone charges	3,600
Printing & Stationary	1,200
Car and Taxi fare	3,000
Life Insurance premium	3,000
Income Tax	5,000
Gift , presents charity etc	1,000
Typewriter purchase	4,500

Compute his income from profession for the assessment year 2016-17 , assuming that 20% of telephone charges , car hire and taxi is for personal use. Depreciation on Type writer is @ 15%.

8. Mr. Shekhar provides a summary of his bank pass book for PY 2015-16

Deposits	Rs.	Withdrawals	Rs.
Balance b/f	8,500	Advance tax	25,000
Consultation fees	1,25,000	Conveyance exp.	6,000
Gifts from clients	25,000	Office rent	10,000
Royalty for authorship of law book	14,000	Int. on SOP	30,000
Gift from father in law	7,500	Home expenses	35,000
Dividend from Indian Co.	12,000	Motor car expenses	16,000
		Office salaries	25,000

Share in NP from firm salary as partner of law firm	50,000	Printing	3,000
Arbitration fees	36,000	Gift to daughter	5,000
Drafting fees	13,000	Foreign travel exps	28,000
	6,000	Stamp papers	2,000
		Balance c/d	1,12,000
	,97,000		,97,000

Calculate his taxable income from business

- Foreign travel expenses were incurred for Singapore trip during court vacation.
- 1/4th of the motor car expenses are for personal use.
- WDV of car as on 1-4-2015 was Rs.80,000 and rate of depⁿ is 15%

9. The following is the profit and loss account of Mr.Akash Kumar for the year ended 31st March 2015 (AY 2015-16)

Particulars	Rs	Particulars	Rs
To Repairs to Building	1,95,000	By Gross Profit	9,01,500
To Salaries	76,500	By Income tax refund	6,750
To Amount for scientific research to research association approved under section 35	1,50,000	By Interest from company deposits	9,600
To Interest	1,65,000	By Dividend	5,400
To Travelling Expenses	1,95,000		
To Net profit	1,41,750		
Total	9,23,250	Total	9,23,250

Additional information-

- Repairs to building includes Rs 142500 towards cost of construction an additional room for their own business premises
- Interest includes 18000 paid without deducting TDS and 36000 as penalty by central sales tax act
- Depreciation as per Income Tax is Rs.26,000

Compute the income chargeable under Income from Business

CHAPTER 10: COMPUTATION OF TOTAL INCOME

1. Mr. Rehman is employed with Hi-tech Ltd. He furnishes the following information for the assessment year 2019-20
- Net salary – Rs.28,500 p.m.
 - Income tax deducted at source – Rs.1,300 p.m.
 - Profession tax deducted – Rs.200 p.m.
 - Bonus received during the year – 30,000
 - Arrears of salary received – Rs.46,000
 - Perquisite value of gas, water and electricity – Rs.12,000
 - He took advance salary of Rs.50,000 for marriage of his daughter.
 - He paid LIC premium of Rs.15,000 and deposited Rs.30,000 in PPF A/c.
 - He received Rs.4,000 as interest on F.D. with state bank of India.
 - He also received Rs. 16,000 as winning from a crossword puzzle.
 - He spent Rs.10,000 on the treatment of his handicapped daughter.\

Compute the total income of Mr. Rehman for the assessment year 2019-20

2. Mr. Kumar, a severely handicapped person (85%) took voluntary retirement on 1st Jan, 2019 after completing 25 years of service in a private company. He furnishes the following information for the year ended 31st March, 2019
- | | |
|--|----------------------|
| 1) Basic Salary | Rs.20,000 p.m. |
| 2) Dearness allowance | @80% of basic salary |
| 3) Conveyance allowance received
(actual conveyance expenses Rs.500/- p.m.) | Rs.800 p.m. |
| 4) Voluntary retirement compensation | Rs.5,50,000 |
| 5) Profession tax paid | Rs.2,500 |
| 6) Gratuity received (fully exempt.) | Rs.1,80,500 |
| 7) Commuted pension (Rs.70,000 exempt) | Rs.1,50,000 |
| 8) Uncommuted pension | Rs.8,000 p.m. |
| 9) Reimbursement of medical expenses | Rs.22,000 |
| 10) He received Interest on NSC Rs.7,000/-, Interest on Savings Acc Rs.14,000/- and Royalty income Rs.32,000/- | |
| 11) He paid medical insurance premium of Rs.27,000 by cheque. | |
- Compute his net taxable income for A.Y. 2019-20

3. Mr. Yogesh took voluntary retirement on 1st July, 2018 from a private bank after completing 26 year and 11 months of service.

He furnishes you with following information:

Basic salary	Rs. 28,000 p.m.
Dearness allowance	50% of Basic
Conveyance allowance	Rs. 900 p.m.
(Actual conveyance expn. Incurred Rs. 600 p.m.)	

Gratuity (Exempt Rs.2,70,000)	Rs. 6,50,800
Commuted pension [Exempt Rs. 25,000]	Rs. 67,500
Uncommuted pension	Rs. 2,500 p.m.
Voluntary retirement compensation	Rs. 8,72,000
Profession tax paid	Rs. 1,200

After retirement, he delivered lectures as guest faculty in Indian Institute of Banking, for which he received honorarium of Rs. 22,000. He received agricultural income from Bangladesh Rs. 40,000.

He paid medical insurance premium of Rs. 13,200 by crossed cheque and deposited Rs. 30,000 in 5 yrs. PO time deposit A/c.

Compute his next taxable income for A.Y. 2019-20

4. Mrs. Malini is employed with M/s. XL Enterprises since 1995. She provides the following information for the assessment year 2019-20

- Net salary Rs. 28,200 p.m.
- Profession Tax (P.T) deducted Rs. 200 p.m.
- Income tax deducted Rs. 250 p.m.
- Provident fund deducted Rs. 1000 p.m.
- Reimbursement of Medical Expenses Rs. 21,200
- She spent Rs. 12,000 for the maintenance of her disabled daughter.
- Repayment of loan for higher education of her son Rs. 75,000 (including interest Rs. 25,000)
- She received following interest /Dividend.
 - Interim Dividend from Reliance Industries amounting to Rs. 8,000
 - Interest of Rs. 6,000 from fixed deposit in private company.
 - Interest of Rs. 7,800 from post office saving bank A/c.

Compute her net taxable Income for Assessment year 2019-20

5. Mr. Kiran furnishes following Profit & Loss A/C of compute his total taxable income for assessment year 2016-17

Profit & Loss A/C account for the year ended 31-3-2016

Particulars	Rs.	Particulars	Rs.
To staff salaries	1,20,000	By consulting fees	4,00,000
To dispensary expenses	67,500	By visit fees	1,00,000
To dispensary rent	60,000	By gifts from patients	40,000
To purchase of medicines	45,000	By sale of medicines of the dispensary	80,000
To income tax	35,000	By rent from HP	1,20,000
To prof. fees to doctors	22,000		
To car exps. (for profession)	36,000		
To membership fees	2,000		
To M. tax for rented house	12,000		
To interest on housing loan for rented house	18,000		
To printing charges	4,000		
To depreciation	48,000		
To charity	1,500		
To surplus for the year	2,68,600		
	7,40,000		7,40,000

Additional information:

- 1) Gifts from patients include Rs.1,000 from his father in personal capacity.
- 2) Depreciation as per income tax rules Rs.45,000
- 3) He paid medical insurance premiums of Rs.8,000 by cheque.
- 4) He purchased national saving certificates of Rs.30,000 & paid life insurance premium of Rs.60,000.
- 5) He paid Rs.40,000 to nationalized bank towards principal of housing loan.
- 6) He invested in pension scheme of Insurance Company Rs.50,000

6. Mr. Mungerilal who is a resident of Mumbai owns three houses, the particulars of which are given as under for the year ended 31st March, 2016

- 1) The first house is occupied by him for his own residence, the gross annual value of which is Rs.3,00,000. He paid Rs.2,500 as municipal tax and Rs.6,000 as interest on loan taken for construction of house.
- 2) The second house has been let out for a rent of Rs.10,000 per month. The municipal valuation of the house was Rs.90,000 where as the fair rent was Rs.1,10,000. The above house remained vacant for 2 months. He paid Rs.9,000 as municipal tax on 29th May 2014. The insurance premium paid amounted to Rs.2,225 and ground rent Rs.1,075.
- 3) The third house property which was purchased at a cost of Rs.50,000 in the financial year 1986-87 was sold on 15th April 2015 the purchaser paid Rs.9,00,000 on 1st May, 2015 and balance consideration of Rs.2,50,000 was paid on 30th June, 2015. Mr. Mungeria paid brokerage of Rs.13,000 for the sale transaction. The cost inflation index for financial year 1986-87 is 125 and for 2015-16 is 1081

Compute the total taxable income of Mr. Mungerilal for the assessment year 2016-17

7. Ms. Netra who is totally blind, had let out her house property situated at navi Mumbai for residential purpose.

The details of the said property for the year ended 31st March, 2016 are as follows:

- 1) Rent received Rs.1,20,000
- 2) Municipal valuation Rs.1,00,000
- 3) Fair rent Rs.1,50,000
- 4) Municipal taxes paid by tenant Rs.10,000
- 5) Interest on loan taken from ICICI bank for construction of house property Rs.35,000. Loan was taken in April 1999.

Following are the details of other income earned by her during the year.

- 1) Interest accrued on NSC Rs.20,000
- 2) Interest accrued on Savings Bank Account Rs.15,000
- 3) Dividend from M/S Raymond Ltd. Rs.10,000
- 4) Interest accrued on private loans to friends & relatives Rs.60,000.

Compute the net taxable income of Ms. Netra for A.Y 2016-17

8. Mr. Sandeep owns two houses in Mumbai, both of which are used by him for his own residence. The particulars of these houses are as follows for the previous year ended 31-03-2016.

Particulars	House property I	House property II
1) Municipal valuation	Rs. 2,25,000	Rs. 3,50,000
2) Fair Rent	Rs. 2,50,000	Rs. 4,00,000
3) Municipal – due -paid	Rs. 25,000 Rs. 2,000	Rs. 35,000 Rs. 1,000
4) Repairs	Rs. 2,000	Rs. 3,000
5) Insurance Premium- due	Rs. 500	Rs. 600
6) Ground rent due	Rs. 150	Rs. 200
7) Interest on funds borrowed for- construction of house property	Rs. 40,000	Rs. 40,000
8) Year in which loan was taken	1998	2000

He also received the following income during the previous year 2015-16

- | | |
|---|------------|
| a) Accrued interest on N.S.C | Rs. 6000 |
| b) Winning from lottery | Rs. 10,000 |
| c) Interest on deposit with bank of India | Rs. 4,000 |
| d) Interest on P.P.F | Rs. 5,000 |

He also paid medical insurance premium for self, by cheque of Rs. 3000/-

9. Compute the net taxable income for Mr. Sandeep (Handicapped Person) for the previous year 2015-16.

Particulars	H-I	H-II	H-III
Fair Rent	Rs. 25,000	Rs. 35,000	Rs. 95,000
Rent received	---	Rs. 3,000 p.m	Rs. 10,000 p.m.
Vacancy (Months)	---	2 months	
Municipal Taxes paid	Rs. 3,000	Rs. 4,000	Rs. 5,000
Repairs and collection Exp.	Rs. 10,000	Rs. 12,000	Rs. 14,000
Interest on Housing loan	Rs. 4,000	Rs. 10,000	Rs. 15,000

Details of his Other Income is as follows-

- 1- Interest on Post Office Savings Bank Account Rs.19,500
- 2- Rent from Machinery Rs.27,000 (Related Expenses Rs.6,000)
- 3- Royalty Income Rs.2,00,000
- 4- Agricultural Income from Karnataka Rs.37,500 (Expenses Rs.19,600)