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**Triple
Dhamaka
Session - 1**

**BASICS CONCEPTS
RESIDENTIAL STATUS
HOUSE PROPERTY**

All India Rank Holder & Winner of Best Tax Faculty Award

ABOUT CA SACHIN GUPTA

1. He is a **Fellow Member of ICAI** having teaching experience of more 15 years.
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List of Abbreviations

A/C	Account	MF	Mutual Fund
A/Y	Assessment year	MTAX	Municipal Tax
AJP	Artificial Juridical Person	MTHS	Months
AMT	Amount	MV	Market Value
AO	Assessing Officer	NABARD	National Bank for Agricultural & Rural Development
AOP	Association of Persons	NAV	Net Annual value
AR	Actual Rent	NCR	National Capital Region
AS	Accounting Standard	NHB	National Housing Bank
ASF	Approved Superannuation Fund	NPS	National Pension Scheme
B/F	Brought Forward	NR	Non Resident
B/P	Business & Profession	P&L	Profit & Loss A/c
BOA	Books of Accounts	P&M	Plant & Machinery
BOI	Body of Individuals	P/Y	Previous Year
C&M	Control & Management	PAN	Permanent Account Number
C&R	Charitable & Religions	PFI	Public Financial Institution
CA	Chartered Acct / Capital Asset	PIO	Person of Indian Origin
CBDT	Central Board of Direct Tax	POH	Period of Holding
CCIT	Chief Commission of India	RBI	Reserve Bank of India
CDT	Corporate Dividend Tax	RDP	Rural Development Programme
CGAS	Capital Gain Account Scheme	RNOR	Resident & Not Ordinarily Resident
CGOVT.	Central Government	ROI	Return of Income
CII	Cost Inflation Index	ROR	Resident & Ordinarily Resident
COA	Cost of Acquisition	RPF	Recognised Provident fund
D/M/K/C	Delhi, Mumbai, Kolkatta, Chennai	RV	Reasonable value/ Expected rent
DA(RB)	DA forming part of Retirement Benefits	SBI	State Bank of India
ECS	Electronic Clearing Scheme	SD	Statutory Deduction
EE	Employee	SEBI	Securities & Exchange Board of India
ELSS	Equity Linked Saving Scheme	SEZ	Special Economic Zone
ER	Employer	SFC	State Financial Corporation
ESI	Employee state Insurance	SGOVT.	State Government
ESOP	Employee stock option plan	SI	Substantial Interest
F/Y	Financial Year	SICA	Sick Industrial companies Act
FIFO	First in First out	SIIC	State Industrial Investment Corporation
FMV	Fair Market Value	SIT	Stock in trade
FVC	Full Value of Consideration	SLM	Straight line Method
GAV	Gross Annual value	SP	Selling price

TAX BY SG

SMART NOTES OF INCOME TAX

GTI	Gross Total Income	SPF	Statutory Provident Fund
	house property		
HP		ST	Short Term
HRA	House Rent Allowance	STCA	Short term Capital Asset
HUF	Hindu Undivided Family	STCG	Short term Capital Gain
I/O/S	Income from other Sources	STT	Security transaction tax
IDBI	Industrial Development Bank of India	TDS	Tax deducted at source
IFCI	Industrial financial corporation of India	TI	Total Income
IIT	Indian Institute of Technology	TRP	Tax Return Preparer
L&B	Land & Machinery	URPF	Unrecognised provident fund
LC	Letter of Credit	URSF	Unrecognised super annuation fund
LIT	Litre	UTI	Unit trust of India
LLP	Limited Liability Partnership	UTI	Unit trust of India
LT	Long term	VRS	Voluntary Retirement Scheme
LTC	Leave Travel Concession	WDV	Written Down Value
LTCA	Long term Capital Asset		

CHAPTER –1

BASIC CONCEPTS

Sections covered in this chapter

Sec 1	Short title, extent & commencement	Sec 172	Non-resident shipping business
		Sec 174	Assessment of persons leaving India
Sec 2	<u>Definitions</u>	Sec.174A	Associations/ bodies formed for short duration
Sec 2(7)	Assessee	Sec 175	Assessment of person trying to alienate his assets
Sec 2(9)	Assessment Year	Sec 176	Discontinued business
Sec 2(17)	Company	Sec 68	Cash credit
Sec 2(23)	Partnership firm	Sec 69	Unexplained investment
Sec 2(26)	Indian Company	Sec 69B	Amount of investment not fully disclosed
Sec 2(31)	Person		
Sec 2(34)	Previous Year		
Sec 2(45)	Total Income		
Sec 14	Heads of Income		
Sec 3	Previous Year	Sec 69C	Unexplained expenditure
Sec 4	Charge of Income Tax	Sec69D	Amount borrowed or repaid on Hundi

Section 1: SHORT TITLE, EXTENT AND COMMENCEMENT

- ❖ This act is called Income –tax Act,1961 , extend to whole of India w.e.f 1st day of April,1962

Section 4 : CHARGE OF INCOME-TAX

- ❖ **INCOME TAX** for A/Y @ **RATES** specified by **FINANCE ACT**
- ❖ On **TOTAL INCOME** during **P/Y**
- ❖ Of any **PERSON** who is an **ASSESSEE**

Section 2(31) : PERSON INCLUDES

- 1) **Individual**
- 2) **Hindu Undivided Family**
- 3) **Company** : Sec 2(17): Company means **Indian company** or **foreign company**
- 4) **Firm**: Sec 2(23) : **Firm** *shall include PF & LLP*
- 5) **AOP/BOI**, whether incorporated or not , whether for profit or not
- 6) **Local authority**: According to General Clause Act, It means Panchayat / Municipality/ Municipal committee/ district Board /Cantonment Board
- 7) **AJP not falling within any of preceding categories**

Section 2(7) : Assessee : Person by whom tax or other sum is payable & includes

- Person against whom proceeding under Income-tax taken for assessment of income/ loss/ refund
- **A deemed assessee** - A person who is deemed to be an assessee for some other person
- Assessee who is deemed to be an '**Assessee in default**'

Section 2(9) : Assessment Year

Assessment Year means the period of 12 months commencing on the first day of April every year.

Section 2 (34) : Previous year means previous year defined under Sec 3

Sec 3 : Previous year means F/Y immediately preceding assessment year.

First P/Y for a B/P newly set-up during F/Y or for new source of income:

- P/y shall be **beginning** from date of setting up of business /new source came into existence &
- **Ending** on last day of that F/Y

Cases where income of previous year is assessed in the same year

section	Sec 172 : Non resident shipping business	Sec 174: Assessment of Persons Leaving India	Sec174A : Association formed for short duration	Sec 175 : Assessment of Persons Likely to Transfer Property to Avoid Tax	Sec 176 : Discontinued Business
Applicable	Non-Resident owner/Charterer of Ship Carrying passengers, etc shipped at Indian Port during P/Y	Appears to AO that any individual may leave India during current P/Y & has no intention of returning to India	Appears to AO that any AOP formed for particular purpose. & is likely to be dissolved during P/Y	Appears to AO person is likely to sell his assets during a P/Y with a view to avoid tax liability	Where any business/ profession is discontinued in any P/Y
Income	7.5 % of amount on account of such carriage	TI of individual From first day of P/Y Upto probable date of his departure from India	TI of such association Commencing from first day of P/Y Upto date of its dissolution	TI of such person commencing from first day of P/Y Upto date of commencement of proceedings by AO	B/P income commencing from first day of P/Y Upto date of discontinuance
When taxable	Chargeable to tax in same P/Y .	chargeable to tax in same P/Y	chargeable to tax in same P/Y	chargeable to tax in same P/Y	chargeable to tax in same P/Y

P/Y FOR UNDISCLOSED SOURCES OF INCOME

In following cases if no satisfactory explanation is provided, then amount deemed as Income of P/y of discovery

- 1. Cash Credit [Sec. 68] : Sum is found credited in BOA of assessee**
- 2. Unexplained investment [Sec. 69] : Investment not recorded in BOA**
- 3. Unexplained money [Sec. 69A] : Money, jewellery or other valuable article not recorded in the BOA**
- 4. Investment not fully disclosed [Sec. 69B] : Investments/ bullion/jewellery > amount recorded in BOA**
- 5. Unexplained expenditure [Sec. 69C] : Unexplained Expenditure**
- 6. Amount borrowed or repaid on Hundi [Sec. 69D] : Amount borrowed /repaid on Hundi otherwise than through A/C payee cheque**

Sec 115BBE : Tax on income referred u/s 68 or 69 or 69A or 69B or 69C or 69D

If Total Income includes any income referred under above sections, income-tax shall be payable @ 60% + 25% surcharge + 4% HEC

No deduction in respect of any expenditure/allowance shall be allowed in computing his income referred under above sections.

Some important principles which explain the concept of income for Income-tax purpose

- (i) Even **illegal income** is taxed just like any legal income.
- (ii) **Diversion of Income** : Income which due to compulsory obligation, is diverted before it becomes due
Income after Diversion is taxable

Application of income : income which has become due and afterwards assessee meets an obligation whether compulsory or self imposed out of such income
Income before Application is taxable
- (iii) **Pin Money**: Money received by wife for her personal expenses from husband is not taxable
- (iv) **Revenue receipt** : Receipt on account of circulating capital. Revenue receipts taxable unless specifically exempted eg dividend income, though a revenue receipt, is exempt from tax u/s 10.

Capital receipt : Receipt on account of fixed capital. Capital receipts are generally not chargeable to tax unless specifically taxable eg. profit on sale of capital assets, though it is capital receipt but it is taxable u/s 45
- (v) **Sec 2(10) : Average rate of income-tax** means the rate arrived at by dividing the amount of income-tax calculated on the total income, by such total income

Income tax calculated on total income / Total Income x 100
- (vi) **Sec 2(29C) : Maximum Marginal Rate** means rate of income-tax (including surcharge on income-tax, if any) applicable in relation to the highest slab of income in the case of individual, AOP or, BOI as specified in the Finance Act of the relevant year. **i.e 30% + 37% surcharge + 4% HEC**

RATES OF INCOME TAX (ASSESSMENT YEAR 2021– 2022)

Nature of Person	Exemption	SLAB Rates	Surcharge
1. <u>INDIVIDUAL</u> <i>(Other than 2,3 below)</i>	2,50,000	<u>Total Income</u> <u>Rate</u> 0 – 2,50,000 : NIL > 2,50,000 upto 5,00,000 : 5% > 5,00,000 upto 10,00,000 : 20% > 10,00,000 : 30%	> 50 lakhs : 10% > 1 crore : 15% > 2 crore : 25% > 5 crore : 37%
2. <u>Senior Citizen</u> (<i>Resident + min 60 yrs & < 80 years any time during p/y 20-21</i>)	3,00,000	0 – 3,00,000 : NIL > 3,00,000 upto 5,00,000 : 5% > 5,00,000 upto 10,00,000 : 20% > 10,00,000 : 30%	Surcharge on Income u/s 111A & 112A Total > 50lakhs : 10% Total >1 crores : 15%
3. <u>Very Senior Citizen</u> (<i>Resident & min 80 yrs any time during p/y 20-21</i>)	5,00,000	0 – 5,00,000 : NIL > 5,00,000 upto 10,00,000 : 20% > 10,00,000 : 30%	
HUF,AOP,BOI & AJP	2,50,000	As applicable to individual in point 1	Same as Individual
Domestic Company	NIL	<ul style="list-style-type: none"> • Turnover upto 400cr in p/y 18-19 : 25% • Covered u/s 115BA : 25% • Covered u/s 115BAA : 22% • Covered u/s 115BAB : 15% • Other case : 30% 	>1 crore : 7% > 10 crore : 12% Company u/s 115BAA/115BAB : 10% irrespective of TI
Foreign company	NIL	40%	> 1crore : 2% > 10 crore : 5%
Partnership Firm/LLP	NIL	30%	> 1 crore : 12%
Local Authority	NIL	30%	> 1 crore : 12%
Cooperative society	NIL	0 – 10,000 : 10% above 10,000 upto 20,000 : 20% above 20,000 : 30%	> 1 crore : 12%

Sec 87A : Rebate of Income Tax : Individual + Resident + Total Income upto ₹ 5 lac = upto ₹ 12,500

Computation of Tax Liability of Individual**Step 1 : Bifurcate Total Income into 2 parts**

Incomes taxable at Slab rates : Apply Tax at Slab rates

Incomes taxable at Special Rates : Apply Tax at special rates *

TAX BY SG

SMART NOTES OF INCOME TAX

Step 2 : Subtract Rebate u/s 87A for Resident Individual, if Applicable

Step 3 : Add Surcharge ,If applicable

Step 4 : Subtract Marginal Relief if applicable

Step 5 : Add 4% Health & Education Cess

Step 6 : Resulting Amount is Total Tax Liability

288B : Rounding off of Tax Liability

Tax payable or refundable, shall be rounded off to nearest multiple of ten rupees & paise shall be ignored and last figure is 5 or more, increase to next multiple of 10 & if last figure is < 5 ,amount reduced to lower multiple of 10.

***Incomes taxable at Special rates**

1. Sec 111A : STCG on listed Equity shares/Equity oriented mutual funds/Business Trust : 15%
2. Sec 112 : LTCG : 20 %
3. Sec 112A : LTCA : 10%
4. Sec 115BB : Casual Incomes : 30%
5. Sec 115BBE : Income u/s 68 or 69 or 69A or 69B or 69C or 69D : 60%
6. Sec 115BBDA : 10% [Not applicable wef 1/4/2020]
7. Sec 11BBF : Royalty income for patent developed & registered in India for resident : 10%
8. Sec 115BBG : Carbon Credit : 10%

New Optional Taxation System Introduced for INDIVIDUAL & HUF

WEF A/Y 21/22 by FINANCE ACT, 2020

Till FY 2019-20 (AY 2020-21) there was only one regime of Taxation for Individuals and HUFs and were required to apply the Slab rate specified in the Annual Finance Act on Total Income computed after allowing many deductions and exemptions.

Finance Act, 2020 has introduced a New Optional Tax System for Individuals and HUFs u/s 115BAC of the Income Tax Act, 1961 wef A/Y 21-22 to provide for concessional rate of Slab Rates to be applied on Total Income calculated without claiming specified deductions and exemptions.

Hence, from AY 2021-22 or FY 2020-21, there are two operative tax system –

One is the Existing tax system where all the applicable deductions and exemptions are allowed and the tax rates are as per the Slab rates of tax specified in the Finance Act, 2020.

The second one is section 115BAC which is a Optional Tax System and under which many deductions and exemptions have been disallowed but lower slab tax rates are provided in the section 115BAC itself.

Sec 115 BAC : Optional Tax System for Individuals and HUF

(1) Notwithstanding anything contained in this Act, the income-tax payable in respect of the total income of **Individual or HUF**, for Assessment year beginning 2021/22, shall, at the option of such person, be computed at the rate of tax given in the following Table, if the conditions contained in sub-section (2) are satisfied, :—

Sl. No.	Total income	Rate of tax
1.	Up to Rs. 2,50,000	Nil
2.	From Rs. 2,50,001 to Rs. 5,00,000	5 %
3.	From Rs. 5,00,001 to Rs. 7,50,000	10 %
4.	From Rs. 7,50,001 to Rs. 10,00,000	15 %
5.	From Rs. 10,00,001 to Rs. 12,50,000	20 %
6.	From Rs. 12,50,001 to Rs. 15,00,000	25 %
7.	Above Rs. 15,00,000	30 %

Provided that where the person fails to satisfy the conditions contained in sub-section (2) in any P/Y, the option shall become invalid in respect of relevant p/y and other provisions of this Act shall apply, as if the option had not been exercised in the relevant P/Y:

Provided further that where the option is exercised under clause (i) of sub-section (5), in the event of failure to satisfy the conditions contained in sub-section (2), it shall become invalid for subsequent assessment years also and other provisions of this Act shall apply for those years accordingly.

(2) For the purposes of sub-section (1), the total income of Individual or HUF shall be computed,—

(i) without any exemption or deduction under

- Sec 10(5) or Sec 10(13A) or prescribed u/s 10(14) (other than those as may be prescribed for this purpose) or u/s 10(17) or u/s 10 (32) or section 10AA or
- Section 16 or
- Sec 24(b) (in respect of the property referred in section 23(2)) or
- Section 32(1)(iia) or section 32AD or section 33AB or section 33ABA or Sec 35(1)(ii) or Sec 35(1)(iia) or Sec 35(1)(iii) or Sec 35(2AA) or section 35AD or section 35CCC or
- Section 57(iia) or
- Under any of the provisions of Chapter VI-A other than provisions of section 80CCD(2) or section 80JJAA;

(ii) Without set off of any loss,—

(a) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);

(b) under the head “Income from house property” with any other head of income;

(iii) by claiming the depreciation, if any, under any provision of section 32, except clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed; and

(iv) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

(3) The loss and depreciation referred to in clause (ii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:

Provided that where there is a depreciation allowance in respect of a block of assets which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on the 1st day of April, 2020 in the prescribed manner, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2021.

(4) In case of a person, having Unit in International Financial Services Centre, as per section 80LA which has exercised option under sub-section (5), the conditions contained in sub-section (2) shall be modified to the extent that the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in the said section.

(5) Nothing contained in this section shall apply unless option is exercised in the prescribed manner by the person,—

(i) having income from PGBP, upto DDR u/s 139(1) for any A/Y wef 21/22, and such option once exercised shall apply to subsequent A/Y;

(ii) having income other than PGBP, along with the return of income to be furnished u/s 139(1) for A/Y:

Provided that the option under clause (i), once exercised for any previous year can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise option under this section, except where such person ceases to have any income from business or profession in which case, option under clause (ii) shall be available

New Optional Taxation System Introduced for Cooperative Societies

WEF A/Y 21/22 by FINANCE ACT, 2020

Till FY 2019-20 (AY 2020-21) there was only one regime of Taxation for Cooperative society and were required to apply the Slab rate(upto 10,000,next 10,000 & balance over 20,000) specified in the Annual Finance Act on Total Income computed after allowing many deductions and exemptions. + surcharge @ 12% if Total Income > 1 crore + 4% HEC

Finance Act, 2020 has introduced a New Optional Tax System for Cooperative society u/s 115BAD of the Income Tax Act, 1961 wef A/Y 21-22 to provide for flat rate of Tax of 22% + 10% flat surcharge + 4%HEC to be applied on Total Income calculated without claiming specified deductions and exemptions.

Hence, from AY 2021-22 (or FY 2020-21, there are two operative tax system –

One is the Existing tax system where all the applicable deductions and exemptions are allowed and the tax rates are as per the Slab rates of tax specified in the Finance Act, 2020.

The second one is section 115BAD which is a Optional Tax System and under which many deductions and exemptions have been disallowed but flat tax rate of 22% is provided in the section 115BAD itself.

Sec 115BAD : Tax on income of certain Resident Co-Operative Societies

(1) Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, the income-tax payable in respect of the total income of co-operative society resident in India, for assessment year beginning 2021/22, shall, at the option of such person, be computed @ 22%, if the conditions contained in sub-section (2) are satisfied:

Provided that where the person fails to satisfy the conditions contained in sub-section (2) in computing its income in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.

(2) For the purposes of sub-section (1), the total income of the co-operative society shall be computed,—

(i) without any deduction

- u/s 10AA or
- u/s 32(1)(ia) or u/s 32AD or u/s 33AB or u/s 33ABA or u/s 35(1)(ii) or u/s 35(1)(ia) or u/s 35(1)(iii) or u/s 35(2AA) or u/s 35AD or u/s 35CCC or
- under any of the provisions of Chapter VI-A other than sec [80JAA](#);

(ii) without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i); and

(iii) by claiming the depreciation, if any, u/s [32](#), other than u/s 32(1)(ia), determined in such manner as may be prescribed.

(3) The loss and depreciation referred to in clause (ii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:

Provided that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on the 1st day of April, 2020 in such manner as may be prescribed, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2021.

(4) In case of a person, having a Unit in the International Financial Services Centre, as referred to in sub-section (1A) of [section 80LA](#), which has exercised option under sub-section (5), the conditions contained in

sub-section (2) shall be modified to the extent that the deduction under the said section shall be available to such Unit subject to fulfilment of the conditions contained in that section.

(5) Nothing contained in this section shall apply unless option is exercised by the person in such manner as may be prescribed on or before the due date specified u/s [139\(1\)](#) for furnishing the return of income for any previous year relevant to the assessment year commencing on or after the 1st day of April, 2021 and such option once exercised shall apply to subsequent assessment years:

Provided that once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

CHAPTER – 2

RESIDENTIAL STATUS

Sections covered in this chapter

Sec 5	Scope of Total income
Sec 6(1)	Residential status of an Individual
Sec 6(1A)	New condition
Sec 6(2)	Residential status of an HUF, Firm, AOP & BOI
Sec 6(3)	Residential status of Company
Sec 6(4)	Residential status of other assessee
Sec 6(5)	Resident for one source resident for all source
Sec 6(6)	Not ordinarily Resident
Sec 7	Income deemed to be received
Sec 9	Income deemed to accrue or arise in India

(1) Residential Status of an Individual

Basic Condition : Sec 6 (1)

1st Condition : Atleast **182** days during P/Y

2nd condition : Atleast **60** day during P/Y

+
Atleast **365** days during preceding 4 P/Y

3rd Condition [Sec 6(1A)]

- Notwithstanding anything contained in Sec 6(1),
- Individual, being citizen of India,
- having total income,
- other than the income from foreign sources,
- exceeding 15 lakhs during p/y
- shall be deemed to be resident in India in that previous year,
- if he is not liable to tax in any other country or territory
- by reason of his domicile or residence or any other criteria of similar nature

Explanation to Sec 6(1A) : For the removal of doubts, it is hereby declared that this clause shall not apply in case of an individual who is said to be resident in India in the previous year u/s 6(1)

Taxation & Other Laws (Relaxation & Amendment of Certain Provisions) Act, 2020

Income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India

Explanation 1 to Sec 6(1) [4 cases]

In the following Case 1, Case 2 & Case 3, 60 days of 2nd Basic condition shall be substituted with 182 days

Case 1 : Indian citizen leaves India for employment abroad during P/Y

Case 2 : India citizen who is working on Indian ship leaves India during P/Y.

The numbers of days of stay in India for such person shall exclude the days from date of joining as per Continuous Discharge Certificate till date of signing off on this document.[Rule 126]

Case 3 : Indian citizen or PIO coming to India on a **visit** during P/Y.

PIO = Himself or Parents or Grand parents born in undivided India
[Explanation to Sec 115C(e)]

In the Case 4, 60 days of 2nd Basic condition shall be substituted with 120 days

CASE 4 :

- **Citizen of India or PIO**
- **Comes on a visit to India in any p/y**
- **having TI, other than the income from foreign sources,**
- **exceeding 15 lakhs during p/y**

Income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India). and which is not deemed to accrue or arise in India

Additional condition : Sec 6 (6)

1st Condition : Upto 729 days in *preceding 7 P/Y*

2nd Condition : Non Resident in Min 9 out of *preceding 10 P/Y*

3rd condition :

- Citizen of India, or PIO,
- as referred to in *Explanation 1* to Sec 6(I),
- having TI,
- other than the income from foreign sources,
- exceeding 15 lakhs during p/y,
- who has been in India 120 days or more but less than 182 days during the p/y

OR

4th Condition : A citizen of India who is deemed to be resident in India u/s 6(1A).

SUMMARY

Status	Basic Condition	Additional Conditions
ROR	Either	Neither
RNOR	Either	Either
NR	Neither	NA

2) Residential Status of HUF : 6(2) + 6(6)

ROR	<i>Any part</i> of C&M situated in India during P/Y & <u>Karta/Manager</u> Not satisfying any of additional conditions
RNOR	<i>Any part</i> of C&M situated in India during P/Y & <u>Karta/Manager</u> satisfying any additional condition u/s 6(6)
NR	<i>No part</i> of C&M situated in India during P/Y

(3) Residential status of Firm, AOP & Other Non Corporate Assessee : 6 (2)

Resident	<i>Any part</i> of C&M situated in India during the P/Y
Non resident	<i>No part</i> of C&M situated in India during the P/Y

(4) Residential status of Company : 6(3)

Resident	Indian Company or Foreign Company + Place of effective management(POEM) in India during P/Y
Non Resident	Foreign Company + Place of effective management(POEM) outside India during P/Y

(5) Residential status of Other Assessee : 6(4)

Resident	Any part of C&M situated in India during P/Y
Non Resident	No part of C&M situated India during P/Y

Scope of Total Income : Sec 5

Types of Income	ROR	RNOR	NR
Indian Income			
- Due in India & Received any where	Yes	Yes	Yes
- Due outside & <u>Received</u> in India	Yes	Yes	Yes
Foreign income (Due outside & received outside)			
- Business controlled / Profession set up from India	Yes	Yes	No
- Other Case	Yes	No	No

Sec 9 : Following Income deemed as accrue or arise in India (Indian income)

1.	Income from a Business Connection in India <i>Significant Economic Presence of a non-resident in India shall constitute "business connection" in India</i>
2.	Income from property asset or source in India
3.	Capital gain from Capital asset situated in India
4.	Salary from Services rendered in India
5.	Salary to Indian citizen from Govt of India (<i>Sec 10(7) : Allowance & Perquisite exempt</i>)
6.	Dividend from Indian company

7.	Interest/Royalty/Fee for Technical services from Government of India
8.	Interest/Royalty/Fee for Technical services from Resident (Except money/service is utilized for earning income outside India)
9.	Interest /Royalty/Fees for Technical services from Non resident (Provided money/service is utilized for Indian business/profession)
10.	Sum of money as gift, paid outside india by resident to non-resident or to foreign company

Sec 7 : Following Income deemed as received in India (Indian income)

1.	Employer contribution to RPF > 12% of salary of ee
2.	Interest credited in RPF > 9.5% pa
3.	Employer contribution to NPS > 10% of salary of ee

CHAPTER – 3
INCOME UNDER THE
HEAD HOUSE PROPERTY

Sec 22 : Annual Value of Building owned is taxable under HP(except used for Business/Profession)

(1) Municipal value	XXXXXX
(2) Fair Rental value	XXXXXX
(3) Standard Rent (1 or 2, Higher, cannot exceed 3)	XXXXXX
(4) Expected Rent	XXXXXX
(5) Actual Rent Received/Receivable (Excluding Unrealised rent) Rule 4	XXXXXX
(4 or 5) Higher : GAV	XXXXXX
Less : Municipal taxes (Paid by Owner during P/Y)	(XXXXXX)
NAV	XXXXXX
Less : Deductions	
24 (a) : 30% of Positive NAV Actual expenses have no relevance	(XXXXXX)
24 (b) : Interest Due on borrowed Capital Interest due during p/y + Interest for Preconstruction/prepurchase period	(XXXXXX)
Amount after deduction	XXXXXX
Add : Recovery u/s 25A	XXXXXX
Amount Taxable under HP	XXXXXX

Deduction u/s 24(b)

Type of Property	Deduction u/s 24(b) on Due basis	Purpose of loan
Let out property	100%	Construction, Purchase, Repair, Renovation, Reconstruction
Residential property whose NAV =NIL	Max 30,000	Construction, Purchase, Repair, Renovation, Reconstruction
Residential property whose NAV =NIL	Max 2,00,000	<ul style="list-style-type: none"> loan is wef 1/4/99 for purchase or construction purchase or construction is completed Within 5 years from end of f/y in which loan is taken Lender certifies loan is for Purchase or construction

IF Assessee has opted for New Tax System u/s 115BAC, Deduction u/s 24(b) shall not be allowed from Self Residential Property covered u/s 23(2)

Special Points

- Interest on **unpaid interest** is not deductible.
- Interest on a **fresh loan** raised merely to **repay the original loan** taken for the above purpose is allowable as a deduction under this section.
- **Brokerage or commission** paid for arranging the loan is not deductible.
- If **arrears of interest** is paid during the previous year, no deduction is available in respect of arrears as it has already been claimed on due basis in earlier years.
- Similarly **interest paid in advance** is not fully deductible in one year, as deduction is on accrual basis.
- If interest is **payable outside India** then it must be paid after TDS as per the requirement of Section 25 of Income Tax Act, otherwise the deduction shall not be allowed.
- If interest is paid on **unpaid purchase price** to the seller then also deduction can be claimed u/s 24(b).

TAX TREATMENT OF VARIOUS PROPERTY

Type of House Property	(1) Fully let out	(2) HP partly let out & partly vacant			(3) Fully vacant	(4)
		Case 1 AR > ER	Case 2 AR < ER (Rent less)	Case 3 AR < ER (Due to vacancy) 23(1)(c)	Intention to let out 23(1)(c)	No Intention to let out
(1) ER	Entire P/Y	Entire P/Y	Entire P/Y	Entire P/Y	Entire P/Y	Entire P/Y
(2) AR	Let out period	Let out period	Let out period	Let out period	Nil	Nil
GAV	1 or 2, Higher	AR	ER	AR	NIL	ER
Less : M. Tax	Paid + Owner	Paid + Owner	Paid + Owner	Paid + Owner	Paid + Owner	Paid + Owner
NAV	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Less: 24(a): SD	30% of NAV	30% of NAV	30% of NAV	30% of NAV	NIL	30% of NAV
Less: 24 (b) : Interest DUE of P/Y+ Pre ownership period	Fully allowed	Fully allowed	Fully allowed	Fully allowed	Fully allowed	Fully allowed

TAX BY SG

SMART NOTES OF INCOME TAX

Amount after Deduction	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Add : 25A	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Income taxable under HP	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx

	(5) Self Residence	(6) Not occupied due to B/P/E	(7) More than 2 residence property Sec 23(4)		(8) Partly let out & Partly self residence
	Sec 23(2)	Sec 23(2)	Residence Upto 2	Deemed to let out	
(1) ER	NA	NA	NA	Entire P/y	Entire P/Y
(2) AR	NA	NA	NA	Nil	Let out period
GAV	NA	NA	NA	RV	1 or 2, Higher
Less : M. Tax	NA	NA	NA	Paid + Owner	Paid + Owner
NAV	NIL	NIL	Nil		
Less: 24(a): SD	NA	NA	NA	30% of NAV	30% of NAV
Less: 24 (b) : Interest DUE of P/Y+ Pre ownership period	Max 30,000/ Max 2,00,000	Max 30,000/ Max 2,00,000	Max 30,000/ Max 2,00,000	Fully allowed	Fully allowed
Amount after Deduction	xxxx	xxxx	xxxx	xxxx	xxxx
Add : 25A	xxxx	xxxx	xxxx	xxxx	xxxx
Taxable	xxxx	xxxx	xxxx	xxxx	xxxx

Sec 23(5) : Annual value building as Stock In Trade

- NAV shall be Nil of Vacant Property held as stock-in-trade and
- is not let during whole or any part of p/y,
- for period up to **2 YEARS** from end of F/Y
- in which certificate of completion of construction of property is obtained from competent authority,

Sec 25 : Deduction of Interest payable outside India

- ❖ Shall be allowed only if
- ❖ Tax deposited on such Interest income or
- ❖ TDS deducted out of such interest income or
- ❖ some person is treated as agent in India of recipient

Sec 25A : Recovery of Unrealised Rent/Arrears of rent

- Recovered amount **taxable under HP** in P/Y of receipt
- **Whether or not** assessee is **owner of such property** in p/y of receipt
- **30% deductions** allowed from recovered account .

Sec 26 : House Property Owned by Co-owners

- ✓ If the share of each co-owner
- ✓ Is **definite & ascertainable**
- ✓ **Each co-owner** shall be taxable for **his portion** in HP
- ✓ **Otherwise** HP income taxable **in hands of AOP**

Sec 27 : Deemed Owners

- ❖ **Individual** transfers House Property to **Spouse** for **inadequate consideration** except ,HP transferred under an **agreement to live apart**
- ❖ HP transferred to **minor** except **minor married daughter** .
- ❖ **Holder** of **impartible** estate.
- ❖ **Member** of Co-op society, Company to whom flat is allotted under house building scheme
- ❖ **Person** allowed to take **Possession u/s 53A of Transfer of Property Act.**
- ❖ A person acquiring House property on lease for **12 years or more**

Special point :

1.If assessee is dealing in business of letting out,rental income will be chargeable under PGBP

2.If letting is subservient & incidental to running of main business than rental income will be chargeable under P/G/B/P.

3. Treatment of Composite Rent is done as under

Where rent of property and rent of services / assets can be separated		Where rent of property and rent of services / assets cannot be separated
Rent of letting of property	Rent of service ,assets	Taxable under Other sources or Business
Taxable under House property	Taxable under Other sources or business	

MULTIPLE CHOICE QUESTIONS**BASICS CONCEPTS OF INCOME TAX**

(1) The Central Government has been empowered by entry _____ of the Union list of schedule VII of the constitution of India to levy tax on income other than agricultural income.

- | | |
|--------|--------|
| (a) 84 | (b) 81 |
| (c) 82 | (d) 84 |

(2) The Income tax act, 1961 came into force w.e.f. _____

- | | |
|----------------------------------|---------------------------------|
| (a) 1 st April, 1962 | (b) 1 st April, 1961 |
| (c) 31 st March, 1961 | (d) None of above. |

(3) Amongst the following _____ is empowered to levy tax on agricultural income.

- | | |
|------------------------|----------------------|
| (a) Central Government | (b) State Government |
| (c) Commissioner | (d) President |

(4) Circulars and Notifications are binding on the-----

- | | |
|--|----------------------------|
| (a) Central Board of Direct Taxes (CBDT) | (b) Assessee |
| (c) Income Tax Appellate Tribunal (ITAT) | (d) Income Tax Authorities |

(5) Supreme Courts precedent in binding on -----

- | | |
|----------------------------|-------------------------|
| (a) Courts | (b) Appellate Tribunals |
| (c) Income Tax Authorities | (d) All of the above. |

(6) High Court's precedents are not binding on-----

- | | |
|--------------|----------------------------|
| (a) Tribunal | (b) Income Tax Authorities |
| (c) Assessee | (d) None of the above. |

- (7) Wherever in the Act the phrase as prescribed appears it means that -----
- (a), Regulations are to be framed in this respect. (b) Rules have been framed in this respect.
(c) Regulations were earlier framed in this respect. (d) Regulations are framed in this respect.
- (8) Who amongst the following confers on the power to issue circulars and clarifications?
- (a) ITAT (b) Central Government
(c) CBDT (d) State Government
- (9) Amendments by the finance act are made applicable from
- (a) First day of next financial year (b) First day of same financial year
(c) Last day of same Accounting year (d) None of the above.

**CONCEPT OF CHARGE OF INCOME TAX, PERSON,
ASSESSEE AND EXCEPTIONS TO PREVIOUS YEAR RULE**

- (10) Income Tax is charged in -----
- (a) Financial Year (b) Assessment Year
(c) Previous Year (d) Accounting Year
- (11) A person includes:
- (a) Only Individual (b) Only Individual and HUF
(c) Individuals, HUF, Firm, Company only (d) Individuals, HUF, Company, Firm, AOP or BOI, Local Authority, Every Artificial Juridical Person
- (12) As per section 2(31), the following is not included in the definition of 'person' -
- (a) An individual (b) A Hindu undivided family
(c) A company (d) A minor
- (13) Every assessee is a person, and -
- (a) every person is also an assessee (b) every person need not be an assessee
(c) an individual is always an assessee (d) A HUF is always an assessee
- (14) Describe the status of the following person (*i.e.* individual, HUF, Firm, Company etc.) X and Y are legal heirs of Z. Z died and therefore X and Y carry on his business without entering into a partnership.
- (a) Firm (b) Limited Liability Partnership
(c) Company (d) Body of Individual
- (15) Assessment year can be a period of :
- (a) only more than 12 months (b) 12 months and less than 12 months
(c) only 12 months (d) 12 months and more than 12 months
- (16) Year in which income is taxable is known as _____ and year in which income is earned is known as ----
- (a) Previous year, Assessment year (b) Assessment year, Previous year
(c) Assessment year, Assessment year (d) Previous year, Previous year
- (17) The year in which the income is earned is known as
- (a) Previous year (b) Financial year
(c) Both (A) or (B) (d) None of the above.

- (18) All assesseees are required to follow:
- (a) Uniform previous year which must be calendar year only
 - (b) Uniform previous year which must be financial year only
 - (c) Any period of 12 months
 - (d) Period starting from 1st July to 30th June only
- (19) XYZ LLP falls under which----- category of person -
- (a) Individual
 - (b) Firm
 - (c) Company
 - (d) Association of person
- (20) Municipality of Delhi falls under----- category of person-
- (a) Artificial juridical person
 - (b) Local authority
 - (c) Individual
 - (d) Association of Person
- (21) Under Income Tax Act, Firm includes -
- (a) Limited liability partnership
 - (b) Limited liability company
 - (c) One person company
 - (d) Association of person
- (22) A.O.P should consist of :
- (a) Individual only
 - (b) Persons other than individual only
 - (c) Both individual and non individual persons.
 - (d) None of these
- (23) Body of individual should consist of :
- (a) Individual only
 - (b) Persons other than individual only
 - (c) Both individual and non individual persons.
 - (d) None of these
- (24) A person becomes a member of HUF by -
- (a) Contract
 - (b) Agreement
 - (c) Popularity
 - (d) Status
- (25) In order to be assessed as HUF there should be -
- (a) Partnership
 - (b) Co-Partnership
 - (c) Co-Parcenership
 - (d) Co-Ownership
- (26) Section _____ of the Income-tax Act, 1961 defines the term 'Person' :
- (a) 4
 - (b) 5
 - (c) 2(31)
 - (d) 2(32)
- (27) _____ must be one in which two or more persons join in for a common purpose or common action with the object of earning income or profits or gains.
- (a) Partnership
 - (b) Co-ownership
 - (c) Body of Individuals
 - (d) Association of Persons
- (28) Which amongst the following is Artificial Juridical Person?
- (a) Corporation
 - (b) Local Fund
 - (c) District Board
 - (d) None of these
- (29) Previous year is defined in -
- (a) Section 2(34)
 - (b) Section 2(9)
 - (c) Section 3
 - (d) Section 4

- (30) Financial year means a year commencing on -----
- (a) 31st March of the period
(b) 1st day of the April
(c) Mid of the year
(d) None of these
- (31) First previous year in case of a business/profession newly set up on 31-3-2021 would:
- (a) Start from 1st April, 2020 and end on 31st March, 2021
(b) Start from 31st March, 2021 and will end on 31st March 2021
(c) Start from 1st January, 2021 and end on 31st December, 2021
(d) Start from 1st January, 2021 and will end on 31st March, 2021
- (32) Dr. Ashok commenced medical practice on 1st September, 2020. The previous year for the profession for the assessment year 2021-22 would be -----
- (a) 1st April, 2020 to 31st March, 2021
(b) 1st September, 2020 to 31st March, 2021
(c) 1st June, 2020 to 31st March, 2021
(d) 1st September, 2020 to 31st January, 2021
- (33) Income of business commenced on 1st March, 2021 will be assessed in assessment year-
- (a) 2019-20
(b) 2021-22
(c) 2020-21
(d) 2022-23
- (34) A person follows calendar year for accounting. For taxation, he has to follow:
- (a) Calendar year only : 1st January to 31st December
(b) Financial year only : 1st April to 31st March
(c) Any of the Calendar or Financial year as per his choice
(d) He will follow extended year from 1st January to next 31st March (*a period of 15 months*)
- (35) In which of the following cases, income of previous year is assessable in the previous year itself:
- (a) Assessment of persons leaving India
(b) A person in employment in India
(c) A person who is into illegal business
(d) A person who is running a charitable institution
- (36) In which of the following cases, Assessing Officer has the discretion to assess the income of previous year in previous year itself or in the subsequent assessment year:
- (a) Shipping business of non-residents
(b) Assessment of Association of Persons or Body of Individuals formed for a particular event or purpose
(c) Assessment of persons likely to transfer property to avoid tax
(d) Discontinued business
- (37) In case of non-residents engaged in shipping business in India income earned during the financial year is -
- (a) Taxable in India the same financial year
(b) Taxable in India the relevant assessment year
(c) Not taxable in India in the same financial year
(d) Not taxable in India.
- (38) In case of non-residents engaged in shipping business-----freight paid or payable to the owner or charterer shall be deemed to be total income.
- (a) 5%
(b) 7.5 %
(c) 10%
(d) 20 %
- (39) Which amongst the following is an exception to the previous year rule ?
- (a) Business or Profession newly set up.
(b) Where a source of income newly set up.
(c) Non-resident engaged in shipping business.
(d) None of the above.

(40) Income Tax is levied on the -----of a person.

- (a) Total Income
- (b) Total Income-Debt
- (c) Gross Total Income
- (d) Net Income-Debt Perquisites

(41) The period of 12 months commencing on the 1st day of April every year is known as-----

- (a) Financial Year
- (b) Assessment Year
- (c) Previous Year
- (d) Accounting Year

(42) The charging section of the Income-tax Act, 1961, states that the income earned in a year is taxable in the next year. This is known as-----

- (a) Principle of mutuality
- (b) Previous year rule
- (c) Financial year rule
- (d) None of these.

(43) Income-tax in India is charged at the rates prescribed by -

- (a) The Finance Act of the assessment year
- (b) The Income-tax Act, 1961
- (c) The Central Board of Direct Taxes
- (d) The Finance Act of the previous year.

(44) A new business was set-up on 1st July, 2020 and trading activity was commenced from 1st September, 2020, the previous year would be the period commencing from -

- (a) 1st April, 2020 to 31st March, 2021
- (b) 1st July, 2020 to 31st March, 2021
- (c) 1st September, 2020 to 31st March, 2021
- (d) 1st October, 2020 to 31st March, 2021.

CONCEPTS OF INCOME, METHOD OF ACCOUNTING

(45) According to section 2(24) definition of 'income' is _____

- (a) Inclusive
- (b) Exhaustive
- (c) Exclusive
- (d) Descriptive.

(46) 'Income' under section 2(24) includes -

- (i) The profits and gains of a banking business carried on by a co-operative society with its members.
- (ii) Any advance money forfeited in the course of negotiations for transfer of capital asset.

Choose the correct option with reference to the above statements _

- (a) Both (i) and (ii)
- (b) Only (i)
- (c) Only (ii)
- (d) Neither (i) nor (ii).

(47) Income includes -

- (a) Profits and gains
- (b) Profit in lieu of Salary
- (c) Income from other sources
- (d) All of the above

(48) Income is divided in -----heads of Income.

- (a) 4
- (b) 5
- (c) 6
- (d) 3

(49) Income includes -

- (a) Profits or Gains
- (b) Capital gains
- (c) Lottery winnings
- (d) All of the above

- (50) The term 'income' includes the following types of incomes -
- | | |
|----------------------------|------------------------|
| (a) Legal | (b) Illegal |
| (c) Legal and illegal both | (d) None of the above, |
- (51) Which of the following income is not included in the term 'income' under the Income-tax Act, 1961
- | | |
|------------------------------|---|
| (a) Profit and gains | (b) Dividend |
| (c) Profit in lieu of salary | (d) Reimbursement of travelling expenses. |
- (52) Which amongst the following is not a head of Income?
- | | |
|-------------------|--------------------------------|
| (a) Salaries | (b) Income from house Property |
| (c) Capital gains | (d) Income from exports |
- (53) Amongst the following which activity will be taxable?
- | | |
|---|---|
| (a) Profits & gains of any insurance business carried on by a co-operative society. | (b) Income from specific services provided by trade, professional or similar association. |
| (c) The profits and gains of any banking business carried on by a co-operative society. | (d) All of the above. |
- (54) AB & Co. received ₹2,00,000 as compensation from CD & Co. for premature termination of contract of agency. Amount so received is _
- | | |
|---------------------------------|-------------------------------------|
| (a) Capital receipt and taxable | (b) Capital receipt and not taxable |
| (c) Revenue receipt and taxable | (d) Revenue receipt and not taxable |
- (55) Subsidy if given as assistance to carry on business already commenced is a ----
- | | |
|-------------------------|---------------------|
| (a) Revenue receipt | (b) Capital receipt |
| (c) It is not a receipt | (d) None of these |
- (56) Which of the following is not included in taxable income -
- | | |
|---|------------------------------|
| (a) Income from smuggling activity | (b) Casual income |
| (c) Gifts of personal nature subject to a maximum of ₹50,000 received in cash | (d) Income received in kind. |
- (57) Compensation on account of loss of profit is -
- | | |
|-------------------------|-------------------------|
| (a) Revenue receipt | (b) Capital receipt |
| (c) Revenue expenditure | (d) Capital expenditure |
- (58) Out of the following, which of the capital receipt is not taxable:
- | | |
|--|---|
| (a) Capital gains of ₹ 10,00,000 | (b) Amount of ₹5,00,000 won by way of lottery, games, puzzles |
| (c) Amount of ₹2,00,000 received by way of gift from relatives | (d) Amount of ₹1,00,000 received by way of gift from a friend on marriage anniversary |
- (59) In case the Keyman insurance policy is taken in name of any other person (non employee), any sum received on its maturity by such person shall be taxable under the head -
- | | |
|-------------------|---|
| (a) Salaries | (b) Profits & Gains of Business or Profession |
| (c) Capital Gains | (d) Income from Other Sources |
- (60) Method of Accounting is not relevant for ---
- | | |
|-------------------|--------------------------------|
| (a) Salaries | (b) Income from House Property |
| (c) Capital Gains | (d) All of the above |

- (61) Income-tax in India is charged at the rate(s) prescribed by -
- (a) The Finance Act (b) The Income-tax Act
(c) The Central Board of Direct Taxes (d) The Ministry of Finance.
- (62) Which of the following is not included in taxable income -
- (a) Reimbursement of expenses (b) Cash gifts received from non relatives
(c) Income from illegal activity (d) Profit on sale of equity shares of unlisted company
- (63) The Central Government has notified -----Income computation and disclosure standards for computing income under the head Profits and Gains of Business and Profession -
- (a) 2 (b) 5
(c) 8 (d) 10
- (64) An individual is said to have substantial interest in a concern if he or she, along with his or her relatives, is, at any time during the previous year, beneficial owner of equity shares carrying-----or more of the voting power in a company; or entitled to -----or more of the profits of such concern.
- (a) 20% ,10% (b) 10% ,20%
(c) 10% , 10% (d) 20% ,20%

MODE OF COMPUTATION OF INCOME AND TAX
RATES FOR ASSESSMENT YEAR 2021-22

- (65) Surcharge @ 12% is payable by a domestic company if the total income exceeds.
- (a) ₹ 10 lakhs (b) ₹ 1 crore
(c) ₹ 10 crore (d) None of the above.
- (66) Surcharge @ 7% is payable by a domestic company if the total income exceeds.
- (a) ₹ 10 lakhs (b) ₹ 50 lakhs
(c) ₹ 1 crore (d) ₹ 10 crores.
- (67) The tax exemption limit for a resident senior citizen is _____. Assuming not covered u/s 115BAC
- (a) Upto ₹ 2,00,000 (b) Upto ₹ 5,00,000
(c) Upto ₹ 1,80,000 (d) Upto ₹ 3,00,000
- (68) Surcharge of 15% is payable by an individual where the total income exceeds:
- (a) ₹ 7,50,000 (b) ₹ 8,50,000
(c) ₹ 1,00,00,000 (d) None of the three
- (69) The maximum amount on which income-tax is not chargeable in case a co-operative society is:
- (a) ₹ 50,000 (b) ₹ 30,000
(c) ₹ 20,000 (d) Nil
- (70) Additional surcharge (Health & Education cess) of 4 % is payable on-
- (a) Income tax (b) Income tax plus surcharge
(c) Surcharge (d) None of the three
- (71) What is the maximum amount of income not chargeable to tax in case of AOP /BOI ?
- (a) ₹ 2,50,000 (b) ₹ 1,45,000
(c) ₹ 10,000 (d) None of these.

- (72) In case of Partnership firm or company and foreign company marginal relief is provided if total income exceeds ₹ _____
- (a) ₹ 1 crore (b) ₹ 80 lakhs
(c) ₹10 lakhs (d) None of these
- (73) What is the rate of Health & Education cess?
- (a) 4% (b) 3%
(c) 2% (d) There is no such tax.
- (74) The total income is rounded off to the nearest multiple of -
- (a) ₹1 (b) ₹10
(c) ₹100 (d) ₹1,000
- (75) The MMR of 42.74 % for Assessment Year 2021-22 is relevant in case of which of the following person-
- (a) Body of Individual (b) Association of Persons
(c) None of (a) and (b) (d) Both of (a) and (b)
- (76) If a firm's total Income is ₹ 1,03,00,000, the marginal relief available to the firm is -
- (a) ₹ 3,09,000 (b) ₹ 3,03,000
(c) ₹ 1,60,800 (d) None of these.
- (77) The amount of Health & Education cess to be collected along with income-tax for assessment year 2021-22 shall be _____
- (a) 2 % (b) 1%
(c) 4% (d) 3%
- (78) Resident assessee, who is of the age of 60 years or more but less than 80 years at any time during p/y is entitled to _____
Assuming covered u/s 115BAC
- (a) Exemption limit of ₹ 2,00,000 (b) Exemption limit of ₹ 2,50,000.
(c) Exemption Limit of ₹ 5,00,000. (d) Exemption limit of ₹ 3,00,000.
- (79) Surcharge of 15% is payable by an Hindu Undivided Family where the total income exceeds:
- (a) ₹ 7,50,000 (b) ₹ 8,50,000
(c) ₹ 1,00,00,000 (d) None of the three.
- (80) In case of resident HUF, what is maximum exemption limit for Assessment Year 2021-22 : Assuming covered u/s 115BAC
- (a) ₹ 3,00,000 (b) ₹ 2,50,000
(c) ₹ 5,00,000 (d) ₹ 2,20,000
- (81) In case of a female individual, who is of 59 years of age, what is the maximum exemption limit for AY. 2021-22:
- (a) ₹ 3,00,000 (b) ₹ 2,50,000
(c) ₹ 5,00,000 (d) Nil
- (82) The income-tax payable by a Resident Individual (aged 30 years) for AY. 2021-22 if his total income is ₹3,00,000 will be:
- (a) ₹ 2,500 (b) ₹2,600
(c) ₹ 5,200 (d) Nil
- (83) The income-tax payable by a Non Resident Individual (aged 30 years) for Assessment Year 2021-22 if his total income is ₹ 2,70,000 will be:
- (a) ₹ 1,040 (b) ₹ 1,000
(c) ₹ 2,080 (d) Nil

TAX BY SG**MCQ BASIC CONCEPTS**

- (84) The income-tax payable by a Resident Individual (aged 30 years) for AY. 2021-22 if his total income is ₹ 3,01,500 will be:
- (a) ₹ 2,680 (b) ₹ 5,360
(c) Nil (d) ₹ 2,600
- (85) The income-tax payable by a Mrs Kavita, Non Resident Individual (aged 65 years) for AY. 2021-22 if her total income is ₹ 2,75,000 will be:
- (a) Nil (b) ₹ 1,250
(c) ₹ 1,300 (d) ₹ 520
- (86) The income-tax payable by Mr Shyam, Resident Individual (aged 25 years) for AY. 2021-22, if his total income is ₹ 4,50,000 will be :
- (a) Nil (b) ₹ 10,400
(c) ₹ 20,800 (d) ₹ 10,000
- (87) Arun, a non-resident of India celebrated his 80th birthday on 10th October 2020. If his total income for the previous year is ₹ 6,00,000, his income-tax liability for the previous year 2020-21 is -
- (a) ₹ 33,800 (b) ₹ 41,600
(c) ₹ 20,800 (d) Nil
- (88) The amount of marginal relief admissible to Mr Ram, Resident Individual (aged 25 years) for AY 2021-22 if his total income is ₹1,01,00,000 will be : Assuming not covered u/s 115BAC
- (a) ₹ 75,125 (b) ₹1,75,125
(c) ₹ 1,00,000 (d) Nil
- (89) The maximum income of ₹ _____ is not chargeable to tax in case of non-resident woman of 60 years of age.
- (a) ₹ 2,50,000 (b) ₹ 3,00,000
(c) ₹ 5,00,000 (d) ₹ 10,00,000
- (90) The tax payable is rounded off to the nearest multiple of -
- (a) ₹ 1 (b) ₹ 1,000
(c) ₹ 10 (d) ₹ 100
- (91) The income-tax payable by a Non Resident Individual (aged 30 years) for AY 2021-22 if his total income is ₹ 2,75,500 will be:
- (a) ₹ 1,330 (b) ₹ 2,650
(c) Nil (d) ₹ 1,280
- (92) The income-tax payable by a Resident Individual (aged 30 years) for AY 2021-22 if his total income is ₹5,00,000 will be:
- (a) ₹ 13,000 (b) ₹ 25,750
(c) ₹ 12,500 (d) Nil
- (93) The income-tax payable by a Non Resident Individual (aged 30 years) for AY 2021-22 if his total income is ₹ 5,00,000 will be:
- (a) ₹ 12,500 (b) ₹ 13,000
(c) ₹ 26,000 (d) Nil
- (94) The income-tax payable by a Resident Individual (aged 30 years) for AY 2021-22 if his total income is ₹ 6,00,000 will be: Assuming not covered u/s 115BAC
- (a) ₹ 33,800 (b) ₹ 72,800
(c) ₹ 32,500 (d) ₹ 20,800

- (95) The income-tax payable by a Resident Individual (aged 30 years) for AY 2021-22 if his total income is ₹16,00,000 will be: Assuming covered u/s 115BAC
- (a) ₹ 2,26,200 (b) ₹ 3,04,200
(c) ₹ 3,15,000 (d) ₹ 3,30,000
- (96) The income-tax payable by a Non Resident Individual (aged 62 years) for AY 2021-22 if his total income is ₹2,90,000 will be:
- (a) Nil (b) ₹4,120
(c) ₹2,080 (d) ₹4,000
- (97) The income-tax payable by a Resident Individual (aged 62 years) for AY 2021-22 if his total income is ₹10,00,000 will be : Assuming not covered u/s 115BAC
- (a) ₹1,17,000 (b) ₹1,14,400
(c) ₹1,12,500 (d) ₹ Nil
- (98) The income-tax payable by a Resident Individual (aged 62 years) for AY 2021-22 if his total income is ₹5,50,000 will be: Assuming covered u/s 115BAC
- (a) ₹20,800 (b) ₹ 22,900
(c) ₹ 18,200 (d) Nil
- (99) The income-tax payable by a Resident Individual (aged 62 years) for AY 2021-22 if his total income is ₹ 15,00,000 will be: Assuming not covered u/s 115BAC
- (a) ₹ 2,60,000 (b) ₹2,70,400
(c) ₹ 2,73,000 (d) Nil
- (100) The income-tax payable by a Resident Individual (aged 80 years) for AY 2021-22 if his total income is ₹ 5,00,000 will be: Assuming not covered u/s 115BAC
- (a) Nil (b) ₹1,030
(c) ₹8,240 (d) ₹6,180
- (101) The income-tax payable by a Resident Individual (aged 80 years) for AY 2021-22 if his total income is ₹ 5,10,000 will be: Assuming covered u/s 115BAC
- (a) Nil (b) ₹ 14,040
(c) ₹1,040 (d) ₹ 2,080
- (102) An assessee, being an individual resident in India, is entitled to a deduction, from the amount of income-tax on his total income which is chargeable for an assessment year, of an amount equal to 100% of such income-tax or a lesser amount. The maximum amount of total income qualifying for such deduction is _____ and the maximum amount of deduction so available is _____
- (a) ₹5 lakh and ₹2,000 respectively (b) ₹3lakh and ₹ 2,000 respectively
(c) ₹5 lakh and ₹12,500 respectively (d) ₹ 3lakh and ₹ 5,000 respectively
- (103) Calculate Income-tax payable by an Individual (aged 30 years) for AY 2021-22 if his total income is ₹1,01,20,000: Assuming not covered u/s 115BAC
- (a) ₹33,42,300 (b) ₹32,47,180
(c) ₹ 29,37,300 (d) ₹ 29,32,500
- (104) Calculate the amount of rebate u/s 87A in case of a resident individual having total income of ₹3,00,000. Assuming covered u/s 115BAC
- (a) ₹ 30,000 (b) ₹ 12,500
(c) ₹ 2,000 (d) ₹ 2,500
- (105) The income-tax payable by a XYZ Inc a foreign company on total income of ₹12,25,500 will be :
- (a) ₹ 5,09,810 (b) ₹ 4,90,200
(c) ₹ 3,82,360 (d) ₹ 3,18,630

- (106) The income-tax payable by a XYZ Cooperative society on total income of ₹ 50,000 will be :
- (a) ₹ 12,480 (b) Nil
(c) ₹ 20,600 (d) ₹ 15,600
- (107) Total income is to be rounded off to nearest multiple of -----and tax is to be rounded off to nearest multiple of
- (a) Ten, Rupee (b) Hundred, Ten
(c) Ten, Ten (d) Rupee, Rupee
- (108) Unexplained cash credits are chargeable to tax u/s 115BBE @ _ _
- (a) 10% (b) 15%
(c) 20% (d) 60%
- (109) Long term capital Gains generally chargeable to tax u/s 112 @ _ _
- (a) 10% (b) 15%
(c) 20% (d) 30%
- (110) Short term capital gains arising on transfer of listed equity shares through recognised stock exchange are chargeable to Tax u/s 111A @ _____
- (a) 10% (b) 15%
(c) 20% (d) 30%
- (111) Income by way of dividends is -
- (a) Taxable (b) 50% Taxable
(c) Exempt (d) 50% Exempt
- (112) Income by way of royalty in respect of a patent developed and registered in India in respect of person who is resident in India is chargeable to tax u/s 115 BBF @ -
- (a) 10% (b) 15%
(c) 20% (d) 30%
- (113) For a domestic company, the minimum amount of total income liable for surcharge and the rate of surcharge applicable therein are -
- (a) ₹ 10 crore and 7% respectively (b) ₹ 1 crore and 7% respectively
(c) ₹ 1 crore and 12% respectively (d) ₹ 10 crore and 12% respectively
- (114) The total income of Atul, a resident individual, is ₹2,65,000. The rebate allowable u/s 87A would be -
- (a) ₹ 2,000 (b) Nil
(c) ₹ 750 (d) ₹1,545.
- (115) For the previous year 2020-21, taxable income of X Ltd., a domestic company (Turnover in FY 2018-19 was ₹ 260 crores) is ₹ 10,86,920. Its tax liability would be -
- (a) ₹ 2,82,600 (b) ₹ 2,71,730
(c) ₹ 3,26,080 (d) ₹ 3,39,120

ANSWER KEY

1. C	2.A	3.B	4.D	5.D	6.D	7.B	8.C	9.A	10.B
11.D	12.D	13.B	14.D	15.C	16.B	17.A	18.B	19.B	20.B
21.A	22.C	23.A	24.D	25.C	26.C	27.D	28.C	29.C	30.B
31.B	32.B	33.B	34.B	35.A	36.D	37.A	38.B	39.C	40.A
41.B	42.B	43.A	44.B	45.A	46.A	47.D	48.B	49.D	50.C
51.D	52.D	53.D	54.C	55.A	56.C	57.A	58.C	59.D	60.D
61.A	62.A	63.D	64.D	65.C	66.C	67.D	68.C	69.D	70.B
71.A	72.A	73.C	74.B	75.D	76.C	77.C	78.B	79.C	80.B
81.B	82.D	83.A	84.C	85.C	86.A	87.A	88.A	89.A	90.C
91.A	92.D	93.B	94.A	95.A	96.C	97.B	98.C	99.B	100.A
101.B	102.C	103.A	104.D	105.A	106.A	107.C	108.D	109.C	110.B
111.A	112.A	113.B	114.C	115.A					

NOTE : QUESTIONS ARE SOLVED IGNORING IMPLICATIONS OF SEC 115BAC**Illustration 1:**

Mr.Y has income as given below:

Income under the head Salary	4,00,000
Income under the head House Property	5,00,000
Income under the head Business/Profession	6,30,253
Deductions allowed under section 80C to 80U are ₹1,10,000.	
Compute the income the tax liability for previous year 2020-21.	

Solution:

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U	(1,10,000.00)
Total Income	14,20,253.00
Rounded off u/s 288A	14,20,250.00
Computation of Tax Liability	
Total Income	14,20,250.00
First 2,50,000	-
On next 2,50,000 x 5%	-
On next 5,00,000 x 20%	-
On balance 4,20,250 x 30%	-
	12,500.00
	1,00,000.00
	1,26,075.00
	2,38,575.00
Add: HEC @ 4%	9,543.00
Tax Liability	2,48,118.00
Rounded off u/s 288B	2,48,120.00

(b) Presume he has completed age of 60 years as on 31.03.2021.

Solution:

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U	(1,10,000.00)
Total Income	14,20,253.00
Rounded off u/s 288A	14,20,250.00
Computation of Tax Liability	
Total Income	14,20,250.00
First 3,00,000	-
On next 2,00,000 x 5%	-
On next 5,00,000 x 20%	-
On balance 4,20,250 x 30%	-
	10,000.00
	1,00,000.00
	1,26,075.00
	2,36,075.00

Add: HEC @ 4%	9,443.00
Tax Liability	2,45,518.00
Rounded off u/s 288B	2,45,520.00

(c) Presume he has completed age of 80 years as on 31.03.2021.

Solution:

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the head Salary	4,00,000.00
Income under the head House Property	5,00,000.00
Income under the Business/Profession	6,30,253.00
Gross Total Income	15,30,253.00
Less: Deduction u/s 80C to 80U	(1,10,000.00)
Total Income	14,20,253.00
Rounded off u/s 288A	14,20,250.00
Computation of Tax Liability	
Total Income	14,20,250.00
First 5,00,000	-
On next 5,00,000 x 20%	-
On balance 4,20,250 x 30%	-
	1,26,075.00
	2,26,075.00
Add: HEC @ 4%	9,043.00
Tax Liability	2,35,118.00
Rounded off u/s 288B	2,35,120.00

Illustration 2:

Compute tax liability in the following cases for the assessment year 2021-22.

- (i) Mr. Y(resident) has total income of ₹15,00,000
- (ii) Mr. Y(non-resident) has total income of ₹15,00,000
- (iii) Mrs. Y(resident) has total income of ₹15,00,000
- (iv) Mrs. Y(non-resident) has total income of ₹15,00,000
- (v) Mr. Y(resident), aged 60 years has total income of ₹15,00,000
- (vi) Mrs. Y(resident), aged 60 years has total income of ₹15,00,000
- (vii) Mr. Y(non-resident), aged 60 years has total income of ₹15,00,000
- (viii) Mrs. Y(non-resident), aged 60 years has total income of ₹15,00,000
- (ix) Mr. Y(resident), aged 80 years has total income of ₹15,00,000
- (x) Mrs. Y(resident), aged 80 years has total income of ₹15,00,000
- (xi) Mr. Y(non-resident), aged 80 years has total income of ₹15,00,000
- (xii) Mrs. Y(non-resident), aged 80 years has total income of ₹15,00,000

Solution:

(i) Computation of Tax Liability

Total Income	15,00,000.00
First 2,50,000	-
On next 2,50,000 x 5%	-
On next 5,00,000 x 20%	-
On balance 5,00,000 x 30%-	-
	1,50,000.00
Tax before health and education cess	2,62,500.00
Add: HEC @ 4%	10,500.00
Tax Liability	2,73,000.00

(ii) Computation of Tax Liability

Total Income	15,00,000.00
First 2,50,000	-

On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(iii) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(iv) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(v) Computation of Tax Liability		
Total Income		15,00,000.00
First 3,00,000	-	Nil
On next 2,00,000 x 5%	-	10,000.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,60,000.00
Add: HEC @ 4%		10,400.00
Tax Liability		2,70,400.00
(vi) Computation of Tax Liability		
Total Income		15,00,000.00
First 3,00,000	-	Nil
On next 2,00,000 x 5%	-	10,000.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,60,000.00
Add: HEC @ 4%		10,400.00
Tax Liability		2,70,400.00
(vii) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(viii) Computation of Tax Liability		
Total Income		15,00,000.00

First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(ix) Computation of Tax Liability		
Total Income		15,00,000.00
First 5,00,000	-	Nil
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,50,000.00
Add: HEC @ 4%		10,000.00
Tax Liability		2,60,000.00
(x) Computation of Tax Liability		
Total Income		15,00,000.00
First 5,00,000	-	Nil
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,50,000.00
Add: HEC @ 4%		10,000.00
Tax Liability		2,60,000.00
(xi) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00
(xii) Computation of Tax Liability		
Total Income		15,00,000.00
First 2,50,000	-	Nil
On next 2,50,000 x 5%	-	12,500.00
On next 5,00,000 x 20%	-	1,00,000.00
On balance 5,00,000 x 30%-		<u>1,50,000.00</u>
Tax before health and education cess		2,62,500.00
Add: HEC @ 4%		10,500.00
Tax Liability		2,73,000.00

Illustration 3:

Compute tax liability in the following cases for the assessment year 2021-22.

- (i) Mr. Y(resident) has total income of ₹50,05,000
- (ii) Mr. Y(non-resident) has total income of ₹52,00,000
- (iii) Mrs. Y(resident) has total income of ₹101,00,000
- (iv) Mrs. Y(non-resident) has total income of ₹85,00,000
- (v) Mr. Y(resident), aged 60 years has total income of ₹106,00,000
- (vi) Mrs. Y(resident), aged 60 years has total income of ₹57,00,000
- (vii) Mr. Y(non-resident), aged 60 years has total income of ₹108,00,000
- (viii) Mrs. Y(non-resident), aged 60 years has total income of ₹101,50,000
- (ix) Mr. Y(resident), aged 80 years has total income of ₹54,25,000
- (x) Mrs. Y(resident), aged 80 years has total income of ₹102,00,000
- (xi) Mr. Y(non-resident), aged 80 years has total income of ₹55,22,380
- (xii) Mrs. Y(non-resident), aged 80 years has total income of ₹45,00,000
- (xiii) Mr. Y(resident) has total income of ₹201,00,000
- (xiv) Mr. Y(resident) has total income of ₹205,00,000
- (xv) Mr. Y(resident) has total income of ₹501,00,000
- (xvi) Mr. Y(resident) has total income of ₹505,00,000

Solution:

₹

(i) Computation of Tax Liability

Total Income	50,05,000
Tax on ₹50,05,000 at slab rate	13,14,000
Add: Surcharge @ 10%	1,31,400
Tax before marginal relief	14,45,400
Less: Marginal Relief	(1,27,900)

Working Note:

Tax + surcharge on income of ₹50,05,000	14,45,400
Tax on income of ₹50,00,000	(13,12,500)
Increase in tax	1,32,900
Increase in income	5,000
Marginal Relief (1,32,900 – 5,000)	1,27,900

Tax after marginal relief	13,17,500
Add: HEC @ 4%	52,700
Tax Liability	13,70,200

(ii) Computation of Tax Liability

Total Income	52,00,000.00
Tax on ₹52,00,000 at slab rate	13,72,500.00
Add: Surcharge @ 10%	1,37,250.00
Tax before health & education cess	15,09,750.00
Add: HEC @ 4%	60,390.00
Tax Liability	15,70,140.00

(iii) Computation of Tax Liability

Total Income	101,00,000.00
Tax on ₹101,00,000 at slab rate	28,42,500.00
Add: Surcharge @ 15%	4,26,375.00
Tax before marginal relief	32,68,875.00
Less: Marginal Relief	(75,125.00)

Working Note:

Tax + surcharge @ 15% on income of ₹101,00,000	32,68,875
Tax + surcharge @ 10% on income of ₹100,00,000	(30,93,750)
Increase in tax	1,75,125

Increase in income	1,00,000
Marginal Relief (1,75,125 – 1,00,000)	75,125

Tax after marginal relief	31,93,750.00
Add: HEC @ 4%	1,27,750.00
Tax Liability	33,21,500.00

(iv) Computation of Tax Liability

Total Income	85,00,000.00
Tax on ₹85,00,000 at slab rate	23,62,500.00
Add: Surcharge @ 10%	2,36,250.00
Tax before health & education cess	25,98,750.00
Add: HEC @ 4%	1,03,950.00
Tax Liability	27,02,700.00

(v) Computation of Tax Liability

Total Income	106,00,000
Tax on ₹106,00,000 at slab rate	29,90,000
Add: Surcharge @ 15%	4,48,500
Tax before health & education cess	34,38,500.00
Add: HEC @ 4%	1,37,540.00
Tax Liability	35,76,040.00

(vi) Computation of Tax Liability

Total Income	57,00,000
Tax on ₹57,00,000 at slab rate	15,20,000
Add: Surcharge @ 10%	1,52,000
Tax before health & education cess	16,72,000.00
Add: HEC @ 4%	66,880.00
Tax Liability	17,38,880.00

(vii) Computation of Tax Liability

Total Income	108,00,000.00
Tax on ₹108,00,000 at slab rate	30,52,500.00
Add: Surcharge @ 15%	4,57,875.00
Tax before health & education cess	35,10,375.00
Add: HEC @ 4%	1,40,415.00
Tax Liability	36,50,790.00

(viii) Computation of Tax Liability

Total Income	101,50,000.00
Tax on ₹101,50,000 at slab rate	28,57,500.00
Add: Surcharge @ 15%	4,28,625.00
Tax before marginal relief	32,86,125.00
Less: Marginal Relief	(42,375.00)

Working Note:

Tax + surcharge @ 15% on income of ₹101,50,000	32,86,125
Tax + surcharge @ 10% on income of ₹100,00,000	(30,93,750)
Increase in tax	1,92,375
Increase in income	1,50,000
Marginal Relief (1,92,375 – 1,50,000)	42,375

Tax after marginal relief	32,43,750.00
Add: HEC @ 4%	1,29,750.00
Tax Liability	33,73,500.00

(ix) Computation of Tax Liability

Total Income	54,25,000.00
Tax on ₹54,25,000 at slab rate	14,27,500.00
Add: Surcharge @ 10%	1,42,750.00
Tax before health & education cess	15,70,250.00
Add: HEC @ 4%	62,810.00
Tax Liability	16,33,060.00

(x) Computation of Tax Liability

Total Income	102,00,000
Tax on ₹102,00,000 at slab rate	28,60,000
Add: Surcharge @ 15%	4,29,000
Tax before marginal relief	32,89,000
Less: Marginal Relief	(9,000)

Working Note:

Tax + surcharge @ 15% on income of ₹102,00,000	32,89,000
Tax + surcharge @ 10% on income of ₹100,00,000	(30,80,000)
Increase in tax	2,09,000
Increase in income	2,00,000
Marginal Relief (2,09,000 – 2,00,000)	9,000

Tax after marginal relief	32,80,000
Add: HEC @ 4%	1,31,200
Tax Liability	34,11,200

(xi) Computation of Tax Liability

Total Income	55,22,380.00
Tax on ₹55,22,380 at slab rate	14,69,214.00
Add: Surcharge @ 10%	1,46,921.40
Tax before health & education cess	16,16,135.40
Add: HEC @ 4%	64,645.42
Tax Liability	16,80,780.82
Rounded off u/s 288B	16,80,780.00

(xii) Computation of Tax Liability

Total Income	45,00,000.00
Tax on ₹45,00,000 at slab rate	11,62,500.00
Add: Surcharge	Nil
Tax before health & education cess	11,62,500.00
Add: HEC @ 4%	46,500.00
Tax Liability	12,09,000.00

(xiii) Computation of Tax Liability

Total Income	201,00,000
Tax on ₹201,00,000 at slab rate	58,42,500
Add: Surcharge @ 25%	14,60,625
Tax before marginal relief	73,03,125
Less: Marginal Relief	(5,18,750)

Working Note:

Tax + surcharge @ 25% on income of ₹201,00,000	73,03,125
Tax + surcharge @ 15% on income of ₹200,00,000	(66,84,375)
Increase in tax	6,18,750
Increase in income	1,00,000
Marginal Relief (6,18,750 – 1,00,000)	5,18,750

Tax after marginal relief	67,84,375
Add: HEC @ 4%	2,71,375
Tax Liability	70,55,750

(xiv) Computation of Tax Liability

Total Income	205,00,000
Tax on ₹205,00,000 at slab rate	59,62,500
Add: Surcharge @ 25%	14,90,625
Tax before marginal relief	74,53,125
Less: Marginal Relief	(2,68,750)

Working Note:

Tax + surcharge @ 25% on income of ₹205,00,000	74,53,125
Tax + surcharge @ 15% on income of ₹200,00,000	(66,84,375)
Increase in tax	7,68,750
Increase in income	5,00,000
Marginal Relief (7,68,750 – 5,00,000)	2,68,750

Tax after marginal relief	71,84,375
Add: HEC @ 4%	2,87,375
Tax Liability	74,71,750

(xv) Computation of Tax Liability

Total Income	501,00,000
Tax on ₹501,00,000 at slab rate	1,48,42,500
Add: Surcharge @ 37%	54,91,725
Tax before marginal relief	2,03,34,225
Less: Marginal Relief	(17,18,600)

Working Note:

Tax + surcharge @ 37% on income of ₹501,00,000	203,34,725
Tax + surcharge @ 25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	18,18,600
Increase in income	1,00,000
Marginal Relief (18,18,600 – 1,00,000)	17,18,600

Tax after marginal relief	1,86,15,625
Add: HEC @ 4%	7,44,625
Tax Liability	1,93,60,250

(xvi) Computation of Tax Liability

Total Income	505,00,000
Tax on ₹505,00,000 at slab rate	1,49,62,500
Add: Surcharge @ 37%	55,36,125
Tax before marginal relief	2,04,98,625
Less: Marginal Relief	(14,83,000)

Working Note:

Tax + surcharge @ 37% on income of ₹505,00,000	2,04,98,625
Tax + surcharge @ 25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	19,83,000
Increase in income	5,00,000
Marginal Relief (19,83,000 – 5,00,000)	14,83,000

Tax after marginal relief	1,90,15,625
Add: HEC @ 4%	7,60,625
Tax Liability	1,97,76,250

Illustration 4:

Mr. Y has gross total income ₹5,60,000 and deduction allowed under section 80C to 80U are ₹60,000.
Compute his tax liability previous year 2020-21, assessment year 2021-22.

Solution:***Computation of Tax Liability***

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(b) Presume he is a resident and is aged 62 years

Solution:***Computation of Tax Liability***

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	10,000
Less: Rebate u/s 87A	(10,000)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(c) Presume he is a non-resident and is aged 62 years.

Solution:***Computation of Tax Liability***

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

(d) Presume he is a non-resident and is aged 82 years.

Solution:***Computation of Tax Liability***

Gross Total Income	5,60,000
Less: Deduction u/s 80C to 80U	(60,000)
Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

Illustration 5:

Compute tax liability in the following cases for the assessment year 2021-22.

- (i) Mr. Y(resident) has total income of ₹4,70,000
- (ii) Mr. Y(non-resident) has total income of ₹5,00,000
- (iii) Mrs. Y(resident) has total income of ₹4,95,000
- (iv) Mrs. Y(non-resident) has total income of ₹4,70,000
- (v) Mr. Y(resident), aged 60 years has total income of ₹4,90,000
- (vi) Mrs. Y(resident), aged 60 years has total income of ₹4,90,000
- (vii) Mr. Y(non-resident), aged 60 years has total income of ₹4,90,000
- (viii) Mrs. Y(non-resident), aged 60 years has total income of ₹4,90,000
- (ix) Mr. Y(resident), aged 80 years has total income of ₹6,00,000
- (x) Mrs. Y(resident), aged 80 years has total income of ₹6,00,000
- (xi) Mr. Y(non-resident), aged 80 years has total income of ₹5,00,000
- (xii) Mrs. Y(non-resident), aged 80 years has total income of ₹4,90,000

Solution:

₹

(i) Computation of Tax Liability

Total Income	4,70,000
Tax on ₹4,70,000 at slab rate	11,000
Less: Rebate u/s 87A	(11,000)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(ii) Computation of Tax Liability

Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

Note: Rebate under section 87A is not allowed to non-resident.

(iii) Computation of Tax Liability

Total Income	4,95,000
Tax on ₹4,95,000 at slab rate	12,250
Less: Rebate u/s 87A	(12,250)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(iv) Computation of Tax Liability

Total Income	4,70,000
Tax on ₹4,70,000 at slab rate	11,000
Add: HEC @ 4%	440
Tax Liability	11,440

Note: Rebate under section 87A is not allowed to non-resident.

(v) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	9,500
Less: Rebate u/s 87A	(9,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(vi) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	9,500
Less: Rebate u/s 87A	(9,500)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(vii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(viii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

(ix) Computation of Tax Liability

Total Income	6,00,000
Tax on ₹6,00,000 at slab rate	20,000
Add: HEC @ 4%	800
Tax Liability	20,800

(x) Computation of Tax Liability

Total Income	6,00,000
Tax on ₹6,00,000 at slab rate	20,000
Add: HEC @ 4%	800
Tax Liability	20,800

(xi) Computation of Tax Liability

Total Income	5,00,000
Tax on ₹5,00,000 at slab rate	12,500
Add: HEC @ 4%	500
Tax Liability	13,000

Note: Rebate under section 87A is not allowed to non-resident.

(xii) Computation of Tax Liability

Total Income	4,90,000
Tax on ₹4,90,000 at slab rate	12,000
Add: HEC @ 4%	480
Tax Liability	12,480

Note: Rebate under section 87A is not allowed to non-resident.

Illustration 6: Compute tax liability in the following cases for the assessment year 2021-22.

- (i) Mr. Y(resident) has total income of ₹5,05,000
- (ii) Mr. Y(non-resident) has total income of ₹4,20,000
- (iii) Mrs. Y(resident) has total income of ₹4,58,000
- (iv) Mrs. Y(non-resident) has total income of ₹12,00,000
- (v) Mr. Y(resident), aged 60 years has total income of ₹22,00,000
- (vi) Mrs. Y(resident), aged 60 years has total income of ₹105,00,000
- (vii) Mr. Y(non-resident), aged 60 years has total income of ₹70,00,000
- (viii) Mrs. Y(non-resident), aged 60 years has total income of ₹3,00,000
- (ix) Mr. Y(resident), aged 80 years has total income of ₹3,99,000
- (x) Mrs. Y(resident), aged 80 years has total income of ₹103,00,000
- (xi) Mr. Y(non-resident), aged 80 years has total income of ₹12,00,000
- (xii) Mrs. Y(non-resident), aged 80 years has total income of ₹9,00,000

Solution:

₹

(i) Computation of Tax Liability

Total Income	5,05,000.00
Tax on ₹5,05,000 at slab rate	13,500.00
Add: HEC @ 4%	540.00
Tax Liability	14,040.00

(ii) Computation of Tax Liability

Total Income	4,20,000
Tax on ₹4,20,000 at slab rate	8,500
Add: HEC @ 4%	340
Tax Liability	8,840

Note: Rebate under section 87A is not allowed to non-resident.

(ii) Computation of Tax Liability

Total Income	4,58,000
Tax on ₹4,58,000 at slab rate	10,400
Less: Rebate u/s 87A	(10,400)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

(iii) Computation of Tax Liability

Total Income	12,00,000
Tax on ₹12,00,000 at slab rate	1,72,500
Add: HEC @ 4%	6,900
Tax Liability	1,79,400

(iv) Computation of Tax Liability

Total Income	22,00,000
Tax on ₹22,00,000 at slab rate	4,70,000
Add: HEC @ 4%	18,800
Tax Liability	4,88,800

(v) Computation of Tax Liability

Total Income	105,00,000
Tax on ₹105,00,000 at slab rate	29,60,000
Add: Surcharge @ 15%	4,44,000
Tax before health & education cess	34,04,000
Add: HEC @ 4%	1,36,160
Tax Liability	35,40,160

(vi) Computation of Tax Liability

Total Income	70,00,000
Tax on ₹70,00,000 at slab rate	19,12,500
Add: Surcharge @ 10%	1,91,250
Tax before health & education cess	21,03,750
Add: HEC @ 4%	84,150
Tax Liability	21,87,900

(vii) Computation of Tax Liability

Total Income	3,00,000
Tax on ₹3,00,000 at slab rate	2,500
Add: HEC @ 4%	100
Tax Liability	2,600

Note: Rebate under section 87A is not allowed for non-resident.

(viii) Computation of Tax Liability

Total Income	3,99,000
Tax on ₹3,99,000 at slab rate	Nil
Tax Liability	Nil

(ix) Computation of Tax Liability

Total Income	103,00,000
Tax on ₹103,00,000 at slab rate	28,90,000
Add: Surcharge @ 15%	4,33,500
Tax before health & education cess	33,23,500
Add: HEC @ 4%	1,32,940
Tax Liability	34,56,440

(x) Computation of Tax Liability

Total Income	12,00,000
Tax on ₹12,00,000 at slab rate	1,72,500
Add: HEC @ 4%	6,900
Tax Liability	1,79,400

(xi) Computation of Tax Liability

Total Income	9,00,000
Tax on ₹9,00,000 at slab rate	92,500
Add: HEC @ 4%	3,700
Tax Liability	96,200

Illustration 7:

Mr. Y has income under the head Salary ₹5,00,000 and casual income ₹3,00,000 and section 80C to 80U ₹2,00,000. Compute tax liability.

Solution : Computation of Total Income of Mr. Y Previous Year 2020-21, Assessment Year 2021-22

Income under the head Salary	5,00,000
Income under the Other Sources (Casual income)	3,00,000
Gross Total Income	8,00,000
Less: Deduction u/s 80C to 80U	2,00,000
Total Income	6,00,000

Computation of Tax Liability

Tax on casual income ₹3,00,000 @ 30%	90,000.00
Tax on normal income ₹3,00,000 at slab rate	2,500.00
Tax before health & education cess	92,500.00
Add: HEC @ 4%	3,700.00
Tax Liability	96,200.00

(b) If in the above case deduction allowed under section 80C to 80U is ₹6,00,000, tax liability shall be

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the head Salary	5,00,000.00
Income under the Other Sources (Casual income)	3,00,000.00
Gross Total Income	8,00,000.00
Less: Deduction u/s 80C to 80U	(5,00,000.00)
Total Income	3,00,000.00
Computation of Tax Liability	
Tax on casual income ₹3,00,000 @ 30%	90,000.00
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	77,500.00
Add: HEC @ 4%	3,100.00
Tax Liability	80,600.00

Illustration 8: Mr. Y has casual income of ₹102,00,000 and deduction allowed under section 80C to 80U are ₹5,00,000, in this case his tax liability shall be

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the Other Sources (Casual income)	102,00,000.00
Gross Total Income	102,00,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	102,00,000.00

Computation of Tax Liability

Tax on casual income ₹102,00,000 @ 30%	30,60,000.00
Add: Surcharge @ 15%	4,59,000.00
Tax before marginal relief	35,19,000.00
Less: Marginal Relief	(19,000.00)

Working Note:

Tax + surcharge on income of ₹102,00,000	35,19,000
Tax + surcharge on income of ₹100,00,000	(33,00,000)
Increase in tax	2,19,000
Increase in income	2,00,000
Marginal Relief (2,19,000 – 2,00,000)	19,000

Tax after marginal relief	35,00,000.00
Add: HEC @ 4%	1,40,000.00
Tax Liability	36,40,000.00

Illustration 9: Mr. Y has income under the head Salary ₹70,000 and casual income ₹2,50,000 and deduction u/s 80C to 80U ₹40,000. Compute his tax liability assessment year 2021-22.

Solution:

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the head Salary	70,000.00
Income under the Other Sources (Casual income)	2,50,000.00
Gross Total Income	3,20,000.00
Less: Deduction u/s 80C to 80U	(40,000.00)
Total Income	2,80,000.00
Computation of Tax Liability	
Tax on casual income ₹2,50,000 @ 30%	75,000.00
Tax on normal income ₹30,000 at slab rate	Nil
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	62,500.00
Add: HEC @ 4%	2,500.00
Tax Liability	65,000.00

(b) Presume he is non-resident.,**Solution:**

Computation of Total Income of Mr. Y
Previous Year 2020-21, Assessment Year 2021-22

	₹
Income under the head Salary	70,000.00
Income under the Other Sources (Casual income)	2,50,000.00
Gross Total Income	3,20,000.00
Less: Deduction u/s 80C to 80U	(40,000.00)
Total Income	2,80,000.00
Computation of Tax Liability	
Tax on casual income ₹2,50,000 @ 30%	75,000.00
Tax on normal income ₹30,000 at slab rate	Nil
Less: Rebate u/s 87A	Nil
Tax before health & education cess	75,000.00
Add: HEC @ 4%	3,000.00
Tax Liability	78,000.00

Illustration 10: Mr.Y has casual income ₹ 100 lakh, in this case his Tax Liability for P.Y. 2020-21**A.Y. 2021-22 shall be-****Computation of Tax Liability**

Tax on casual income ₹100,00,000 @ 30%	30,00,000.00
Add: Surcharge @ 10%	3,00,000.00
Tax before health & education cess	33,00,000.00
Add: HEC @ 4%	1,32,000.00
Tax Liability	34,32,000.00

(b) Mr.Y has casual income ₹ 101 lakh, in this case his Tax Liability for P.Y. 2020-21 A.Y. 2021-22 shall be-

Computation of Tax Liability

Tax on casual income ₹101,00,000 @ 30%	30,30,000.00
Add: Surcharge @ 15%	4,54,500.00
Tax before marginal relief	34,84,500.00
Less: Marginal Relief	(84,500.00)

Working Note:

Tax + surcharge on income of ₹101,00,000	34,84,500
Tax + surcharge on income of ₹100,00,000	(33,00,000)
Increase in tax	1,84,500
Increase in income	1,00,000
Marginal Relief (1,84,500 – 1,00,000)	84,500

Tax after marginal relief	34,00,000.00
Add: HEC @ 4%	1,36,000.00
Tax Liability	35,36,000.00

(c) Mr.Y has casual income ₹ 102 lakh, in this case his Tax Liability for P.Y. 2020-21 A.Y. 2021-22 shall be-

Computation of Tax Liability

Tax on casual income ₹102,00,000 @ 30%	30,60,000.00
Add: Surcharge @ 15%	4,59,000.00
Tax before marginal relief	35,19,000.00
Less: Marginal Relief	(19,000.00)

Working Note:

Tax + surcharge on income of ₹102,00,000	35,19,000
Tax + surcharge on income of ₹100,00,000	(33,00,000)
Increase in tax	2,19,000
Increase in income	2,00,000
Marginal Relief (2,19,000 – 2,00,000)	19,000

Tax after marginal relief	35,00,000.00
Add: HEC @ 4%	1,40,000.00
Tax Liability	36,40,000.00

(d) Mr.Y has casual income ₹103 lakh, in this case his Tax Liability for P.Y. 2020-21 A.Y. 2021-22 shall be-

Computation of Tax Liability

Tax on casual income ₹103,00,000 @ 30%	30,90,000.00
Add: Surcharge @ 15%	4,63,500.00
Tax before health & education cess	35,53,500.00
Add: HEC @ 4%	1,42,140.00
Tax Liability	36,95,640.00

Illustration 11:

Mr.Y has incomes as given below:

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000

Deductions allowed under section 80C to 80U

2,00,000

Compute his tax liability for the assessment year 2021-22.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains (₹1,10,000 – 1,10,000) @ 20% u/s 112	Nil
Tax on Short term capital gains (₹7,00,000 – 1,40,000) @ 15% u/s 111A	84,000
Tax on Long term capital gains 4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,40,500
Add: HEC @ 4%	5,620
Tax Liability	1,46,120

(b) Presume he is non-resident.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,10,000 @ 20% u/s 112	22,000
Tax on Short term capital gains ₹7,00,000 @ 15% u/s 111A	1,05,000
Tax on Long term capital gains ₹4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,83,500
Add: HEC @ 4%	7,340
Tax Liability	1,90,840

(c) Presume he is resident and is aged 62 years.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains (₹1,10,000 – 1,10,000) @ 20% u/s 112	Nil
Tax on Short term capital gains (₹7,00,000 – 1,90,000) @ 15% u/s 111A	76,500
Tax on Long term capital gains ₹4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,33,000
Add: HEC @ 4%	5,320
Tax Liability	1,38,320

(d) Presume he is resident and is aged 82 years.

Solution:

₹

Computation of Total Income

• Income under the head salary	35,000
• Income under the head house property	45,000
• Income under the head business/profession	30,000
• Long term capital gains	1,10,000
• Long term capital gains u/s 112A	5,00,000
• Short term capital gains	25,000
• Short term capital gains u/s 111A	7,00,000
• Casual Income (winnings of lottery)	55,000
• Other income	3,000
Gross Total Income	15,03,000
Less: Deduction u/s 80C to 80U	(1,38,000)
Total Income	13,65,000

Computation of Tax Liability

Tax on Long term capital gains (₹1,10,000 – 1,10,000)@ 20% u/s 112	Nil
Tax on Short term capital gains (₹7,00,000 – 3,90,000)@ 15% u/s 111A	46,500
Tax on Long term capital gains ₹4,00,000 (5,00,000-1,00,000) @ 10% u/s 112A	40,000
Tax on Casual Income ₹55,000 @ 30% u/s 115BB	16,500
Tax on normal income	Nil
Tax before health & education cess	1,03,000
Add: HEC @ 4%	4,120
Tax Liability	1,07,120

Illustration 11A:

(i) Mr Y has income under the head house property ₹5,00,000 and LTCG 112A ₹1,00,000. Compute tax payable.

Answer:

Computation of Total Income

Income under the head House Property	5,00,000.00
Income under the head Capital Gains	1,00,000.00
Gross Total Income	6,00,000.00
Less: Deduction u/s 80C	Nil
Total Income	6,00,000.00

Computation of Tax Liability

Tax on ₹5,00,000 at slab rate	12,500.00
Tax on Nil (₹1,00,000- ₹1,00,000) u/s LTCG 112A	Nil
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,500.00

Add: HEC @ 4%	500.00
Tax Liability	13,000.00

Note: Since total income is exceeding ₹5,00,000, rebate is not allowed.

(ii) Mr Y has LTCG 112A ₹50,50,000. Compute tax payable.

Answer:

Computation of Total Income

Income under the head Capital Gains	50,50,000.00
Gross Total Income	50,50,000.00
Less: Deduction u/s 80C	Nil
Total Income	50,50,000.00

Computation of Tax Liability

Tax on ₹47,00,000 (50,50,000-1,00,000-2,50,000) u/s LTCG 112A	4,70,000.00
Add: Surcharge @ 10%	47,000.00
Less: Marginal Relief	(2,000)

Working Note:

Tax + surcharge on income of ₹50,50,000	5,17,000	
Tax on income of ₹50,00,000	(4,65,000)	
((50,00,000-1,00,000-2,50,000) x 10%)		
Increase in tax	52,000	
Increase in income	50,000	
Marginal Relief (52,000– 50,000)	2,000	
Tax before health & education cess		5,15,000.00
Add: HEC @ 4%		20,600.00
Tax Liability		5,35,600.00

(iii) Mr Y has LTCG 112A ₹51,00,000. Compute tax payable. **Answer:**

Computation of Total Income

Income under the head Capital Gains	51,00,000.00
Gross Total Income	51,00,000.00
Less: Deduction u/s 80C	Nil
Total Income	51,00,000.00

Computation of Tax Liability

Tax on ₹47,50,000 (51,00,000-1,00,000-2,50,000) u/s LTCG 112A	4,75,000.00
Add: Surcharge @ 10%	47,500.00
Less: Marginal Relief	Nil

Working Note:

Tax + surcharge on income of ₹51,00,000	5,22,500	
Tax on income of ₹50,00,000	(4,65,000)	
((50,00,000-1,00,000-2,50,000) x 10%)		
Increase in tax	57,500	
Increase in income	1,00,000	
Marginal Relief (57,500– 1,00,000)	Nil	
Tax before health & education cess		5,22,500.00
Add: HEC @ 4%		20,900.00
Tax Liability		5,43,400.00

Illustration 12: Compute tax liability for the assessment year 2021-22 in the following situations:

(i) Mr.Y is resident in India and has income under the head house property ₹40,000 and income under the head salary ₹30,000 and long term capital gains ₹4,80,000.

- (ii) Presume in the above situation the assessee is Mrs. Y.
 (iii) Presume in the above situation the assessee is Mrs. Y and she is aged about 70 years.
 (iv) Presume in the above situation the assessee is Mr. Y and he is aged about 70 years.
 (v) Presume in the above situation the assessee is Mrs. Y and she is aged about 85 years.
 (vi) Presume in the above situation the assessee is Mr. Y and he is aged about 85 years.
 (vii) Presume in all the above situations, the assessee is non-resident in India.

Solution:

₹

(i)

Computation of Total Income

Income under the head Salary	30,000
Income under the head House Property	40,000
Income under the head Capital Gains (LTCG)	4,80,000
Gross Total Income	5,50,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,50,000

Computation of Tax Liability

Tax on LTCG ₹3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112	60,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	60,000
Add: HEC @ 4%	2,400
Tax Liability	62,400

(ii)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112	60,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	60,000
Add: HEC @ 4%	2,400
Tax Liability	62,400

(iii)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹2,50,000 (4,80,000 – 2,30,000) @ 20% u/s 112	50,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	50,000
Add: HEC @ 4%	2,000
Tax Liability	52,000

(iv)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹2,50,000 (4,80,000 – 2,30,000) @ 20% u/s 112	50,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	50,000
Add: HEC @ 4%	2,000
Tax Liability	52,000

(v)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹50,000 (4,80,000 – 4,30,000) @ 20% u/s 112	10,000
---	--------

Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(vi)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹50,000 (4,80,000 – 4,30,000) @ 20% u/s 112	10,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(vii)**In situation (i)**

Total Income	5,50,000
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Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (ii)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s	96,000
112 Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (iii)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (iv)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (v)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
-------------------------------------	--------

Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

In situation (vi)

Total Income	5,50,000
--------------	----------

Computation of Tax Liability

Tax on LTCG ₹4,80,000 @ 20% u/s 112	96,000
Tax on ₹70,000 at slab rate	Nil
Tax before health & education cess	96,000
Add: HEC @ 4%	3,840
Tax Liability	99,840

Illustration 13: Compute tax liability in the following cases

- Mr. Ya resident has long term capital gains ₹3,50,000.
- Mr. Ya resident has casual income ₹3,50,000.
- Mr. Ya resident has short term capital gains u/s 111A ₹3,50,000.
- Mr. Ya non-resident has long term capital gains ₹3,50,000.
- Mr. Ya non-resident has casual income ₹3,50,000.
- Mr. Ya non-resident has short term capital gains u/s 111A ₹3,50,000.
- Mr. Ya non-resident aged 61 years has long term capital gains ₹3,50,000.
- Mr. Ya non-resident aged 61 years has casual income ₹3,50,000.
- Mr. Ya non-resident aged 61 years has short term capital gains u/s 111A ₹3,50,000.

Solution:

₹

(i)

Income under the head capital gains (LTCG)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Long term capital gains ₹1,00,000 (₹3,50,000 – ₹2,50,000) @ 20% u/s 112	20,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	7,500
Add: HEC @ 4%	300
Tax Liability	7,800

(ii)

Income under the head other sources (casual income)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	92,500
Add: HEC @ 4%	3,700
Tax Liability	96,200

(iii)

Income under the head capital gains (STCG u/s 111A)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Short term capital gains ₹1,00,000 (₹3,50,000 – ₹2,50,000) @ 15% u/s 111A	15,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	2,500
Add: HEC @ 4%	100
Tax Liability	2,600

(iv)

Income under the head capital gains (LTCG)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Long term capital gains ₹3,50,000 @ 20% u/s 112	70,000
Add: HEC @ 4%	2,800
Tax Liability	72,800

(v)

Income under the head other sources (casual income)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000
Add: HEC @ 4%	4,200
Tax Liability	1,09,200

(vi)

Income under the head capital gains (STCG u/s 111A)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Short term capital gains ₹3,50,000 @ 15% u/s 111A	52,500
Add: HEC @ 4%	2,100
Tax Liability	54,600

(vii)

Income under the head capital gains (LTCG)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Long term capital gains ₹3,50,000 @ 20% u/s 112	70,000
Add: HEC @ 4%	2,800
Tax Liability	72,800

(viii)

Income under the head other sources (casual income)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on casual income ₹3,50,000 @ 30% u/s 115BB	1,05,000
Add: HEC @ 4%	4,200
Tax Liability	1,09,200

(ix)

Income under the head capital gains (STCG u/s 111A)	3,50,000
Total Income	3,50,000

Computation of Tax Liability

Tax on Short term capital gains ₹3,50,000 @ 15% u/s 111A	52,500
Add: HEC @ 4%	2,100
Tax Liability	54,600

Illustration 14: Compute tax liability for the assessment year 2021-22 in the following situations:

(i) Mr. Y is resident in India and his incomes are as follows:

- (a) Income under the head Salary ₹1,20,000
- (b) Income under the head House Property ₹60,000

- (c) Long term capital gains ₹2,20,000
 (d) Short term capital gain under section 111A ₹1,10,000
 (e) Casual Income ₹90,000
 (f) Deduction under section 80C to 80U ₹2,00,000 .
- (ii) Presume in the above situation the assessee is Mrs. Y.
 (iii) Presume in the above situation the assessee is Mrs. Y and she is aged about 70 years.
 (iv) Presume in the above situation the assessee is Mr. Y and he is aged about 70 years.
 (v) Presume in the above situation the assessee is Mrs. Y and she is aged about 83 years.
 (vi) Presume in the above situation the assessee is Mr. Y and he is aged about 83 years.
 (vii) Presume in the above situation the assessee is Mr. Y and he is aged about 70 years and he is non-resident.
 (viii) Presume in the above situation the assessee is Mr. Y and he is aged about 83 years old and he is non-resident.

Solution:

(i)	₹	₹
Computation of Total Income		
Income under the head Salary		1,20,000
Income under the head House Property		60,000
Income under the head Capital Gains		
Long term capital gains	2,20,000	
Short term capital gains u/s 111A	1,10,000	3,30,000
Income under the head Other Sources (Casual Income)		90,000
Gross Total Income		6,00,000
Less: Deduction u/s 80C to 80U		(1,80,000)
Total Income		4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG ₹80,000 (₹1,10,000 – 30,000) @ 15% u/s 111A	12,000
Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	39,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	26,500
Add: HEC @ 4%	1,060
Tax Liability	27,560

(ii)	
Total Income	4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG ₹80,000 (₹1,10,000 – 30,000) @ 15% u/s 111A	12,000
Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	39,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	26,500
Add: HEC @ 4%	1,060
Tax Liability	27,560

(iii)	
Total Income	4,20,000

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG ₹30,000 (1,10,000 – 80,000) @ 15% u/s 111A	4,500

Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	31,500
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	19,000
Add: HEC @ 4%	760
Tax Liability	19,760

(iv)

Total Income	4,20,000
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Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG ₹30,000 (1,10,000 – 80,000) @ 15% u/s 111A	4,500
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	31,500
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	19,000
Add: HEC @ 4%	760
Tax Liability	19,760

(v)

Total Income	4,20,000
--------------	----------

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG (1,10,000 – 1,10,000) @ 15% u/s 111A	Nil
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	27,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	14,500
Add: HEC @ 4%	580
Tax Liability	15,080

(vi)

Total Income	4,20,000
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Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112	Nil
Tax on STCG (1,10,000 – 1,10,000) @ 15% u/s 111A	Nil
Tax on Casual Income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	27,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	14,500
Add: HEC @ 4%	580
Tax Liability	15,080

(vii)

Total Income	4,20,000
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Computation of Tax Liability

Tax on LTCG ₹2,20,000 @ 20% u/s 112	44,000
Tax on STCG ₹1,10,000 @ 15% u/s 111A	16,500
Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil

Tax before Rebate u/s 87A	87,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	87,500
Add: HEC @ 4%	3,500
Tax Liability	91,000

(viii)

Total Income	4,20,000
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Computation of Tax Liability

Tax on LTCG ₹2,20,000 @ 20% u/s 112	44,000
Tax on STCG ₹1,10,000 @ 15% u/s 111A	16,500
Tax on Casual income ₹90,000 @ 30% u/s 115BB	27,000
Tax on normal income at slab rate	Nil
Tax before Rebate u/s 87A	87,500
Less: Rebate u/s 87A	Nil
Tax before health & education cess	87,500
Add: HEC @ 4%	3,500
Tax Liability	91,000

Illustration 15:

Mr. Yhas long term capital gain ₹30 lakh and normal income ₹72 lakh, in this case his tax liability shall be

Total income	102,00,000.00
LTCG ₹30,00,000 x 20%	6,00,000.00
Normal income at slab rate	19,72,500.00
Tax before surcharge	25,72,500.00
Add: Surcharge @ 15%	3,85,875.00
Tax before health & education cess	29,58,375.00
Add: HEC @ 4%	1,18,335.00
Tax Liability	30,76,710.00

Illustration 16:

Mr. Yhas long term capital gain ₹31 lakh and normal income ₹70 lakh, in this case his tax liability shall be

Total income	101,00,000.00
LTCG ₹31,00,000 x 20%	6,20,000.00
Normal income at slab rate	19,12,500.00
Tax before surcharge	25,32,500.00
Add: Surcharge @ 15%	3,79,875.00
Tax before marginal relief	29,12,375.00
Less: Marginal relief	(48,625.00)

Tax + Surcharge on ₹101 lakhs	29,12,375
Tax + Surcharge on ₹100 lakhs	
(₹100 lakhs can be normal income ₹70 lakhs + LTCG ₹30 lakhs or normal income ₹69 lakhs and LTCG ₹31 lakhs . It is not given in the Act what combination should be taken. Hence it is a question of law and any of the combination can be taken and it will be correct)	
If first combination is taken, income tax shall be	
Normal income ₹70 lakhs	19,12,500
LTCG ₹30 lakhs	6,00,000
Total	25,12,500
Add: Surcharge @ 10%	2,51,250
Total	27,63,750
Increase in tax (29,12,375 – 27,63,750)	1,48,625

Marginal relief (1,48,625 – 1,00,000)	48,625	
Tax before health & education cess		28,63,750.00
Add: HEC @ 4%		1,14,550.00
Tax Liability		29,78,300.00
<u>Second option: Normal income ₹69 lakhs and LTCG ₹31 lakhs</u>		
Total income		101,00,000.00
LTCG ₹31,00,000 x 20%		6,20,000.00
Normal income at slab rate		19,12,500.00
Tax before surcharge		25,32,500.00
Add: Surcharge @ 15%		3,79,875.00
Tax before marginal relief		29,12,375.00
Less: Marginal relief		(59,625.00)
Tax + Surcharge on ₹101 lakhs	29,12,375	
Tax + Surcharge on ₹100 lakhs		
(₹100 lakhs can be normal income ₹70 lakhs + LTCG ₹30 lakhs or normal income ₹69 lakhs and LTCG ₹31 lakhs. It is not given in the Act what combination should be taken. Hence it is a question of law and any of the combination can be taken and it will be correct)		
If second combination is taken, income tax shall be		
Normal income ₹69 lakhs	18,82,500	
LTCG ₹31 lakhs	6,20,000	
Total	25,02,500	
Add: Surcharge @ 10%	2,50,250	
Total	27,52,750	
Increase in tax (29,12,375 – 27,52,750)	1,59,625	
Marginal relief (1,59,625 – 1,00,000)	59,625	
Tax before health & education cess		28,52,750.00
Add: HEC @ 4%		1,14,110.00
Tax Liability		29,66,860.00

Illustration 17 (A): Compute tax liability of ABC Ltd. a domestic company in the following situations:

- The company has income under the head Business/Profession ₹50,000.
- The company has income under the head Business/Profession ₹1,00,000.
- The company has income under the head Business/Profession ₹500,00,000.
- The company has income under the head Business/Profession ₹100,00,000.
- The company has long term capital gains of ₹50,000.
- The company has long term capital gains of ₹200,00,000.
- The company has long term capital gains of ₹5,00,000.
- The company has long term capital gains of ₹10,20,000.
- The company has income under the head Business/Profession ₹11 crore.

Solution:

₹

(i) Computation of Tax Liability

Income under the head Business/Profession	50,000
Total Income	50,000
Tax on ₹50,000 @ 30%	15,000
Add: HEC @ 4%	600
Tax Liability	15,600

(ii) Computation of Tax Liability

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
Tax on ₹1,00,000 @ 30%	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200

(iii) Computation of Tax Liability

Income under the head Business/Profession	500,00,000
Total Income	500,00,000
Tax on ₹500,00,000 @ 30%	150,00,000
Add: Surcharge @ 7%	10,50,000
Add: HEC @ 4%	6,42,000
Tax Liability	166,92,000

(i) Computation of Tax Liability

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
Tax on ₹100,00,000 @ 30%	30,00,000
Add: HEC @ 4%	1,20,000
Tax Liability	31,20,000

(ii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	50,000
Total Income	50,000
Tax on ₹50,000 @ 20%	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(iii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	200,00,000
Total Income	200,00,000
Tax on ₹200,00,000 @ 20%	40,00,000
Add: Surcharge @ 7%	2,80,000
Add: HEC @ 4%	1,71,200
Tax Liability	44,51,200

(iv) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 20%	1,00,000
Add: HEC @ 4%	4,000
Tax Liability	1,04,000

(viii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 20%	2,04,000
Add: HEC @ 4%	8,160
Tax Liability	2,12,160

(ix) Computation of Tax Liability

Income under the head Business/profession	11,00,00,000
Total Income	11,00,00,000
Tax on ₹11,00,00,000 @ 30%	330,00,000
Add: Surcharge @ 12%	39,60,000
Tax before health & education cess	369,60,000
Add: HEC @ 4%	14,78,400
Tax Liability	384,38,400

Illustration 17(B): Presume in all the above situations the assessee is a partnership firm .**Solution:**

₹

(i) Computation of Tax Liability

Income under the head Business/Profession	50,000
Total Income	50,000
Tax on ₹50,000 @ 30%	15,000
Add: HEC @ 4%	600
Tax Liability	15,600

(ii) Computation of Tax Liability

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
Tax on ₹1,00,000 @ 30%	30,000
Add: HEC @ 4%	1,200
Tax Liability	31,200
	500,00,000

(ii9) Computation of Tax Liability

Income under the head Business/Profession	
Total Income	500,00,000
Tax on ₹500,00,000 @ 30%	150,00,000
Add: Surcharge @ 12%	18,00,000
Tax before health & education cess	168,00,000
Add: HEC @ 4%	6,72,000
Tax Liability	174,72,000

(iv) Computation of Tax Liability

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
Tax on ₹100,00,000 @ 30%	30,00,000
Add: HEC @ 4%	1,20,000
Tax Liability	31,20,000

(v) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	50,000
Total Income	50,000
Tax on ₹50,000 @ 20%	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(vi) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	200,00,000
Total Income	200,00,000
Tax on ₹200,00,000 @ 20%	40,00,000
Add: Surcharge @ 12%	4,80,000
Tax before health & education cess	44,80,000
Add: HEC @ 4%	1,79,200
Tax Liability	46,59,200

(vii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 20%	1,00,000
Add: HEC @ 4%	4,000
Tax Liability	1,04,000

(viii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 20%	2,04,000
Add: HEC @ 4%	8,160
Tax Liability	2,12,160

(ix) Computation of Tax Liability

Income under the head Business/profession	11,00,00,000
Total Income	11,00,00,000
Tax on ₹11,00,00,000 @ 30%	330,00,000
Add: Surcharge @ 12%	39,60,000
Tax before health & education cess	369,60,000
Add: HEC @ 4%	14,78,400
Tax Liability	384,38,400

Illustration 17(C): Presume in all the above situations the assessee is a foreign company.

Solution:

₹

(i) Computation of Tax Liability

Income under the head Business/Profession	50,000
Total Income	50,000
Tax on ₹50,000 @ 40%	20,000
Add: HEC @ 4%	800
Tax Liability	20,800

(ii) Computation of Tax Liability

Income under the head Business/Profession	1,00,000
Total Income	1,00,000
Tax on ₹1,00,000 @ 40%	40,000
Add: HEC @ 4%	1,600
Tax Liability	41,600

(iii) Computation of Tax Liability

Income under the head Business/Profession	500,00,000
Total Income	500,00,000
Tax on ₹500,00,000 @ 40%	200,00,000
Add: Surcharge @ 2%	4,00,000
Add: HEC @ 4%	8,16,000
Tax Liability	212,16,000

(iv) Computation of Tax Liability

Income under the head Business/Profession	100,00,000
Total Income	100,00,000
Tax on ₹100,00,000 @ 40%	40,00,000
Add: HEC @ 4%	1,60,000
Tax Liability	41,60,000

(v) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	50,000
Total Income	50,000
Tax on ₹50,000 @ 20%	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

(vi) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	200,00,000
Total Income	200,00,000
Tax on ₹200,00,000 @ 20%	40,00,000
Add: Surcharge @ 2%	80,000
Add: HEC @ 4%	1,63,200

Tax Liability	42,43,200
---------------	-----------

(vii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	5,00,000
Total Income	5,00,000
Tax on ₹5,00,000 @ 20%	1,00,000
Add: HEC @ 4%	4,000
Tax Liability	1,04,000

(viii) Computation of Tax Liability

Income under the head Capital Gains (long term capital gains)	10,20,000
Total Income	10,20,000
Tax on ₹10,20,000 @ 20%	2,04,000
Add: HEC @ 4%	8,160
Tax Liability	2,12,160

(ix) Computation of Tax Liability

Income under the head Business/profession	11,00,00,000
Total Income	11,00,00,000
Tax on ₹11,00,00,000 @ 40%	440,00,000
Add: Surcharge @ 5%	22,00,000
Tax before health & education cess	462,00,000
Add: HEC @ 4%	18,48,000
Tax Liability	480,48,000

Illustration 18: Y (HUF) has incomes as given below:

1. Income under the head Business/Profession ₹5,00,000
 2. Income under the head House Property ₹3,00,000
 3. Long term capital gains ₹4,00,000
 4. Short term capital gains under section 111A ₹3,00,000
 5. Casual Income ₹2,00,000
 6. Deductions allowed under section 80C to 80U ₹35,000
- Compute tax liability of HUF for the assessment year 2021-22.

Solution:

₹

₹

Computation of Total Income

Income under the head Business/Profession		5,00,000.00
Income under the head House Property		3,00,000.00
Income under the head Capital Gains		
Long term capital gains	4,00,000	
Short term capital gains u/s 111A	3,00,000	7,00,000.00
Income under the head Other Sources (Casual Income)		2,00,000.00
Gross Total Income		17,00,000.00
Less: Deduction u/s 80C to 80U		(35,000.00)
Total Income		16,65,000.00

Computation of Tax Liability

Tax on LTCG ₹4,00,000 @ 20% u/s 112	80,000.00
Tax on STCG ₹3,00,000 @ 15% u/s 111A	45,000.00
Tax on Casual income ₹2,00,000 @ 30% u/s 115BB	60,000.00
Tax on ₹7,65,000 at slab rate	65,500.00
Tax before health & education cess	2,50,500.00
Add: HEC @ 4%	10,020.00
Tax Liability	2,60,520.00

MULTIPLE CHOICE QUESTIONS

RESIDENTIAL STATUS OF INDIVIDUAL

(1) Residential status to be determined for:

- | | |
|-------------------|-----------------------|
| (a) Previous year | (b) Succeeding Year |
| (c) Calendar year | (d) None of the above |

(2) To claim the status of Not Ordinarily Resident for individual-

- | | |
|---|--|
| (a) Only one basic condition needs to be satisfied. | (b) One basic & one additional condition are to be satisfied |
| (c) Need not satisfy any of the conditions. | (d) Only additional condition is to be satisfied |

(3) To claim the status of Non-resident for individual-

- | | |
|--|---|
| (a) Only one basic condition need to be satisfied. | (b) One basic & One additional condition is to be satisfied |
| (c) Need not satisfy any of the conditions. | (d) Only additional conditions are to be satisfied. |

(4) Amongst the following which is the basic condition to identify the residential status of the individual -

- | | |
|--|--|
| (a) Person must be in India for or more 182 days during the previous year. | (b) Person must be in India for less than 60 days during the previous year and 365 days on more during the four years preceding the previous year. |
| (c) He must be in India in nine out of ten previous years preceding that year. | (d) All of these. |

(5) Amongst the following which is the basic condition to identify the residential status of the individual -

- | | |
|--|--|
| (a) Person must be in India for less than 180 days during the previous year. | (b) Person must be in India for 60 days or more during the previous year and 365 days on more during the four years preceding the previous year. |
| (c) He must not be in India in nine out of ten previous years preceding that year. | (d) None of these |

(6) Suresh is a foreign citizen. His father was born in Delhi in 1951 and mother was born in England in 1950. His grandfather was born in Delhi in 1922. Suresh visited India to see Taj Mahal and visit other historical places. He came to India on 1st November, 2020 for 200 days. He has never come to India before. His residential status for assessment year 2021-22 will be

- | | |
|---------------------------|--------------------------------------|
| (a) Non resident in India | (b) Not ordinarily resident in India |
| (c) Resident in India | (d) None of the above |

TAX BY SG**MCQ RESIDENTIAL STATUS**

- (7) Determine the residential status of Mr. X a foreign citizen who came to India for the first time on 15 April, 2020 for a period of just 200 days -
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (8) The following additional conditions are to be satisfied by a person to be resident and ordinarily resident in India _ (Dec. 2014)
- (a) He is a resident in at least any two out of the ten previous years immediately preceding the relevant previous year (b) He has been in India for 730 days or more during the seven previous years immediately preceding the relevant previous year
(c) Both (a) and (b) of above (d) None of the above
- (9) X, an Indian citizen, who is living in Delhi since 1980, left for Japan on 1st July, 2019 for employment. He came back to India on 1st January, 2021 on a visit and stayed for 4 months. His residential status for the assessment year 2021-22 would be -
- (a) Resident and ordinarily resident (b) Not ordinarily resident
(c) Non resident (d) Resident.
- (10) Rahul, a software engineer at ABC Ltd. left India on 10th August, 2020 for the treatment of his wife. For income-tax purpose, his residential status for the assessment year 2021-22 will be -
- (a) Resident (b) Non-resident
(c) Not ordinarily resident (d) Cannot be determined from the given information.
- (11) Determine the residential status of X for A/Y 21-22, a person of Indian origin who came for visiting India on 15th April, 2019. He left India on 30th April 2020.
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (12) If Karta is resident and ordinarily resident in India but control and management of HUF is situated partly outside India in the previous year, the HUF is -
- (a) Resident and ordinarily resident (b) Not ordinarily resident
(c) Non resident (d) Resident.
- (13) Determine the residential status of Ms.Riya a person of Indian origin who has been visiting India for 100 days every year since last 10 years -
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (14) Determine the residential status of Ms.Cook, a US citizen who has been visiting India for 100 days every year since last 10 years-
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (15) Determine the residential status of Mr. X, an Indian citizen who has left India for the first time on 15th May 2020 for the purpose of employment outside India. His Income from foreign sources is ₹20 lakhs & not assessable to Tax in any foreign country.
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (16) Determine the residential status of Mr. Prakash, an Indian citizen who has left India for the first time on 15th July 2020 for the purpose of visit outside India. He came back to India on 17th March 2021
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these

- (17) Determine the residential status of Rahul who came to India for the first time on 15th December, 2021 for a period of just 200 days-
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (18) Rahim was citizen of Afghanistan. His mother was born in a village near Kathmandu. He came to India for first time since 1982 on 02-10-2020 for a visit of 190 days. His Income from foreign sources is ₹20 lakhs. What is the residential status of Rahim ?
- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these
- (19) An individual is said to be resident in India in a previous year (in which the February month has 29 days) if he is in India in that year for a period or periods amounting in all to : *(June, 2008)*
- (a) 182 Days or more (b) 60 Days or more
(c) 183 Days or more (d) 150 Days or more

RESIDENTIAL STATUS OF HUF

- (20) The residential status of HUF depends upon the ----
- (a) Control and management of affairs. (b) Place of residence of Karta
(c) Place of residence of Karta its members (d) Location of the head office
- (21) Determine the residential status of a HUF if HUF's control and management is wholly situated in India and Karta of HUF is a Non-resident in India for that previous year.
- (a) Resident and Ordinary Resident (ROR) (b) Resident but not ordinary resident (RNOR)
(c) Non-Resident (NR) (d) ROR or RNOR
- (22) Find the residential status of HUF whose control and management is partly in India and the Karta stays in India for 360 days during the period of 7 years.
- (a) Resident (b) Non-Resident
(c) Not Ordinarily Resident (d) Any of these
- (23) Find the residential status of HUF whose control and management is wholly outside in India and the Karta stays in India for 360 days during the period of 7 years.
- (a) Resident (b) Non-Resident
(c) Not Ordinarily Resident (d) Any of these
- (24) Find the residential status of HUF whose control and management is partly in India and the Karta stays in India for 750 days during the period of 7 years preceding the previous year and is resident in last 4 years preceding the previous year.
- (a) Resident (b) Non-Resident
(c) Not Ordinarily Resident (d) Any of these
- (25) Shyam who was born and brought up in India left for employment in Dubai on 20th August, 2020. His residential status in respect of the assessment year 2021-22 would be -
- (a) Resident and ordinarily resident (b) Non-resident
(c) Not ordinarily resident (d) None of the above.
- (26) Naresh was born in New Jersey in 1976 and his father was born in China in 1948 whereas Naresh's grandfather was born in India in 1932. Naresh visited India for the 1st time for 180 days during the previous year. His residential status is-
- (a) Resident (b) Not Ordinarily Resident
(c) Not Resident (d) Any of these

TAX BY SG**MCQ RESIDENTIAL STATUS**

- (27) Cool Bros.HUF was partly controlled from India by its Karta, Suresh who is citizen of India but stays outside India. For the purpose of managing affairs of the HUF, Suresh regularly visits India. Determine the residential status of the HUF for the Assessment Year 2021-22, if during the last 12 years Mahesh visited India for 110 days every year.
- (a) Resident
(b) Non-Resident
(c) Not ordinarily Resident
(d) Any of these
- (28) Which of the following may be a 'Not Ordinarily Resident' in India (Dec. 2012)
- (a) Partnership firm
(b) Joint stock company
(c) Association of persons
(d) Hindu Undivided Family.
- (29) HUF of Rahul consisting of himself, his wife and 2 sons is assessed to income-tax. The residential status of HUF would be non-resident, when -
- (a) The management and control of its affairs is wholly in India
(b) The management and control of its affairs is wholly outside India
(c) The status of *karta* is non-resident for that year
(d) When majority of the members are nonresident.

RESIDENTIAL STATUS OF OTHER PERSON

- (30) _____ will be resident in India even if its place of effective management, is outside India during the previous year.
- (a) Indian Company
(b) Foreign Company
(c) Partnership firm
(d) All of these
- (31) XYZ LLP will be _____ in India if control and management of its affairs is wholly situated outside India during the previous year.
- (a) Resident
(b) Non-Resident
(c) Not Ordinarily Resident
(d) Any of these
- (32) A company is said to be a resident in India in previous year, if:
- (a) It is an Indian company
(b) Its place of effective management, is in India.
(c) Either it is an Indian company or its place of effective management, is in India.
(d) It is both an Indian Company and its place of effective management, is in India.
- (33) ABC Ltd. an Indian company will be _____ in India if its place of effective management is wholly situated outside India during the previous year.
- (a) Resident
(b) Non-Resident
(c) Not Ordinarily Resident
(d) Any of these
- (34) An Indian company would:
- (a) be resident in India if its control and management is in India
(b) be resident in India if its place of effective management, is in India
(c) be resident in India if its place of effective management, is outside India
(d) be always resident in India irrespective of its place of effective management.
- (35) _____ will be resident in India if its place of effective management, is in India during the previous year.
- (a) Indian Company
(b) Foreign Company
(c) Domestic Company
(d) All of these

(36) Residential status of an Indian company is resident and ordinarily resident for the year -

- (a)' If the entire control and management is wholly in India (b) If part of the control and management is in India in India
- (c) Regardless of the place of control and management (d) If it is listed on recognised stock exchange.

(37) Gama Ltd. is an Indian company, It carries its business in Delhi and London. Total control and management of the company is situated in London. More than 85% of its business income is from the business in England. If so, its residential status will be -

- (a) Resident (b) Non-resident
- (c) Not ordinarily resident (d) Foreign company

(38) Y Ltd. is an Indian Company. It carries on business in Mumbai and New York and its place of effective management, is situated outside India. Further, 80% of total Income of the company is from the business in London. What is the residential status of X Ltd?

- (a) Resident (b) Non-Resident
- (c) Not ordinarily Resident (d) Any of these.

(39) An foreign company would be resident in India:

- (a) if its control and management is partly in India (b) if its place of effective management, is in India
- (c) if its place of effective management, is outside India (d) if its control and management is wholly in India

INCIDENCE OF TAX

(40) Income which accrue outside India from a business controlled from India is taxable in case of:

- (a) Resident only (b) Both ordinarily resident and NOR
- (c) Non-resident (d) All the assesses

(41) Income deemed to accrue or arise in India is taxable if the person is -

- (a) Resident (b) Not Ordinarily Resident
- (c) Non Resident (d) Any of these

(42) Income which accrues outside India but is received in India is taxable if the person is -

- (a) Resident (b) Not Ordinarily Resident
- (c) Non Resident (d) Any of these

(43) Income which received outside India but is deemed to accrue in India is taxable if the person is -

- (a) Resident (b) Not Ordinarily Resident
- (c) Non Resident (d) Any of these

(44) Income accrued outside India and received outside India is taxable in case of:

- (a) Resident and ordinary resident (ROR) only (b) Resident but not ordinary resident (RNOR) only
- (c) Non resident only (d) ROR, RNOR and Non-Resident

(45) The following income is deemed to be received in India:

- (a) Employer's contribution to a recognised provident fund in excess of 12% of salary; & interest credited thereon in excess of 9.5% p.a.; (b) Transferred balance in a recognised provident fund to the extent of employer's contribution and interest thereon;

- (c) Contribution made by the Central Government or other employer in the previous year, under a pension scheme u/s 80CCD
- (d) All of these.
- (46) Interest credited to RPF in excess of _____ is taxable as deemed receipt.
- (a) 8.00% (b) 8.50%
- (c) 9.50% (d) 9.00%
- (47) Which of the following incomes is deemed to accrue or arise in India?
- (a) Income from any business connection in India. (b) Income from a property in India.
- (c) Income through transfer of capital asset situated in India. (d) All of these.
- (48) Which of the following incomes is not deemed to accrue or arise in India ?
- (a) Income from any business connection in India. (b) Income from a salary for services rendered in India.
- (c) Income through transfer of capital asset situated outside India. (d) Dividend paid by an Indian company outside India.
- (49) Which of the following incomes is deemed to accrue or arise in India?
- (a) Income which falls under the head "Salaries", if it is earned in India. (b) Income chargeable under the head "Salaries" payable by the Government to a citizen of India for service rendered outside India.
- (c) Income by way of interest payable by the Government (d) All of these.
- (50) Which of the following incomes is deemed to accrue or arise in India ?
- (a) Income by way of fees for technical services payable by non-resident, where it is payable in respect of any services utilised in a business or profession carried on by such person in India. (b) Income by way of royalty payable by resident where it is payable in respect of any right used for the purposes of a business or profession carried on by such person outside India
- (c) Income chargeable under the head "Salaries" payable by the Indian Company to a citizen of India for service rendered outside India. (d) Income earned by a foreign company engaged in the business of mining of diamonds through or from the activities which are confined to the display of uncut and unassorted diamond in any special zone notified by the Central Government in the Official Gazette in this behalf
- (51) Income chargeable under the head "Salaries" payable by the Government to a citizen of India for service rendered outside India is taxable if the person is _____
- (a) Resident (b) Not Ordinarily Resident
- (c) Not Resident (d) Any of these
- (52) The person who concludes contracts on behalf of the non-resident is known as _
- (a) Concluding agent (b) Stocking agent
- (c) Indenting agent (d) None of these
- (53) Business activity carried on with which of the following agent is not a business connection?
- (a) Concluding agent (b) Stocking agent
- (c) Indenting agent (d). None of these

(54) Fees for technical services means any consideration for rendering of any:

- | | |
|-------------------------|-----------------------|
| (ci) Managerial service | (b) Technical service |
| (c) Consultancy service | (d) All of these |

(55) Which of the following activity will be considered as business connection in India?

- | | |
|---|---|
| (a) All the operations of a firm are not carried in India. | (b) An office set up by non-resident for carrying out business activity in India. |
| (c) The profits earned by assessee on supplies of fabricated platforms. | (d) All of these. |

(56) Employer's contribution in excess of 12% of salary is :

- | | |
|----------------------------|--------------------|
| (a) Income but not Taxable | (b) Taxable Income |
| (c) Deemed Income | (d) None of these |

(57) Mr. X is an Indian citizen. He has an income from artwork in USA and spent for medical treatment in France ₹15,000 and Income from publishing magazine in UK by collecting news and views in India (80% attributable to operations in India is ₹50,000. What will be his total Income if he is a NOR?

- | | |
|-------------|-------------|
| (a) ₹15,000 | (b) ₹40,000 |
| (c) ₹55,000 | (d) ₹65,000 |

(58) Following are the particulars of Income of Nitin -

- (i) Income from agriculture in Indonesia being invested there only : ₹12,350
(ii) Income from business in Bangladesh being controlled from India : ₹10,150.

If Nitin is NOR what is his total income?

- | | |
|-------------|-------------|
| (a) ₹12,350 | (b) ₹10,150 |
| (c) ₹22,500 | (d) ₹ 2,200 |

(59) What would be your answer in question no 58, If Nitin is Resident what is his total Income?

- | | |
|-------------|-------------|
| (a) ₹12,350 | (b) ₹10,150 |
| (c) ₹22,500 | (d) ₹ 2,200 |

(60) What would be your answer in question no 58, If Nitin is Non-Resident what is his total Income?

- | | |
|--------------|-------------|
| (a) ₹ 12,350 | (b) ₹10,150 |
| (c) ₹ 22,500 | (d) Nil |

(61) Mohit earns the following income during the previous year ended 31st March, 2021 :

(Dec. 2014)

•Interest on U.K. Development Bonds (1/4th being received in India) : ₹2,00,000

•Profits on sale of a building in India but received in Holland: ₹2,00,000

The income liable to tax for the assessment year 2020-21, if Mohit is resident and not ordinarily resident in India, is -

- | | |
|----------------|---------------|
| (a) ₹2,50,000 | (b) ₹4,00,000 |
| (c) ₹ 2,00,000 | (d) ₹50,000. |

(62) Following are the particulars of Income of Shyam -

- (i) Past untaxed profits brought in India during the previous year - ₹ 75,000
(ii) Income from agriculture in Japan being invested there only - ₹ 12,350
(iii) Income from business in Bangladesh being controlled from India - ₹10,150.

If Shyam is Resident what is his total income?

- | | |
|--------------|--------------|
| (a) ₹12,350 | (b) ₹10,150 |
| (c) ₹ 22,500 | (d) ₹ 97,500 |

(63) Profits of ₹1,00,000 for the year 2017-18 of a business in Germany remitted to India during the previous year 2020-21 (not taxed earlier) would be:

TAX BY SG**MCQ RESIDENTIAL STATUS**

- (a) Taxable in India for ROR only (b) Not taxable in India for all (ROR, RNOR & NR)
 (c) Taxable in India for all (ROR, RNOR and NR) (d) Taxable only for RNOR and NR

(64) Profits of ₹ 2,00,000 is earned from a business in USA which is controlled in India, half of the profits being received in India. How much amount is taxable in India for a Non-resident Individual?

- (a) ₹2,00,000 (b) Nil
 (c) ₹1,00,000 (d) ₹3,00,000

(65) Dividend from American Co. of ₹2,00,000 received in USA will be taxable in case of ;

- (a) Resident and ordinary resident (ROR) only (b) Not ordinary resident (NOR) only
 (c) Non resident (NR) only (d) ROR, NOR and NR all

(66) Income of non-resident when attributed from operations in India relating to the following is taxable in India;

- (1) Profits of business
 (2) Fee for technical services
 (3) Royalty
 (4) Income from house property in India

Select the correct answer from the options given below _

(Dec. 2015)

- (a) (1) and (4) (b) (1), (3) and (4)
 (c) (1) and (3) (d) (1), (2) (3) and (4).

(67) From the following particulars of Income furnished by Mr. Prakash pertaining to the year ended 31-03-2021,-

Particulars	Amount ₹
(i) Profit on sale of shares of private limited Indian Company received in Germany	15,000
(ii) Dividend from a Japanese Company received in Japan	10,000
(iii) Agricultural income from lands in Gujarat	27,000

If Prakash is Non-Resident what is his total income?

- (a) ₹ 15,000 (b) ₹10,000
 (c) ₹ 27,000 (d) ₹25,000

(68) From the following particulars of Income furnished by Mr.Rakesh pertaining to the year ended 31-03-2021,

Particulars	Amount ~
(i) Interest received from Indian Government bonds outside India	15,000
(ii) Royalty received in India from non resident who used the rights for business outside India	10,000
(iii) Agricultural income from lands in Japan received in India If	37,000

Rakesh is Non- Resident what is his total income?

- (a) ₹15,000 (b) ₹10,000
 (c) ₹25,000 (d) ₹62,000

(69) From the following particulars of Income furnished by Mr.Sarthak pertaining to the year ended 31-03-2021,

Particulars	Amount ₹
(i) Interest received from Indian Government bonds outside India	15,000
(ii) Royalty received outside India from non resident who used the rights for business outside India	20,000
(iii) Agricultural income from lands in Japan (20% is received in India)	37,000

If Sarthak is Non- Resident what is his total income?

- (a) ₹15,000 (b) ₹20,000
 (c) ₹7,400 (d) ₹22,400

(70) From the following particulars of Income furnished by Ms.Parul pertaining to the year ended 31-03-2021,

Particulars	Amount ₹
(i) Profit on transfer of building situated in Delhi received in London	15,000
(ii) Business Income carried in Singapore received there, and subsequently remitted to India	37,000

If Parul is Non- Resident what is her total income?

- (a) ₹15,000 (b) ₹37,000
(c) ₹52,000 (d) Nil

(71) From the following particulars of Income furnished by Ms.Priya pertaining to the year ended 31-03-2021,-

Particulars	Amount ₹
(i) Profit on transfer of building situated in Delhi received in London	35,000
(ii) Business Income carried in Singapore controlled from India, received there and subsequently remitted to India	37,000

If Priya is Not ordinarily Resident what is her total income?

- (a) ₹35,000 (b) ₹37,000
(c) ₹72,000 (d) Nil

(72) Following are the particulars of income of Mr. Ram Lal , an Indian citizen-

- (i) Income from activity of purchasing goods in India and exporting to USA : ₹ 50,000
(ii) Income from the shooting of cinematograph films in India (90% attributable to the operations in India): ₹5,00,000
(iii) Dividends from foreign company received in India : 20,000.

If Mr. Ram lal is resident what is his total Income?

- (a) ₹5,00,000 (b) ₹5,70,000
(c) ₹5,20,000 (d) Nil

If Mr. Ram lal is Not Ordinarily Resident what is his total Income?

- (a) ₹ 5,50,000 (b) ₹4,70,000
(c) ₹5,20,000 (d) Nil

If Mr. Ram lal is Non-Resident what is his total Income?

- (a) ₹4,70,000 (b) ₹4,50,000
(c) ₹20,000 (d) Nil

(73) Dividends received from an Indian company in USA is _____ in case of a resident, _____ in case of a not ordinarily resident and _____ in case of a non-resident?

- (a) Taxable, exempt, exempt (b) Taxable, taxable, taxable
(c) Taxable, taxable, exempt (d) Exempt, exempt, exempt

(74) Income accruing in India in previous year is taxable for -

- (a) Resident (b) Not ordinarily resident
(c) Non-resident (d) All of the above.

(75) Every year, the residential status of an assessee -

- (a) May change (b) Will certainly change
(c) Will not change (d) None of the above.

(76) Income accruing from agriculture in a foreign country is taxable in the case of an assessee who is -

- | | |
|------------------|-----------------------------|
| (a) Resident | (b) Not-ordinarily resident |
| (c) Non-resident | (d) None of the above. |

(77) Foreign income received in India during the previous year is taxable in the case of -

- | | |
|------------------|-----------------------------|
| (a) Resident | (b) Not-ordinarily resident |
| (c) Non-resident | (d) All of the above. |

(78) Income earned and received outside India but later on remitted to India, is taxable in the case of-

- | | |
|------------------------|---|
| (a) All the assesseees | (b) Resident and ordinarily resident in India |
| (c) Non-resident | (d) None of the above. |

(79) Past untaxed profit of the financial year 2016-17 brought to India in 2020-21 is chargeable to tax in the assessment year 2021-22 in the hands of

- | | |
|---------------------------|---|
| (a) All the assesseees | (b) Resident and ordinarily resident in India |
| (c) Non-resident in India | (d) None of the above. |

(80) Total income of a person is determined on the basis of his -

- | | |
|---------------------------------|--------------------------|
| (a) Residential status in India | (b) Citizenship in India |
| (c) Both (a) and (b) above | (d) None of the above. |

(81) From the following particulars of Income furnished by Mr. Paresh pertaining to the year ended 31-03-2021,-

Particulars	Amount ₹
(i) Interest received in Japan on Indian Government bonds.	35,000
(ii) Business Income carried in Singapore controlled from India, received there and subsequently remitted to India	37,000

If Paresh is Not ordinarily Resident what is his total income?

- | | |
|-------------|-------------|
| (a) ₹35,000 | (b) ₹37,000 |
| (c) ₹72,000 | (d) Nil |

(82) From the following particulars of Income furnished by Ms.Radha pertaining to the year ended 31-03-2021,-

Particulars	Amount ₹
(i) Dividend received from shares of Indian Company	55,000
(ii) Business Income carried in Singapore controlled from India, received there, and subsequently remitted to India	37,000

If Radha is Resident what is her total income?

- | | |
|-------------|--------------|
| (a) ₹55,000 | (b) ₹ 37,000 |
| (c) ₹92,000 | (d) Nil |

ANSWER KEY

1. A	2. B	3. C	4. A	5. B	6. A	7. C	8. C	9. C	10. A
11. B	12. A	13. B	14.C	15. C	16. A	17. B	18. B	19. A	20. A
21. D	22. C	23. B	24. A	25. B	26. C	27. A	28. D	29. B	30. A
31. B	32C.	33.A	34. D	35. B	36. C	37. A	38. A	39. B	40. D
41. D	42. D	43.D	44. A	45. D	46. C	47. D	48. C	49.D	50. A
51. D	52. A	53. D	54. D	55. B	56. C	57. B	58. B	59. C	60. D
61. A	62. C	63. B	64. C	65. A	66. A	67. A	68. D	69. D	70. A
71. C	72. (i)b,(ii)b,(iii)a	73. B	74. D	75. A	76. A	77. D	78. D	79. D	80. A
81. C	82. C								

QUESTION FOR PRACTICE

Question 1 : For the A/y 21-22, X is a non resident in India. From the below information, find out his income chargeable to tax for the A/y 21-22.

- | | |
|--|-------------------------|
| 1. Royalty received by him outside India from Govt. of India: | 50,000 |
| 2. Technical fees received from A Ltd. (an Indian company) in Germany for advise given by him in respect of a project situated in USA: | 85,000 |
| 3. Income from a business situated in Sri Lanka (goods are sold in Sri Lanka, sale consideration is received in Sri Lanka but business is controlled partly in Sri Lanka and partly in India): | 1,50,000 |
| 4. Income from a business connection in India (received outside India): | 2, 25,000 |
| | [Ans : 2,75,000] |

Question 2 : Mr. X is resident and ordinarily resident for the A/y 2021-22. He gives the following information in respect of his income for p/y 20-21. Find out Taxable Income

- | | |
|--|-------------------------|
| 1. Capital gain on sale of house situated in Delhi (Sale consideration received in Nepal): | 60,000 |
| 2. Salary received in Bangladesh for rendering services in Delhi: | 75,000 |
| 3. Interest received from UP Govt. (paid to him in Bangladesh, the money is utilized by the Government in Sri Lanka): | 45,000 |
| 4. Royalty received from A Ltd (A Foreign Company which is non resident in India) outside India .Royalty is paid for a manufacturing business situated out side India: | 85,000 |
| | [Ans : 2,65,000] |

Question 3: The following are the particulars of Income of R for the previous year 2020-21.

- | | |
|---|----------|
| 1. Rent from a property in Delhi received in USA: | 1,00,000 |
| 2. Income from a business in USA controlled from Delhi: | 1,40,000 |
| 3. Income from business in Bangalore controlled from USA: | 2,40,000 |
| 4. Rent from a property in USA received there but subsequently remitted to India: | 90,000 |
| 5. Interest from deposits with an Indian company received in USA: | 30,000 |
| 6. Profits for the A/Y 2018-19 of a business in USA remitted to India during p/y 20-21 (Not taxed earlier): | 95,000 |
| 7. Gift received from his parents: | 50,000 |

Compute R's income for A/y 21-22 if he is

(a) Resident & ordinarily resident (b) Resident & not ordinarily resident (c) Non Resident in India.

[Ans : (a) 6,00,000, (b) 5,10,000, (c) 3,70,000]

Question 4 : Discuss whether the following incomes are taxable in India or not in the hands of non resident.

1. A non resident purchases goods from Delhi and sells these goods in USA.
2. A non resident is engaged in the publication of magazine from USA. Some of the news published in the magazine are collected from India.
3. X Ltd., a non resident foreign company is engaged in the business of shooting a cinematograph film in India. The film after its completion is sold to another non-resident in USA. None of the shareholder of X Ltd. is an Indian citizen or resident in India.
4. A non-resident owns a commercial building in Mumbai which is transferred to another non resident in France. The consideration is payable in a foreign currency in France.
5. A non-resident owns a residential house in Chennai which is given on rent to a foreign embassy. Rent is however, payable outside India in a foreign currency.
6. Interest on loan is paid by the government of India to a non resident in London.
7. Y Ltd. a non resident gets royalty from Z Ltd., a non resident outside India. Royalty is however payable by Z Ltd. in relation to business of manufacturing carried on by it in Bangalore.
8. A Ltd., a non resident, gets interest from B Ltd., an Indian company, outside India. The capital was borrowed by B Ltd., for the purpose of a business carried on by it outside India.
9. C, a non resident Indian is presently appointed by the government of India in its embassy at Iran. Salary for rendering services is paid to him in a foreign currency outside India.
10. D, a non resident Indian, is presently appointed by an Indian company in its foreign branch at Nigeria. Salary is paid to him outside India in a foreign currency.

[Ans : (i) No, (ii) No, (iii) No, (iv) Yes, (v) Yes, (vi) Yes, (vii) Yes, (viii) No, (ix) Yes, (x) No]

SOLVED QUESTIONS FOR PRACTICE

Question 5 : Mr.Sharma, an Indian citizen left India for the first time on 21-09-2019 for employment in Britain. During the previous year 2020-21 he comes to India on 5-5-2020 for 150 days. Determine the residential status of Mr.Sharma for assessment years 2020-21 and 2021-22. His Total Income of P/Y 20/21 excluding Income from Foreign sources is 10 lakhs.

Will your answer be different if his Total Income during P/Y 20/21 excluding Income from Foreign sources is 20 lakhs

Solution :**A/Y 20/21 (P/Y 19/20)**

During the previous year 2019-20, Mr. Sharma was in India for 174 days (30+31+30+30+30+21) and therefore, does not satisfy the first condition of 182 days. As regards the second condition, although he was here in the four preceding previous year for more than 365 days as he was permanently in India but for the relevant previous year 2019-20 he should have been here for 182 days instead of 60 days as he is a citizen of India and leaves India in 2019-20 for employment abroad.

He neither satisfies the first, nor the second condition and is therefore, Non- Resident in India for A/Y 20/21

A/Y 21/22 (P/Y 20/21)

During the previous year 2020-21 he visits India for 150 days. His Total Income is 10 lakhs excluding Income from foreign sources. In this case also, the period of 60 days will be substituted by 182 days. Therefore, he will be a **Non-Resident in India** even for previous year 2020-21.

Assumption

During the previous year 2020-21 he visits India for 150 days. His Total Income is 20 lakhs excluding Income from foreign sources. In this case, the period of 60 days will be substituted by 120 days. His stays exceeds 120 days during P/y 20/21. Further His stay during 4 prior p/y exceeds 365 days. Therefore, he will be a **Resident in India** for previous year 2020-21.

Further as per Sec 6(6), He shall be deemed as **RNOR for A/Y 21/22**

Question 6 : Mr.Jain, an Indian citizen, left India for the first time on 21-09-2020 for employment in France.. Determine the residential status of Mr.Jain for assessment years 2021-22. His Total Income of P/Y 20/21 excluding Income from Foreign sources is 20 lakhs. Further he is not chargeable to Tax in any other Foreign country.

What will be your answer if his Total Income excluding Income from Foreign sources is Rs.10 lakhs during p/y 20/21

Solution : During the previous year 2020-21, Mr. Jain was in India for 174 days (30+31+30+30+30+21) and therefore, does not satisfy the first condition of 182 days u/s 6(1). As regards the second condition, although he was here in the four preceding previous year for more than 365 days as he was permanently in India but for the relevant previous year 2020-21 he should have been here for 182 days instead of 60 days as he is a citizen of India and leaves India in 2020-21 for employment abroad.

He neither satisfies the first, nor the second condition of sec 6(1). However his Total Income excluding Income from foreign sources is 20 lakhs and He is also not chargeable to Tax in any foreign country. Therefore he will be deemed as resident for A/Y 21/22 u/s 6(1A). Further He will be also be deemed as Not Ordinarily Resident for A/Y 21/22 u/s 6(6).

Assumption : If Mr.Jain Total Income is 10 lakhs during p/y 20/21, then he will not be covered u/s 6(1A) and will not be deemed as resident for A/Y 21/22. Therefore he will be Non resident for A/Y 21/22

Question 7 : Mr. Goel, a citizen of India left India on 06-06-2006 for employment abroad. He did not come to India up to previous year 2017-18. During 2018-19 and 2019-20, he visited India for 145 days and 195 days respectively. In the previous year 2020-21 he comes to India on 7-4-2020 and left on 30-11-2020. Determine his residential status for A/Y 2021-22.

Solution : Basic conditions u/s 6(1) :

Previous year 2020-21 : Stay in India is for 238 days (24+31+30+31+31+30+31+30) He is, therefore, Resident in India.

Additional conditions u/s 6(6) :

<u>Previous year</u>	<u>No. of days' stay</u>
2019-20	195
2018-19	145
2017-18	Nil
2016-17	Nil
2015-16	Nil
2014-15	Nil
2013-14	Nil

Total stay : 340 days

Stay in India is less than 730 days in 7 previous years prior to previous year 2020-21

He is therefore, “Not Ordinarily Resident in India”.

Question 8 : Z an Indian citizen leaves India for the first time on September 20, 2018 for the purpose of employment. He comes to India for a visit of 146 days on April 10, 2019. He comes back finally on Jan 16, 2021. Find out the residential status of Z for the assessment year 2021-22. Assume his Total Income is Rs.20 lakhs excluding Income from foreign sources during P/y 20/21

Solution: During the previous year 2020-21 (and the ten preceding years) Z is in India as follows –

Previous year	Presence in India (number of days)	Resident (R) or non-resident (NR)	Presence for minimum days to become resident
2020-21	76	R	----
2019-20	146	NR	182
2018-19	173	NR	182
2017-18	365	R	----
2016-17	365	R	----
2015-16	366	R	----
2014-15	365	R	----
2013-14	365	R	----
2012-13	365	R	----
2011-12	366	R	----
2010-11	365	R	----

Z is in India for a period of 76 days during the p/y 2020-21, He comes back into India permanently and not on a Visit. He is not covered under Explanation 1 to Sec 6(1). Hence 60 days will not be substituted either with 182 days or 120 days. Therefore, He is resident in India for A/Y 2021-22 as he fulfills the 60+365 condition. Besides, he is in India for 2145 days during 7 years prior to 2020-21 (i.e. during April 1, 2013 and March 31, 2020) & he is not non resident in India for 9 year out of 10 prior p/y. He is therefore, **Resident & ordinarily resident in India for the A/Y 2021-22 as he does not fulfill any additional condition u/s 6(6)**

Question 9 : Mr. Aggarwal, an Individual, is resident but not ordinarily resident in India for the assessment year 2021-22 (previous year 2020-21). During the previous year 2020-21, the affairs of Aggarwal (HUF) whose karta is Mr. Aggarwal since 2000 are partly managed from Delhi and partly from Nepal. Determine the residential status of Mr. Aggarwal (HUF) for the assessment year 2021-22.

Solution : As during the previous year 2020-21, the affairs of Mr. Aggarwal (HUF) are partly managed from India. The family will be treated as resident in India. A resident family may be not ordinarily resident if karta of the family satisfies any of the additional conditions laid down in section 6(6).

Mr. Aggarwal is resident but Not ordinarily resident in India for the assessment year 2021-22 in his individual capacity, he is satisfying any of the additional conditions as Karta of Mr. Aggarwal (HUF).

Therefore, Mr. Aggarwal (HUF) is **resident but not ordinarily resident** in India for A/Y 2021-22.

Question 10 : Abhishek earns the following income during the financial year 2020-21

	₹
(a) Interest from an Indian company received in London.	1,000
(b) Pension from former employer in India received in USA.	4,000
(c) Profits earned from a business in Paris which is controlled in India, half of the profits being received in India.	20,000
(d) Income from agriculture in Bhutan and remitted to India.	5,000
(e) Income from property in England received there.	4,000
(f) Past foreign untaxed income brought to India.	10,000

Compute his income for the Assessment year 2021-22, if he is:

- Resident and ordinarily resident in India.
- Not ordinarily resident in India.
- Non-resident in India.

Solution: Taxable Income for the A/Y 2021-22

		ROR ₹	RNOR ₹	NR ₹
(1)	Income deemed to accrue/arise in India			
	Interest from India Company	1,000	1,000	1,000
	Pension from employer in India.	4,000	4,000	4,000
(2)	Income Received in India			
	50% of profits of business in Paris.	10,000	10,000	10,000
(3)	Income earned and received outside India			
	From a business controlled from India			
	50% of Profits of Business in Paris	10,000	10,000	-
(4)	Income earned and received outside India			
	Other than (3)			
	Income from Agriculture in Bhutan.	5,000	-	-
	Income from property in England.	4,000	-	-
	TOTAL	34,000	25,000	15,000

Question 11 : The following is the income of Shri Ramesh for the p/y 2020-21	₹
(a) Profits from business in France received in India.	5,000
(b) Income from house property in Japan received in India	500
(c) Income from house property in Sri Lanka deposited in a Bank there.	1,000
(d) Profits of business established in Pakistan deposited in a Bank there, this business is Controlled in India (out of ₹ 20,000 a sum of ₹ 10,000 is remitted in India.	20,000
(e) Income from profession in India but received in China.	2,000
(f) Profits earned from business in Nagpur.	6,000
(g) Income from agriculture in England, It is all spent on the education of children in London	5,000
(h) Past untaxed foreign income into during the previous year.	10,000

From above particulars ascertain the taxable income of Shri Ramesh for p/y 2020-21, If he is

- Resident and ordinarily resident,
- Not ordinarily resident, and
- Non-resident.

Solution: Taxable Income of Shri Ramesh for the A/Y 2021-22

		R&OR (₹)	NOR (₹)	NR (₹)
1	Income received in India, wherever accrues			
	(i) Profit from business in France received in India	5,000	5,000	5,000
	(ii) Income from house property in Japan received in India	500	500	500
2	Income accrued in India wherever received			
	(i) Profit earned from business in Nagpur	6,000	6,000	6,000
	(ii) Income from profession in India but Received in China.	2,000	2,000	2,000
3	Income accrued and received outside India			
	(i) Income from house property in Sri Lanka deposited in bank there.			
	(ii) Profit of business in Pakistan, deposited there, business being controlled from India.	1,000	--	--
	(iii) Income from agriculture in England.	20,000	20,000	--
4	Past untaxed foreign income brought to India during the previous year.	5,000	--	--
		--	--	--
	Total Income	39,500	33,500	13,500

Question 12 : During the financial year 2020-21, Om Prakash had the following income:

(a) Salary income received in India for service rendered in Nepal	10,000
(b) Income from profession in India, but received in Pakistan.	3,000
(c) Property income in Ukraine (out of which ₹3,000 was remitted to India).	6,000
(d) Profits earned from business in Bangalore.	5,000
(e) Agriculture income in Iran.	10,000
(f) Profits from business carried on at Nepal but controlled from India.	20,000
(g) Past untaxed profits remitted to India during the previous year from U.S.A.	90,000

Compute the Income of Om Prakash for the assessment year 2021-22 if he is (i) resident and ordinarily resident, (ii) Not ordinarily resident, and (iii) Non-resident in India.

Solution: Computation of Taxable Income of Om Prakash for the Assessment year 2021-22

		R&OR (₹)	NOR (₹)	NR (₹)
1	Income received in India wherever accrues Salary received in India for Services rendered in Nepal	10,000	10,000	10,000
2	Income accrued in India wherever received (i) Profit earned from business in Bangalore (ii) Income from profession in India but Received in Pakistan.	5,000 3,000	5,000 3,000	5,000 3,000
3	Income accrued and received outside India (i) Property income in Ukraine (ii) Agriculture income in Iran (iii) Profit of business Carried in Nepal but controlled from India. (iv) Past untaxed profits remitted to India.	6,000 10,000 20,000 ---	-- -- 20,000 --	-- -- -- --
	Total Income	54,000	38,000	18,000

Question 13 : Y is non-resident in India. From the information given below find out his income chargeable to tax for the assessment year 2021-22:

	₹
1. Royalty received by him outside India from the Government of India.	17,000
2. Technical fees received from C Ltd. (an Indian company) in France for advise given by him in respect of a project situated in UK	1,17,000
3. Income from a business situated in Bangladesh (Goods are sold in Bangladesh, sale consideration is received in Bangladesh but business is controlled partly in Bangladesh and partly in India)	2,17,000
4. Income from a business connection in India (it is received outside India)	3,17,000

Solution:

(i) As royalty is received from the Government of India, it is deemed to accrue or arise in India. It is Indian income. It is always taxable	17,000
(ii) Technical fees are received in France. The project in respect of which it is paid is situated in UK. It is foreign income. It is not taxable in the case of a non resident	-----
(iii) Income is received in Bangladesh as goods are sold in Bangladesh. It arises in Bangladesh. It is foreign income. It is not taxable in the case of a non – resident	-----
(iv) As the business connection is situated in India, it is deemed accrue or arise in India. It is Indian Income. It is taxable	<u>3,17,000</u>
Total	<u>3,34,000</u>

Question 14: The following are the particulars of income of S for the previous year 2020–21

	₹
(a) Rent from a property in Delhi received in U.S.A	80,000
(b) Income from a business in USA controlled from Delhi	1,20,000
(c) Income from a business in Bangalore controlled from USA	1,80,000
(d) Rent from a property in USA received there but subsequently remitted to India	60,000
(e) Interest from deposits with an Indian company received in USA	20,000
(f) Profits for the year 2018-19 if a business in USA remitted to India during the previous year 2020-21 (Not taxed earlier)	75,000
(g) Gifts received from his parents.	45,000

Compute his Income for the assessment year 2020-21 if he is :

- Resident and ordinarily resident in India.
- Non ordinarily resident in India
- Non-Resident in India

Solution: Computation of Income of S for the Assessment year 2021-22

Particulars	ROR	RNOR	NR
Rent from property in Delhi	80,000	80,000	80,000
Income from Business in Bangalore	1,80,000	1,80,000	1,80,000
Interest from Indian company	20,000	20,000	20,000
India from business in U.S.A	1,20,000	1,20,000	--
Rent from property in U.S.A.	60,000	--	--
Total	4,60,000	4,00,000	2,80,000

MULTIPLE CHOICE QUESTIONS**BASIC CONCEPTS OF TAXABILITY OF INCOME FROM HOUSE PROPERTY**

- (1) Which is the charging section of Income from house property?
 (a) Section 15 (b) Section 22
 (c) Section 56 (d) Section 28
- (2) Income from vacant plot is taxable under the head-----
 (a) Income from House Property (b) Income from Other Sources
 (c) Profits & Gains of Business or Profession (d) Capital Gains
- (3) Which of following conditions need to be satisfied in order to tax any income under the head Income from house property ?
 (a) The property must consist of building or land appurtenant thereto. (b) The assessee must be the owner of such house property.
 (c) The property must not be used for business or profession carried on by assessee. (d) All of the above.
- (4) Income from subletting of house property is taxable under the head-----
 (a) Income from House Property (b) Income from Other Sources
 (c) Profits & Gains of Business or Profession (d) Capital Gains
- (5) In case the letting out of property is incidental to the main business, then income from such property shall be taxable as
 (a) Income from House Property (b) Income from Other Sources
 (c) Profits & Gains of Business or Profession (d) Capital Gains
- (6) Annual value of property of a social club will be :
 (a) Taxable as Income from House Property (b) Taxable as Income from Other Sources
 (c) Exempt from tax (d) Taxable as Profits and gains of business
- (7) In case any property is owned by an assessee and the same is given by him to the partnership firm, in which he is a partner, for carrying on the business of such firm, then the income from such property will :
 (a) Not be taxable. (b) be taxable as Income from Other Sources
 (c) Be taxable as Income from house property (d) Taxable as Profits and gains of business
- (8) Income from building constructed on leasehold is taxable as :
 (a) Income from House Property (b) Income from Other Sources
 (c) Profits & Gains of Business or Profession (d) Capital Gains
- (9) The assessee, who was deriving income from "House property" realised a sum of ₹ 52,000 on account of display of advertisement hoarding of various concerns on the roof of the building. The same will be taxable under:

- (a) Income from House Property
(b) Income from Other Sources
(c) Profits & Gains of Business or Profession
(d) Capital Gains
- (10) Composite rent of let-out house property is taxable as –
(a) Profits and gains from business or profession
(b) Income from other sources
(c) Income from house property
(d) Either (a) or (b) above depending upon certain conditions.

COMPUTATION OF ANNUAL VALUE - SECTION 23

- (11) Expected Rent is equal to _____ –
(a) Fair Rent
(b) Municipal Valuation
(c) Lower of Fair Rent or Municipal valuation
(d) Higher of Fair Rent or Municipal valuation subject to the maximum of Standard Rent
- (12) If Actual Rent received or receivable exceeds Expected Rent, the Gross Annual Value equals to-
(a) Actual Rent received or receivable
(b) Expected Rent
(c) Actual Rent - Expected Rent
(d) None of these.
- (13) The sum for which the property might reasonably be expected to let year to year is known as -
(a) Expected Rent
(b) Standard Rent
(c) Annual value
(d) Municipal Valuation
- (14) In which of the following cases the annual value of the house is taken to be NIL.
(a) Self occupied house.
(b) Vacancy for the whole period.
(c) If the assessee holds two house properties.
(d) Both (a) & (b) but not (c)
- (15) Sajal is the owner of a house property covered under the Rent Control Act. Municipal value ₹ 30,000, actual rent ₹ 25,000 fair rent ₹ 36,000 and standard rent is ₹ 28,000. The gross annual value of the house property will be -
(a) ₹ 30,000
(b) ₹ 25,000
(c) ₹ 36,000
(d) ₹ 28,000
- (16) Ram owns a house property in Delhi which he wants to give on rent. He seeks your help to determine the reasonable expected rent when monthly municipal value is ₹ 20,000, fair rent ₹ 25,000 and standard rent ₹ 22,000. The reasonable expected rent will be computed with reference to following amount per month -
(a) ₹ 22,000
(b) ₹ 20,000
(c) ₹ 25,000
(d) None of the above.
- (17) Find out the expected rent of house property A, if the following is given:
Municipal value = ₹ 1,00,000; Fair Rent = ₹ 88,000;
Standard Rent = ₹ 1,12,000. Actual Rent = ₹ 1,25,000
(a) ₹ 1,00,000
(b) ₹ 88,000
(c) ₹ 1,12,000
(d) ₹ 1,25,000
- (18) Find out the expected rent of house property X, if the following is given:
Municipal value = ₹ 70,000; Fair Rent = ₹ 88,000;
Standard Rent = ₹ 1,12,000. Actual Rent = ₹ 1,25,000
(a) ₹ 70,000
(b) ₹ 88,000
(c) ₹ 1,12,000
(d) ₹ 1,25,000

(19) Find out the expected rent of house property , if the following is given:

Municipal value = ₹ 70,000; Fair Rent = ₹ 88,000; Standard Rent = ₹ 60,000 Actual Rent = ₹ 1,25,000

- | | |
|--------------|----------------|
| (a) ₹ 70,000 | (b) ₹ 88,000 |
| (c) ₹ 60,000 | (d) ₹ 1,25,000 |

(20) Find out the expected rent of house property , if the following is given:

Municipal value = ₹ 65,000; Fair Rent = ₹ 88,000; Standard Rent = ₹ 60,000 Actual Rent = ₹ 1,25,000

- | | |
|--------------|----------------|
| (a) ₹ 65,000 | (a) ₹ 88,000 |
| (a) ₹ 60,000 | (a) ₹ 1,25,000 |

(21) Find the Gross Annual Value of house property, if the following is given:

Municipal value = ₹ 10,000; Fair Rent = ₹ 88,000;

Standard Rent = ₹ 92,000; Actual Rent = ₹ 89,000.

- | | |
|--------------|--------------|
| (a) ₹ 10,000 | (b) ₹ 88,000 |
| (c) ₹ 92,000 | (d) ₹ 89,000 |

(22) Find the Gross Annual Value of house property if the following is given:

Municipal value = ₹ 1,00,000; Fair Rent = ₹ 88,000;

Standard Rent = ₹ 92,000; Actual Rent = ₹ 89,000.

- | | |
|----------------|--------------|
| (a) ₹ 1,00,000 | (b) ₹ 88,000 |
| (c) ₹ 92,000 | (d) ₹ 89,000 |

(23) Find the Gross Annual Value of house property ,if the following is given:

Municipal value = ₹ 1,00,000; Fair Rent = ₹ 1,20,000;

Standard Rent = ₹ 1,50,000; Actual Rent = ₹ 1,30,000.

- | | |
|----------------|----------------|
| (a) ₹ 1,00,000 | (b) ₹ 1,20,000 |
| (c) ₹ 1,50,000 | (d) ₹ 1,30,000 |

(24) Find the Gross Annual Value of house property if the following is given:

Municipal value = ₹ 1,60,000; Fair Rent = ₹ 1,20,000;

Standard Rent = ₹ 1,50,000; Actual Rent = ₹ 1,55,000.

- | | |
|----------------|----------------|
| (a) ₹ 1,60,000 | (b) ₹ 1,20,000 |
| (c) ₹ 1,50,000 | (d) ₹ 1,55,000 |

(25) Find the Gross Annual Value of house property if the following is given:

Municipal value = ₹ 1,40,000; Fair Rent = ₹ 1,20,000;

Standard Rent = ₹ 1,50,000; Actual Rent = ₹ 1,30,000.

- | | |
|----------------|----------------|
| (a) ₹ 1,40,000 | (b) ₹ 1,20,000 |
| (c) ₹ 1,50,000 | (d) ₹ 1,30,000 |

(26) Calculate the Gross Annual value from the following details:

Municipal Value - ₹ 45,000; Fair rental value - ₹ 50,000;

Standard rent - ₹ 48,000; Actual Rent - ₹ 42,000.

- | | |
|--------------|--------------|
| (a) ₹ 50,000 | (b) ₹ 48,000 |
| (c) ₹ 45,000 | (d) ₹ 42,000 |

(27) Calculate the Gross Annual value from the following details:

Municipal Value - ₹ 45,000; Fair rental value - ₹ 50,000;

Standard rent - ₹ 48,000; Actual Rent Receivable - ₹ 75,000; Unrealised rent : ₹ 20,000

- (a) ₹ 50,000 (b) ₹ 55,000
(c) ₹ 45,000 (d) ₹ 42,000

(28) Calculate the Gross Annual value from the following details:

Municipal Value - ₹ 45,000; Fair rental value - ₹ 50,000;

Standard rent - ₹ 48,000; Actual Rent Receivable - ₹ 55,000; Unrealised rent : ₹ 20,000.

- (a) ₹ 50,000 (b) ₹ 48,000
(c) ₹ 45,000 (d) ₹ 35,000

(29) Calculate the Gross Annual value from the following details:

Municipal Value - ₹ 45,000; Fair rental value - ₹ 50,000;

Standard rent - ₹ 48,000; Actual Rent Receivable (11 months) - ₹ 46,000 Vacancy: 1 month

- (a) ₹50,000 (b) ₹46,000
(c) ₹ 45,000 (d) ₹ 48,000

(30) Calculate the Gross Annual value from the following details:

Municipal Value - ₹ 45,000; Fair rental value - ₹ 50,000;

Standard rent - ₹ 48,000; Actual Rent Receivable (11 months) - ₹ 40,000 Vacancy: 1 month

- (a) ₹50,000 (b) ₹ 40,000
(c) ₹ 45,000 (d) ₹ 48,000

(31) Find the Gross Annual Value of house property of A if the following information is given:

Municipal value = ₹ 1,40,000; Fair Rent = ₹ 1,50,000; Standard Rent = ₹ 1,44,000;

Actual Rent = ₹ 15,000; Vacancy = 11 months.

- (a) ₹ 1,40,000 (b) ₹ 1,50,000
(c) ₹ 15,000 (d) ₹ 1,44,000

(32) Find the Gross Annual Value of house property of X if the following is given -

Municipal value = ₹ 80,000; Fair Rent = ₹ 70,000; Vacancy = 12 months

- (a) ₹ 80,000 (b) Nil
(c) ₹ 70,000 (d) ₹ 10,000

(33) X is the owner of a house, the details of which are given below:

- (a) Municipal value : ₹ 30,000 (b) Actual rent : ₹ 32,000
(c) Fair rent : ₹ 36,000 (d) Standard rent : ₹ 40,000.

The gross annual value would be –

- (a) ₹ 36,000 (b) ₹ 35,000
(c) ₹ 30,000 (d) ₹ 40,000.

(34) Municipal value : ₹ 14,000; Fair rent : ₹ 14,500; Standard rent : ₹ 14,200. Actual rent as property let-out throughout previous year : ₹ 16,800. Unrealized rent of the previous year : ₹ 7,000. The annual value of the house property shall be

- (a) ₹ 9,800 (b) ₹ 7,200
(c) ₹ 14,200 (d) ₹ 7,500

(35) X is owner of house which has been let out at a monthly rent of ₹ 25,000. The fair rent of the house is ₹ 2,90,000 and standard rent is ₹ 2,60,000. The municipal value of house is ₹ 2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes are outstanding for the year ended 31-03-2021. The amount of municipal taxes to be allowed as deduction for computing the annual value will be :

- (a) ₹30,000 (b) ₹29,000
(c) ₹28,000 (d) Nil

(36) X is owner of house which has been let out at a monthly rent of ₹25,000. The fair rent of the house is ₹2,90,000 and standard rent is ₹2,60,000. The municipal value of house is ₹2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended 31-03-2021 are paid by the owner on 31-03-2021. The amount of municipal taxes to be allowed as deduction for computing the annual value will be :

- (a) ₹30,000 (b) ₹29,000
(c) ₹28,000 (d) Nil

(37) X is owner of house which has been let out at a monthly rent of ₹25,000. The fair rent of the house is ₹2,90,000 and standard rent is ₹2,60,000. The municipal value of house is ₹2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended 31-03-2021 out of which half of the municipal taxes are paid by the tenant. The amount of municipal taxes to be allowed as deduction for computing the annual value will be :

- (a) ₹30,000 (b) ₹29,000
(c) ₹14,000 (d) Nil

(38) Bhaskar owns a house, which is self-occupied upto 31-5-2020. W.e.f. 1-6-2020, the property is let to Hari at ₹40,000 p.m. Determine the Gross Annual Value of the house if the municipal value is ₹4,15,000; Fair Rent ₹4,20,000 and standard rent is ₹4,10,000.

- (a) ₹4,00,000 (b) ₹4,20,000
(c) ₹4,10,000 (d) ₹4,15,000

(39) Laxman owns a house, which is self-occupied upto 31-5-2020. W.e.f. 1-6-2020, the property is let to Praveen at ₹42,000 p.m. Determine the Gross Annual Value of the house if the municipal value is ₹4,15,000; Fair Rent ₹4,30,000 and standard rent is ₹4,10,000.

- (a) ₹4,20,000 (b) ₹4,30,000
(c) ₹4,10,000 (d) ₹4,15,000

(40) Manish owns a house, which is self-occupied upto 31-5-2020. W.e.f. 1-6-2020, the property is let to Sushil at ₹42,000 p.m. Determine the Net Annual Value of the house if the municipal value is ₹4,15,000; Fair Rent ₹4,30,000 and standard rent is ₹4,10,000 and tenant has paid 10% of municipal value as municipal taxes.

- (a) ₹4,20,000 (b) ₹4,30,000
(c) ₹3,78,500 (d) ₹4,15,000

DEDUCTIONS FROM ANNUAL VALUE - SECTION 24

(41) Which of the following deduction are to be made from income house property?

- (a) Statutory deduction (b) Interest on borrowed loan
(c) Both (a) and (b) (d) Option (a) but not (b)

(42) The construction of a house was completed on 31st January, 2021, The owner of the house took a loan of ₹20,00,000 @ 6% p.a. On 1st May, 2020. He is not covered u/s 115BAC. In this case the deduction allowable for the previous year 2020-21 towards interest on borrowings is-

- (a) ₹22,000 (b) ₹24,000
(c) ₹1,10,000 (d) None of the above

(43) Vikram purchased a house for his residential purpose after taking a loan in January, 2019. During the previous year 2020-21, he paid interest on loan ₹2,17,000. He is covered u/s 115BAC. While computing income from house property, the deduction is allowable to the extent of -

- (a) ₹30,000 (b) Nil
(c) ₹2,17,000 (d) ₹2,00,000.

- (44) When did pre-acquisition or pre-construction period commences -
- (a) On the 1st year when loan is borrowed (b) On the date of borrowing
(c) On the 1st April of the year when construction is completed (d) On the 31st March of the year when loan is borrowed
- (45) When did pre-acquisition or pre-construction period ends?
- (a) 31st march immediately prior to date of acquisition of property. (b) Date of repayment of loan completion of construction or
(c) (a) or (b) whichever is earlier (d) Any of these
- (46) Which of the following amount is not allowed for deduction from income from house property ?
- (a) Interest on loan borrowed for construction of house property. (b) Interest on fresh loan taken to repay original loan.
(c) Interest on unpaid interest. (d) Interest on unpaid purchase price.
- (47) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for repairs of house property used for self occupation ,assuming not covered u/s 115BAC, is :
- (a) ₹30,000 (b) ₹ 2,00,000
(c) ₹ 50,000 (d) ₹ 60,000
- (48) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for acquisition or construction of self occupied house property, assuming covered u/s 115BAC, is:
- (a) ₹30,000 (b) ₹ 2,00,000
(c) ₹ 50,000 (d) NIL
- (49) The maximum limit of deduction under section 24(b) for interest on borrowed capital before 1-4-1999 for construction of house property used for self occupation,assuming not covered u/s 115BAC,is:
- (a) ₹ 30,000 (b) ₹ 2,00,000
(c) ₹ 50,000 (d) ₹ 60,000
- (50) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for construction of house property used for self occupation if the house is completed within 5 years from the end of previous year in which loan is taken ,assuming not covered u/s 115BAC, is :
- (a) ₹ 30,000 (b) ₹ 2,00,000
(c) ₹ 50,000 (d) ₹ 60,000
- (51) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for construction of house property used for self occupation shall be ₹ 2,00,000 if -
- (a) the house is completed within 5 years from the end of previous year in which loan is taken. (b) the house is completed within 5 years from the end of previous year in which construction is started.
(c) the house is completed within 5 years from the date when the loan is taken. (d) the house is completed within 5 years from the date when construction is started.
- (52) M took a loan of ₹ 6,00,000 on 1-4-2018 from a bank for construction of a house. The loan carries an interest @ 10% p.a. The construction is completed on 30-6-2019. The entire loan is still outstanding. The pre-construction period interest will be ₹_____
- (a) ₹ 60,000 (b) Nil
(c) ₹ 75,000 (d) ₹ 90,000

- (53) S took a loan of ₹8,00,000 on 1-4-2020 from a bank for construction of let out house. The loan carries an interest @ 12% p.a. The construction is completed on 31-03-2021. The entire loan is still outstanding on 31-03-2021. The pre-construction period interest will be ₹_____, assume not covered u/s 115BAC.
- (a) ₹96,000 (b) Nil
(c) ₹1,92,000 (d) ₹1,50,000
- (54) R took a loan of ₹8,00,000 on 1-4-2018 from a bank for construction of let out house. The loan carries an interest @ 12 % p.a. The construction is completed on 31-03-2020. The entire loan is still outstanding on 31-03-2021. The pre-construction period interest allowable in Assessment Year 2021-22 will be ----- . Assume covered u/s 115BAC.
- (a) ₹ 19,200 (b) ₹38,400
(c) ₹ 96,000 (d) ₹1,92,000
- (55) X took a loan of ₹8,00,000 on 1-4-2018 from a bank for construction of a let out house. The loan carries an interest @ 12 % p.a. The construction is completed on 31-03-2020. The entire loan is still outstanding on 31-03-2021. The total interest allowable in Assessment Year 2021-22 will be _____, assume not covered u/s 115BAC.
- (a) ₹ 1,15,200 (b) ₹ 1,34,400
(c) ₹ 96,000 (d) ₹ 1,92,000
- (56) When a house property is let-out throughout the year for a monthly rent of ₹22,000 and municipal tax paid for current year is ₹24,000 and for the earlier year paid now is ₹16,000, the income from house property would be -
- (a) ₹1,68,000 (b) ₹1,56,800
(c) ₹1,84,800 (d) ₹2,24,000
- (57) X is owner of house which has been let out at a monthly rent of ₹25,000. The fair rent of the house is ₹2,90,000 and standard rent is ₹2,60,000. The municipal value of house is ₹2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended 31-03-2021 are paid by the owner. The income from house property will be :
- (a) ₹1,90,400 (b) ₹1,76,400
(c) ₹1,62,400 (d) ₹2,72,000
- (58) S is owner of house which has been let out at a monthly rent of ₹30,000. The fair rent of the house is ₹2,90,000 and standard rent is ₹2,60,000. The municipal value of house is ₹2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended 31-03-2021 are paid by the owner. Interest on borrowed capital is ₹2,10,000 (outstanding). The income from house property will be
- (a) ₹2,32,400 (b) ₹22,400
(c) ₹1,62,400 (d) ₹32,400
- (59) G is owner of house which has been let out at a monthly rent of ₹20,000. The fair rent of the house is ₹2,90,000 and standard rent is ₹2,60,000. The municipal value of house is ₹2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended 31-03-2021 are paid by the owner. Interest on borrowed capital is ₹60,000 (outstanding). The income from house property will be
- (a) ₹1,02,400 (b) ₹1,62,400
(c) ₹88,400 (d) ₹1,48,400
- (60) In case of self-occupied property, statutory deduction under section 24(a) shall be :
- (a) Nil (b) ₹30,000
(c) ₹2,00,000 (d) ₹90,000
- (61) Under which of the following circumstances the income from house property is exempt from tax
- (a) Farm house (b) Trade Union
(c) One self occupied property (d) All of the above

- (62) If the respective shares of income of co-owners are not definite and ascertainable, the co-owners shall be assessed as:
- (a) AOP. (b) BOI
(c) Joint owners (d) Any of these
- (63) Who amongst the following is not a deemed owner?
- (a) An individual who transfers his house property otherwise than for adequate consideration to his or her spouse. (b) A member of a co-operative society, company or an AOP to whom a building or part thereof is allotted.
(c) The holder of impartible estate of an HUF. (d) None of the above.
- (64) Mr. Kamal had two children Sumit and Sushmita (married with Aman) of age 15 & 17 respectively and wife named Anu. In which of the following case he will not be considered as deemed owner?
- (a) Transfer of property to Anu. (b) Transfer of property to Sushmita.
(c) Transfer of property to Sumit. (d) None of the above.
- (65) What are the conditions to be fulfilled in order to claim exemption of unrealized rent?
- (a) The defaulting tenant is in occupation of any other property of the assessee. (b) Steps have been taken to compel him to vacate the property.
(c) The tenancy is bona fide. (d) Both (b) and (c)
- (66) The net annual value of house let-out is ₹ 1,00,000 and actual amount spent by the assessee on repairs and insurance premium is ₹ 20,000, the amount of deduction allowed under section 24(a) shall be ₹ -----
- (a) ₹ 20,000 (b) ₹ 30,000
(c) ₹ 25,000 (d) ₹ 22,000
- (67) X took a loan of ₹ 6,00,000 on 1-4-2018 from a bank for construction of let out house. The loan carries an interest @ 10% p.a. The construction is completed on 15-6-2021. The entire loan is still outstanding. Compute the interest allowable for the assessment year 2021-22.
- (a) ₹60,000 (b) ₹1,80,000
(c) ₹84,000 (d) ₹24,000
- (68) B had one self occupied house property in Mumbai for residence. Fair rent of that property is ₹56,000 per annum. Municipal valuation is ₹ 28,000. Municipal taxes paid are ₹5,000 including ₹1,000 for an earlier year. The house was constructed in December, 2008 with a loan of ₹12,00,000 from a bank taken in November, 2007. During the previous year 2020-21, the assessee refunded ₹2,30,000 which includes ₹2,18,000 as current year interest. Compute the income from house property for assessment year 2021-22. Assuming covered u/s 115BAC,
- (a) Loss of ₹ 30,000 (b) Loss of ₹ 2,18,000
(c) Nil (d) Loss of ₹ 2,00,000
- (69) Which out of the following is not a case of deemed ownership of house property?
- (a) Transfer to a spouse for inadequate consideration (b) Transfer to a minor child for inadequate consideration
(c) Holder of an impartible estate (d) Co-owner of a property
- (70) Jagdish, after sale of his house property during August, 2019, received arrears of rent amounting to ₹ 40,000 on 2nd February, 2021. The said income is chargeable to tax under the head -----and the taxable income would be ₹-----
- (a) Income from house property; ₹28,000 (b) Income from other Sources; ₹ 28,000
(c) Income from house property; ₹40,000 (d) Income from other sources; ₹40,000
- (71) Rakesh, after sale of his house property during August, 2019, received unrealised rent amounting to ₹80,000 on 2nd February, 2021. The said income is chargeable to tax under the head----- and the taxable income would be ₹-----

- (a) Income from house property; ₹ 56,000
(b) Income from other Sources; ₹ 56,000
(c), Income from house property; ₹ 80,000
(d) Income from other sources; ₹ 80,000
- (72) Sakshi received ₹ 30,000 as arrears of rent during the previous year 2020-21. The amount taxable under section 25A would be _____
(a) Nil
(b) ₹ 30,000
(c) ₹ 21,000
(d) ₹ 25,000
- (73) In case assessee is owner of more than one house which are self occupied by him, then at the option of the assessee:
(a) One house shall be treated as self occupied and the other house shall be deemed to let out.
(b) One house shall be treated as self occupied and the other house shall be deemed to be vacant.
(c) Both the houses shall be treated as deemed to be let out.
(d) Both the houses shall be treated as self occupied.
- (74) Rajeev owns a house property. Following are the details about the property :
Municipal value of house ₹ 72,000 per annum.
Fair rent of house ₹ 66,000 per annum.
Standard rent of house ₹ 60,000 per annum.
The house was let out at ₹ 6,000 per month but was sold on 1st January, 2021. Find out income from house property for the assessment year 2021-22.
(a) Nil
(b) ₹ 50,400
(c) ₹ 37,800
(d) ₹ 25,000
- (75) Mrs. Radha owns a house property which is let out @ ₹ 10,000 p.m. During the previous year ending 31st March 2021, she received -
(i) Arrears of rent of ₹ 30,000; and (ii) unrealised rent of ₹ 20,000.
Compute her income chargeable to tax under the head 'Income from House Property'.
(a) ₹ 84,000
(b) ₹ 1,04,000
(c) ₹ 1,25,000
(d) ₹ 1,19,000
- (76) Suresh let-out his house on 1st April, 2020 on rent of ₹ 15,000 p.m. The fair rent and the municipal value of house are ₹ 13,500 p.m. and ₹ 16,000 p.m. respectively. Municipal taxes paid for the year were ₹ 12,000. Income from house property for the assessment year 2021-22 will be -
(a) ₹ 1,26,000
(b) ₹ 1,76,000
(c) ₹ 1,05,000
(d) None of the above.
- (77) Ms. Ruby let out a property for ₹ 20,000 per month during the year 2020-21. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid ₹ 60,000 as municipal tax which included arrears of municipal tax of ₹ 45,000. Her income from house property is -
(a) ₹ 1,80,000
(b) ₹ 1,57,500
(c) ₹ 1,26,000
(d) ₹ 1,36,500
- (78) Naresh owns two house properties. First property was used half for running his business and the other half was let-out at ₹ 4,000 per month. The second property was wholly used as a residence by Naresh. Municipal value of the two properties were the same at ₹ 72,000 each per annum and local taxes @ 10%. Naresh's income from house property for the previous year 2020-21 will be -
(a) ₹ 33,600
(b) ₹ 31,080
(c) ₹ 28,560
(d) ₹ 62,160.

- (79) Y is the owner of a commercial property let out at ₹ 20,000 p.m. The municipal tax on the property is ₹ 25,000 annually, 50% of which is payable by the tenant. This tax was actually paid on 15-04-2021. He had borrowed a sum of ₹ 10 lacs from his cousin, resident in U.S.A. (in dollars) for the construction of the property on which interest @ 10% is payable. He has also received arrears of rent of ₹ 20,000 during the year, which was not charged to tax in the earlier years. What is the property income of X for assessment year 2021-22 ?
- (a) ₹ 82,000 (b) ₹ 73,250
(c) ₹ 83,625 (d) ₹ 88,000
- (80) During the financial year 2020-21, Mr. A received a sum of ₹ 1,80,000 (₹ 60,000 p.a.) by way of enhancement for the last three years as the Government department (tenant) enhanced the rate of rent with retrospective effect. The sum of ₹ _____ be taxable in the assessment year 2021-22
- (a) ₹ 1,80,000 (b) ₹ 1,26,000
(c) ₹ 60,000 (d) ₹ 42,000
- (81) X, an American national, is resident in India during the PY ending on 31-3-2021. He was the owner of a building located in New York. The same was on rent @ US \$12,500 p.m. The Municipal Corporation of New York was paid taxes on such building of US \$ 10,000 on 12-2-2021. The value of one US \$ in Indian rupee remained at ₹ 60 throughout the year. X wants to know his taxable income for house property for assessment year 2021-22.
- (a) ₹58,80,000 (b) ₹ NIL
(c) ₹ 63,00,000 (d) ₹ 90,00,000
- (82) When share of each co-owner in a house property is not definite, the income from such property shall be -
- (a) Taxed equally (b) Exempt from tax
(c) Taxed as association of persons (d) Taxed as body of individuals.

ANSWER KEY

1.B	2.B	3.B	4.B	5.C	6.C	7.A	8.A	9.B	10.D
11.D	12.A	13.A	14.B	15.D	16.A	17.D	18.B	19.C	20.C
21.D	22.C	23.D	24.D	25.A	26.B	27.B	28.B	29.B	30.D
31.C	32.B	33.A	34.C	35.D	36.C	37.C	38.C	39.A	40.A
41.C	42.C	43.B	44.B	45.C	46.C	47.A	48.D	49.A	50.B
51.A	52.A	53.B	54.A	55.A	56.B	57.A	58.B	59.A	60.A
61.D	62.A	63.D	64.B	65.D	66.B	67.C	68.C	69.D	70.A
71.A	72.C	73.A	74.C	75.D	76.A	77.C	78.B	79.A	80.B
81.A	82.C								

QUESTIONS FOR PRACTICE

Question 1: Following are the particulars of house properties of Mr. Sanjay for previous year 2020-21, Compute his income from house properties assuming he has opted for Sec 115BAC.

	House A	House B
Annual Rental Value	36,000	24,000
Municipal Valuation	30,000	24,000
Municipal tax	2,500	1,200
Actual Repairs Expenses	1,500	2,500
Interest on money borrowed to renovate the building	3,200	--
Insurance premium	400	275
Ground rent	250	150
Vacancy period	3 months	--
Rent collection charges	1,000	600

Both the above houses were let out for residential purpose. Insurance premium of House A and ground rent of house B are still outstanding. Repairs expenses of the house A and the municipal tax of house B were paid by the tenants.

Solution :

	House-A (let out) ₹	House B (let out) ₹
Annual Rental value	27,000	24,000
Municipal Tax	<u>2,500</u>	<u>--</u>
Net Annual Value	24,500	24,000
Less: Deduction u/s 24		
(a) Statutory deduction @ 30%	7,350	7,200
(b) Interest on money borrowed	<u>3,200</u>	<u>--</u>
Income from house property	<u>13,950</u>	<u>16,800</u>

Aggregate income from house A and house B (₹ 13,950 + ₹ 16,800) = ₹ 30,750

Gross annual value of house A has been determined after deduction of rent of vacancy period.

Question 2: Three brothers Suresh, Ramesh and Ganesh having equal share are co-owners of a house property consisting of six identical units, the property was constructed on 31st May, 2014. Each of them occupies one unit for his residence and the other three units are let out at a rent of ₹5,000 per month per unit. The municipal value of the house property is ₹3,00,000 and the Municipal taxes are 20% of such Municipal Value, which were paid during the year.

The other expenses were as follows.

	₹
(i) Repairs	20,000
(ii) Collection charges	5,000
(iii) Insurance premium (paid)	11,000
(iv) Interest payable on loan taken for construction of house	1,20,000

One of the let out units remained vacant for three months during the year. Suresh could not occupy his units for six months as he was transferred to Mumbai. He does not own any other house. The other income of Suresh, Ramesh and Ganesh are ₹60,000; ₹80,000; and ₹70,000 respectively.

Compute the income under the head “Income from House property” and the total income of three brothers assuming none of them have opted for Sec 115BAC

Solution :**Let out property (50% i.e. 3 units)**

	₹	₹
Gross annual value		
(a) Municipal value (50% of ₹ 3,00,000)	1,50,000	
(b) Actual rent (5,000 X 12 X 3) 1,80,000 – 15,000 (Vacancy of one unit for 3 months)	1,65,000	1,65,000
Less: Municipal taxes paid (50% of ₹ 1,20,000)		<u>30,000</u>
		1,35,000
Net annual value		
Less: Deduction u/s 24		
(a) Statutory deduction @ 30%	40,500	
(b) Interest on Loan (50%)	<u>60,000</u>	<u>1,00,500</u>
Income from let out property		<u>34,500</u>

Therefore, share of each co-owner is $1/3^{\text{rd}}$ of 34,500 : 11,500

Self occupied property

	Suresh (₹)	Ramesh (₹)	Ganesh (₹)
Annual value	Nil	Nil	Nil
Less: Deduction u/s 24 (b)			
Interest on loan (₹ 60,000 / 3 = 20,000)			
Restricted to maximum ₹ 30,000 for each co-owner	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Income from self occupied property	<u>-20,000</u>	<u>-20,000</u>	<u>-20,000</u>

Computation of the Total Income of the three brothers

	Suresh (₹)	Ramesh (₹)	Ganesh (₹)
Income from house property			
Let out portion	11,500	11,500	11,500
Self occupied portion	<u>-20,000</u>	<u>-20,000</u>	<u>-20,000</u>
Net Income from house property	- 8,500	- 8,500	- 8,500
Other Income	<u>60,000</u>	<u>80,000</u>	<u>70,000</u>
Total Income	<u>51,500</u>	<u>71,500</u>	<u>61,500</u>

Question 3: X owns a house property. It is used by him throughout the previous year for his (and his family member) residence. Municipal value of the property is ₹2,65,000, whereas fair rent is ₹2,76,000 and standard rent is ₹2,50,000.

The following expenses are incurred by X: repairs : ₹25,000, municipal tax : ₹15,000, insurance : ₹2,500; interest on capital borrowed to construct the property : ₹1,45,000; interest on capital borrowed by mortgaging the property for daughter’s marriage: ₹25,000. Income of X from business is ₹5,10,000.

Find out the net income of X assuming he has not opted for Sec 115BAC

TAX BY SG**INCOME UNDER HEAD HOUSE PROPERTY****Solution :**

	₹
Gross annual value	Nil
Less : Municipal tax	Nil
Net annual value	Nil
Less ;Interest on borrowed capital (maximum : ₹ 30,000)	- 30,000
Property income	- 30,000
Business income	<u>5,10,000</u>
Net Income	<u>4,80,000</u>

Question 4: Kamal has a house property in Delhi whose particulars are as under:

	₹
Municipal value	4,00,000
Standard rent	4,50,000
Municipal taxes paid	50,000
Interest on Money borrowed for acquiring the house after 1-4-2014	1,60,000
Period of occupation for own residence	2 months
Actual rent for 10 months	45,000 p.m.

Compute the income from house property assuming he has opted for Sec 115BAC.

Solution:

Computation of income from house property

Gross annual value shall be higher of following two

(a) Expected rent (Municipal value ₹ 4,00,000 or FRV

₹ 5,40,000 whichever is higher i.e. ₹ 5,40,000 but

restricted to standard rent i.e. ₹ 4,50,000)

4,50,000

(b) Actual rent received or receivable (45,000 X 10)

4,50,000

4,50,000

Less: Municipal taxes paid

50,000

Net annual value

4,00,000

Less: Deduction u/s 24

(a) Statutory deduction @ 30%

1,20,000

(b) Interest on money borrowed for acquisition houses

1,60,000

2,80,000

Income from house property

1,20,000

Question 5: Manish owns a house property in Delhi which is let out for ₹15,000 p.m. The municipal value of which is ₹2,00,000 and municipal taxes were 20% of municipal valuation. He paid during the previous year municipal tax of 6 year which relate to past 5 years as well as for the current year. The other expenses of the property were as under :

	₹
Repair	8,000
Insurance premium	4,000
Interest for purchase of house	25,000
Ground rent due	4,000

Compute income of Manish from house property assuming he has opted for sec 115BAC.

Solution :

Gross Annual value higher of the following two

	₹	₹
(a) Expected rent	2,00,000	
(b) Actual rent received or receivable	<u>1,80,000</u>	
Therefore, gross annual value	2,00,000	
Less Municipal taxes paid		<u>2,40,000</u>
Net annual value		-40,000
Less Deduction u/s 24		
(a) Statutory deduction @ 30%		Nil
(b) Interest	<u>-25,000</u>	<u>-25,000</u>
Income from house property		<u>-65,000</u>

Question 6: X had claimed a deduction of ₹86,000 on account of unrealized rent pertaining to prior previous year and the same was allowed by the assessing Officer. On December 20, 2020 he recovers ₹6,000 from the defaulting tenant (expenses on recovery is ₹500) what will be the tax treatment ?

Solution: ₹6,000 – 30% i.e ₹4,200 recovered from the defaulting tenant is chargeable to tax as income under the head “Income from house property ” in the year of recovery (i.e., previous year 2020-21)

Actual Expenditure of ₹500 is not deductible.

₹4,200 is chargeable to tax as property income of the previous year 2020-21 even if X is not the owner of any house property.

UNSOLVED QUESTIONS FOR PRACTICE

Question 1 : Mr. Sharma owns a residential house property in Delhi. It has two equal residential units- unit 1 and unit 2. While Unit1 is self occupied by Mr. Sharma for residential purpose, unit2 is let out (Rent being 6,000 Pm, rent of 2 months could not be recovered). Municipal value of property is ₹1,30,000, Standard Rent is ₹1,25,000 and fair rent is ₹1,40,000. Municipal tax is imposed @ 12% which is paid by him. Other expenses for the Previous year being repairs: ₹250, Insurance: ₹600, interest on capital (borrowed during 2010) for construction the property: ₹63,000. Find out the Income of Mr. Sharma assuming he has not opted for Sec 115BAC. **[Ans : Loss of ₹ 23,210]**

Question 2 : Suresh owns a house property in Mumbai. From the particulars given below compute the income from house property for A/Y 21/22 assuming he has opted for Sec 115BAC.

Municipal Value	2,00,000
Fair Rent	2,52,000
Standard Rent	2,40,000
Actual Rent (per month)	23,000
Municipal taxes	20% of municipal value
Municipal taxes paid during the year	50% of tax levied
Expenses on repair	30,000
Insurance Premium	6,000

Suresh had borrowed a sum of ₹12,00,000 @ 10% pa on 01-07-2017 and the construction of the property was completed on 28-02-2019. **[Ans : 41,200]**

Question 3 : Arun is an employee of Y ltd working in Pune .He owns two residential houses. The first is in Delhi and was constructed on 31-12-2010. This has been let out on a rent of ₹3000 p.m to a company which has allotted the house to its employee.

The employee could not occupy the house for two months during previous year 20-21, although company had paid rent of full previous year 20-21. The Second house is in Pune which was constructed on 1-3-2020 and has been occupied by him for his own residence since then .He took a loan of ₹90,000 on 1-8-2018 @ 8% pa. for the purpose of construction of this house.

The entire loan is still outstanding.

The other details are as follows

	First House	Second House
Municipal Value	24,000	18,000
Municipal taxes	10% of municipal value	8% of municipal value
Expenses on Repair	1500	4500
Fire Insurance premium	500	1000
Ground Rent	250	650
Interest on Loan	-----	7200

The ground rent of the Delhi house and municipal tax & Land revenue of the Pune house are unpaid. Arun was transferred to Chennai on 1-12-2020 where he resides in a house at a monthly rent of ₹5,000 and his house at Pune was let out on same day on a rent of ₹2000 pm.

Compute House property Income of Arun assuming he is covered u/s 115BAC.

[Ans : 32,160]

Question 4 : Ramesh owns a House property (Municipal valuation : ₹1,45,000, Fair rent : ₹1,36,000, Standard rent : ₹1,24,000). It is let out throughout the previous year (rent being ₹8,000 per month upto November 15, 2020 and ₹14,000 per month thereafter). The Property is transferred by Ramesh to Suresh on January 31, 2021. Find out Gross annual Value of the property in hands of Ramesh & Suresh for Assessment year 21-22.

[Ans : 1,03,333, 28,000]

Question 5 : Laxman has a house property situated in Kolkata. From the following particulars, compute the Income from house property for assessment year 21-22 assuming he is covered u/s 115BAC.

Municipal Value	90,000
Fair Rent	1,10,000
Standard Rent	1,00,000

The House property was let out w.e.f 1-4-20 for the ₹8,000 pm, which was vacated by tenant on 30-09-20. It remained vacant for two months w.e.f 1-12-2020, it was let out for ₹11,000 Pm.

Municipal taxes paid	20% of Municipal Valuation
Insurance Premium Paid	₹6,000
Interest on money borrowed for purchase of house property	₹30,000

[Ans : 21,800]

Question 6 : Hari has two house property situated in Jaipur. Property A is self occupied for first Six month i.e. from 1-04-2020 to 30-09-2020 and w.e.f 1-10-2020, it is let out for ₹10,000 per month. Property B is let out w.e.f 1-4-2020 at rent of ₹12,000 pm and w.e.f 1-10-2020, it was self occupied as Hari shifted his residence from Property A to Property B.

The other details of the above two house Properties are as under:-

	Property A	Property B
Municipal taxes paid	30,000	24,000
Insurance Premium Paid	3,000	4,000
Interest on money borrowed for purchase of house property	35,000	40,000

Compute the Income from House property for A/y 21-22 assume he is covered u/s 115BAC. [Ans : 72,000]

Question 7 : Mr. Y constructed a house property in Mumbai consisting of two units on a Leasehold land. The Construction was completed on 30-06-2014 and its municipal valuation was at ₹80,000. He let out one of them for commercial purposes and was himself residing in the other. The self occupied portion was 2/5 of the house. Rent is fixed at ₹6000 Pm. His expenses relating to the property for the Previous Year 2020-21 are as under :-

Municipal taxes	6,000
Ground Rent	2,000
Fire Insurance	600
Interest on loan for Construction of house	30,000
Purchase of car	10,000

Compute the Income from House property assume he is not covered u/s 115BAC.

[Ans : 17,880]

Question 8 : X , a Chartered Accountant , has a House property situated in Delhi, which has 4 identical units, unit 1 was used by him for his professional purposes Unit 2 was let out for residential purpose at ₹5,000 pm, unit 3 & unit 4 were self occupied. Other Particulars are as under :

Date of Completion 31-01-2015

Municipal taxes Paid ₹20,000

Interest on Money borrowed for construction of House property : ₹60,000

Compute his Income under head House property assume he is not covered u/s 115BAC. [Ans : Loss 6,500]

Question 9 : Mr. A & B constructed their house on a piece of Land purchased by them at New Delhi. The built up area of each house was 1000 sq.ft. on ground floor and an equal area in the first floor. A started the construction on 01-04-2019 and completed on 31-03-2020. B started the construction on 01-04-2019 and completed the construction on 30-06-2020.

A occupied the entire house on 01-04-2020. B occupied the Ground floor on 01-07-2020 and let out the first floor for a rent of ₹15,000 Per month. However the tenant vacated the house on 31-12-2020 and B occupied entire house during the Period 01-01-2021 to 31-03-2021.

₹

Following are the other information :

1 Fair rental value of each unit (Ground floor/ First floor)	1,00,000
2 Municipal value of each unit (Ground floor/ First floor)	72,000
3 Municipal taxes paid by A	8,000

TAX BY SG**INCOME UNDER HEAD HOUSE PROPERTY**

4 Municipal taxes paid by B	8,000
5 Repair & Maintenance charges paid by A	28,000
6 Repair & Maintenance charges paid by B	30,000

A has availed the housing Loan of ₹ 20 Lacs @12% P.a on 01-04-2019. B has availed a housing loan of ₹12 Lacs @ 10% p.a on 01-07-2019. No repayment was made by either of them till 31-03-2021. Compute Income from House property for A and B for the previous year 2020-21 assuming

Case 1 : Both have not opted for Sec 115BAC

Case 2 : Both have opted for Sec 115BAC

Ans: [Case1 : Loss 2,00,000, loss 77,800] [Case2 : Nil, loss 6,900]

Question 10 : Mr Goel owns a house in Delhi construction of which was completed on 01-07-2013. Half portion is let out for residential purposes on a monthly rent of ₹8,000. However, this portion remained vacant for three Months (From 01-01-2021 to 31-03-2021) during previous year 2020-21. 1/4th portion is used by Mr.Goel for the purpose of his profession while the remaining 1/4th portion is used for his own residence for the full year. The other expenses regarding the house were:

	₹
1 Municipal Taxes	: 10,000
2 Repairs	: 5,000
3 Interest on Loan for renovation of house	: 40,000
4 Fire Insurance Premium	: 4,000

Compute the taxable "Income from House property" for assessment year 2021 -22 assuming he has not opted for Sec 115BAC. **[Ans :16,900]**

Question 11 : A owns a house property in Mumbai. 60% of the house property is self occupied for residence and 40% is let out on a monthly rent of ₹5,000. Let out portion was also self occupied from 01-10-2020 to 31-12-2020. However w.e.f 01-01-2021 entire house was Let out for ₹12,500 pm. The construction of the house property was completed on 31-12-2014. The following expenses were incurred for the above house property during the year ending 31-03-2021.

Municipal tax paid	₹
For Financial Year 2018-19	5000
For Financial Year 2019-20	10,000
For Financial Year 2020-21	15,000
Land Revenue due	6,000
Interest on money borrowed for construction of House property:	₹18,000

Compute Income under Head House property of A for Assessment year 21-22 assuming he has opted for Sec 115BAC. **[Ans : 66,000]**

Question 12 : X owns a house property at Mumbai, which is Let out for residential purpose, particulars of which are as follows:-

Rent for Period 01-04-2020 to 31-03-2021 : ₹96,000

It includes amount charged for different amenities

Water Charges: ₹8,000

Electric Charges: ₹24,200

Lift Charges: ₹12,000

TAX BY SG**INCOME UNDER HEAD HOUSE PROPERTY**

Security Charges: ₹11,000

Rent of one month could not be collected

Municipal tax paid by tenant : ₹ 3,000

Municipal Valuation : ₹ 36,000

Fair Rent : ₹ 38,000

Standard Rent : ₹ 39,000

Expenditure on Repair (met by tenant) : ₹ 2,000

X recovers of ₹ 8,000 on account of unrealized rent relating to p/y 2017/18 from the defaulting tenant (Expenditure on recovery of rent: ₹600) Compute Income from House property in hands of X for assessment year 21-22 assuming he has opted for Sec 115BAC. **[Ans : 32,200]**

Question 13 : Mr. X has a house property in Delhi which consists of two units. Unit A has 60% floor area, whereas unit B has 40% floor area. Unit A was self occupied by Mr. X for 8 months and w.e.f 1-12-20, it was let out for ₹10,000 p.m. Unit B was also meant for self occupation but it was also let out w.e.f 01-10-20 for ₹8,000 pm.

The other particulars of the house property were as under :

Municipal taxes paid : ₹40,000

Insurance Premium : ₹ 4,000

Interest on money borrowed : ₹20,000

Compute Income from House property for assessment year 21-22 assuming he has opted for Sec 115BAC. **[Ans : 1,03,200 [Unit A: 55,200, Unit B: 48,000]**

Question 14 : Krishan constructed a house property in old Delhi consisting of two units on a leasehold land. The construction was completed on 30-6-2015 and its municipal valuation was at ₹80,000. He let out one of them for commercial purpose and was himself residing in the other. The self-occupied portion was 2/5th of the house. Rent is fixed at ₹6,000 per month. His income from other sources is ₹25,000.

His expenses relating to the property for the previous year 2020-21 were as under:

	₹
Municipal taxes	6,000
Ground taxes	1,000
Fie Insurance	400
Collection charges	2,000
Interest on loan for	
(i) Construction of house	30,000
(ii) Purchase of car	20,000

Calculate his Total Income assuming he has not opted for Sec 115BAC. **[Ans : ₹ 42,880]**

Question 15 : Bachan is owner of a residential house whose construction was completed on 31-8-2014. It has been let out from 1-1-2015 for residential purpose. Its particulars for the financial year 2020-21 are given below:

	₹
(i) Municipal valuation	65,000
(ii) Expected fair rent (p.a)	72,000
(iii) Standard rent under the rent control Act (p.m)	7,000
(iv) Actual rent (p.m.)	7,000

TAX BY SG**INCOME UNDER HEAD HOUSE PROPERTY**

(v) Municipal taxes paid (including ₹5,000 paid by tenant)	20,000
(vi) Water/Sewerage benefits tax, levied by State Government paid under protest	5,000
(vii) Interest on loan taken for the construction of the house. The interest has been paid Outside India to a non-resident without deduction of tax at sources (non resident had agreed to pay income tax on such interest direct to the government)	15,000
(viii) Legal charges for the recovery of rent	4,000
(ix) Stamp duty and registration charges incurred in respect of lease agreement of house	2,000
(x) There is recovery of ₹10,000 from the defaulting tenant of unrealized rent belonging to previous year 2017-18 .	

Compute income from house property for the assessment year 2021-22 assuming he has opted for sec 115BAC. [Ans : 55,300]

Question 16 : Mr. Govind owns a house at kolkatta whose Municipal value is ₹60,000 and fair rent is ₹72,000 p.a. During the previous year 2020-21 the house was vacant from 1-4-2020 to 30-6-2020. It was let out for residential purpose on 1-7-2020 @ ₹7,500p.m.He makes the following expenditures in respect of the house property.

Municipal taxes : ₹18,000; Repairs ₹12,000; Fire Insurance premium ₹10,000; land revenue ₹4,000 and ground rate ₹4,000 were paid during the year.

A loan of ₹1,35,000 was taken on 1-4-2011 @ 10%p.a. for the construction of the house which was completed on 21-3-2016. Nothing was repaid on loan account so far. Find out his taxable income from house property for the assessment year 2021-22 assuming he has not opted for sec 115BAC.

[Ans : 21,150]