

CA Inter **INCOME** **TAX LAW**

Question for every concept



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CA|CMA Inter

INCOME-TAX LAW

May/September 2025 / January 2026

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CHAPTER 1

BASIC CONCEPTS, GENERAL TAX RATES, ALTERNATE TAX RATES SPECIAL TAX RATES

1. Mr. B grows sugarcane and uses the same for the purpose of manufacturing sugar in his factory. 30% of sugarcane produce is sold for ₹ 10 lakhs, and the cost of cultivation of such sugarcane is ₹ 5 lakhs. The cost of cultivation of the balance sugarcane (70%) is ₹ 14 lakhs and the market value of the same is ₹ 22 lakhs. After incurring ₹ 1.5 lakhs in the manufacturing process on the balance sugarcane, the sugar was sold for ₹ 25 lakhs. Compute B's business income and agricultural income. [SM]

Ans.

Computation of Business Income and Agriculture Income of Mr. B

Particulars	Business Income		Agricultural Income	
	(₹)	(₹)	(₹)	(₹)
Sale of Sugar				
Business income				
Sale Proceeds of sugar	25,00,000			
Less: Market value of sugar- cane (70%)	22,00,000			
Less: Manufacturing exp.	1,50,000			
	1,50,000			
Agricultural income				
Market value of sugarcane (70%)			22,00,000	
Less: Cost of cultivation			14,00,000	
				8,00,000
Sale of sugarcane				
Agricultural Income				
Sale proceeds of sugarcane (30%)			10,00,000	
Less: Cost of cultivation			5,00,000	
				5,00,000
				13,00,000

2. Mr. C manufactures latex from the rubber plants grown by him in India. These are then sold in the market for ₹ 30 lakhs. The cost of growing rubber plants is ₹ 10 lakhs and that of manufacturing latex is ₹ 8 lakhs. Compute his total income. [SM]

Ans.

The total income of Mr. C comprises of agricultural income and business income.
 Total profits from the sale of latex = ₹ 30 lakhs - ₹ 10 lakhs - ₹ 8 lakhs = ₹ 12 lakhs.
 Agricultural income = 65% of ₹ 12 lakhs = ₹ 7.8 lakhs
 Business income = 35% of ₹ 12 lakhs = ₹ 4.2 lakhs

3. Mr. X has a total income of ₹ 16,00,000 for P.Y.2024-25, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2025-26 under the default tax regime under section 115BAC. [SM]

Ans.

Computation of tax liability of Mr. X for A.Y. 2025-26

Tax liability:

First ₹ 3,00,000	- Nil	
Next ₹ 3,00,001 - ₹ 7,00,000	- @5% of ₹ 4,00,000	= ₹ 20,000
Next ₹ 7,00,001 - ₹ 10,00,000	- @10% of ₹ 3,00,000	= ₹ 30,000
Next ₹ 10,00,001 - ₹ 12,00,000	- @15% of ₹ 2,00,000	= ₹ 30,000
Next ₹ 12,00,001 - ₹ 15,00,000	- @20% of ₹ 3,00,000	= ₹ 60,000
Balance i.e., ₹ 16,00,000 minus ₹ 15,00,000	- @30% of ₹ 1,00,000	= ₹ 30,000

	= ₹ 1,70,000
Add: Health and Education cess@4%	= ₹ 6,800
	= ₹ 1,76,800

4. Mr. X has a total income of ₹ 16,00,000 for P.Y.2024-25, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2025-26 assuming his age is –

(a) 45 years
(b) 63 years
(c) 82 years

Assume that Mr. X has exercised the option to shift out/ opt out of the default tax regime [SM]

Ans.

(a) Computation of tax liability of Mr. X (aged 45 years)

Tax liability:

First	₹ 2,50,000	- Nil	
Next	₹ 2,50,001 – ₹ 5,00,000	- @5% of ₹ 2,50,000	= ₹ 12,500
Next	₹ 5,00,001 – ₹ 10,00,000	- @20% of ₹ 5,00,000	= ₹ 1,00,000
Balance i.e.,	₹ 16,00,000 minus ₹ 10,00,000-	@30% of ₹ 6,00,000	= ₹ 1,80,000
			= ₹ 2,92,500
Add: Health and Education cess@4%			= ₹ 11,700
			= ₹ 3,04,200

(b) Computation of tax liability of Mr. X (aged 63 years)

Tax liability:

First	₹ 3,00,000	- Nil	
Next	₹ 3,00,001 – ₹ 5,00,000	- @5% of ₹ 2,00,000	= ₹ 10,000
Next	₹ 5,00,001 – ₹ 10,00,000	- @20% of ₹ 5,00,000	= ₹ 1,00,000
Balance i.e.,	₹ 16,00,000 minus ₹ 10,00,000-	@30% of ₹ 6,00,000	= ₹ 1,80,000
			= ₹ 2,90,000
Add: Health and Education cess@4%			= ₹ 11,600
			= ₹ 3,01,600

(c) Computation of tax liability of Mr. X (aged 82 years)

Tax liability:

First	₹ 5,00,000	- Nil	
Next	₹ 5,00,001 – ₹ 10,00,000	- @ 20% of ₹ 5,00,000	= ₹ 1,00,000
Balance i.e.,	₹ 16,00,000 minus ₹ 10,00,000	- @ 30% of ₹ 6,00,000	= ₹ 1,80,000
			= ₹ 2,80,000
Add: Health and Education cess@4%			= ₹ 11,200
			= ₹ 2,91,200

5. Compute the tax liability of Mr. A (aged 42), having total income of ₹ 51 lakhs for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. A has exercised the option to shift out of section 115BAC. [SM]

Ans.

Computation of tax liability of Mr. A for the A.Y.2025-26

(A) Income-tax (including surcharge) computed on total income of ₹ 51,00,000

₹ 2,50,000 – ₹ 5,00,000 @5%	₹ 12,500	
₹ 5,00,001 – ₹ 10,00,000 @20%	₹ 1,00,000	
₹ 10,00,001 – ₹ 51,00,000 @30%	<u>₹ 12,30,000</u>	
Total	₹ 13,42,500	
Add: Surcharge @ 10%	₹ 1,34,250	₹ 14,76,750

(B) Income-tax computed on total income of ₹ 50 lakhs
(₹ 12,500 plus ₹ 1,00,000 plus ₹ 12,00,000) ₹ 13,12,500

(C) Total Income Less ₹ 50 lakhs	₹ 1,00,000
(D) Income-tax computed on total income of ₹ 50 lakhs plus the excess of total income over ₹ 50 lakhs (B +C)	₹ 14,12,500
(E) Tax liability: lower of (A) and (D)	₹ 14,12,500
Add: Health and education cess @4%	<u>₹ 56,500</u>
Tax liability (including cess)	₹ 14,69,000
(F) Marginal Relief (A - D)	₹ 64,250
Alternative method -	
(A) Income-tax (including surcharge) computed on total income of ₹ 51,00,000	
₹ 2,50,000 - ₹ 5,00,000@5%	₹ 12,500
₹ 5,00,001 - ₹ 10,00,000@20%	₹ 1,00,000
₹ 10,00,001 - ₹ 51,00,000@30%	₹ 12,30,000
Total	₹ 13,42,500
Add: Surcharge@10%	₹ 1,34,250
	₹ 14,76,750
(B) Income-tax computed on total income of ₹ 50 lakhs (₹ 12,500 plus ₹ 1,00,000 plus ₹ 12,00,000)	<u>₹ 13,12,500</u>
(C) Excess tax payable (A)-(B)	₹ 1,64,250
(D) Marginal Relief (₹ 1,64,250 - ₹ 1,00,000, being the amount of income in excess of ₹ 50,00,000)	₹ 64,250
(E) Tax liability (A)-(D)	₹ 14,12,500
Add: Health and education cess @4%	<u>₹ 56,500</u>
Tax liability (including cess)	₹ 14,69,000

6. Compute the tax liability of Mr. B (aged 51) under the default tax regime, having total income of ₹ 1,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. [SM]

Ans.

Computation of tax liability of Mr. B for the A.Y. 2025-26

(A) Income-tax (including surcharge) computed on total income of ₹ 1,01,00,000	
₹ 3,00,000 - ₹ 7,00,000@5%	₹ 20,000
₹ 7,00,001 - ₹ 10,00,000@10%	₹ 30,000
₹ 10,00,001 - ₹ 12,00,000@15%	₹ 30,000
₹ 12,00,001 - ₹ 15,00,000@20%	₹ 60,000
₹ 15,00,001 - ₹ 1,01,00,000@30%	<u>₹ 25,80,000</u>
Total	₹ 27,20,000
Add: Surcharge@15%	<u>₹ 4,08,000</u>
Tax liability without marginal relief	₹ 31,28,000
(B) Income-tax computed on total income of ₹ 1 crore (₹ 1,40,000 plus ₹ 25,50,000)	₹ 26,90,000
Add: Surcharge@10%	<u>₹ 2,69,000</u>
	₹ 29,59,000
(C) Total Income Less ₹ 1 crore	₹ 1,00,000
(D) Income-tax computed on total income of ₹ 1 crore plus the excess of total income over ₹ 1 crore (B +C)	₹ 30,59,000
(E) Tax liability: lower of (A) & (D)	₹ 30,59,000
Add: Health and education cess @4%	<u>₹ 1,22,360</u>

	Tax liability (including cess)	<u>₹31,81,360</u>
(F)	Marginal relief (A-D)	₹ 69,000
	Alternative method:	
(A)	Income-tax (including surcharge) computed on total income of ₹ 1,01,00,000	
	₹ 3,00,000 – ₹ 7,00,000@5%	₹ 20,000
	₹ 7,00,001 – ₹ 10,00,000@10%	₹ 30,000
	₹ 10,00,001 – ₹ 12,00,000@15%	₹ 30,000
	₹ 12,00,001 – ₹ 15,00,000@20%	₹ 60,000
	₹ 15,00,001 – ₹ 1,01,00,000@30%	<u>₹ 25,80,000</u>
	Total	₹ 27,20,000
	Add: Surcharge@15%	<u>₹ 4,08,000</u>
	Tax liability without marginal relief	₹ 31,28,000
(B)	Income-tax computed on total income of ₹ 1 crore (₹ 1,40,000 plus ₹ 25,50,000)	₹ 26,90,000
	Add: Surcharge@10%	<u>₹ 2,69,000</u>
		₹ 29,59,000
(C)	Total Income Less ₹ 1 crore	₹ 1,00,000
(D)	Income-tax computed on total income of ₹ 1 crore plus the excess of total income over ₹ 1 crore (B +C)	₹ 30,59,000
(E)	Tax liability: lower of (A) & (D)	₹ 30,59,000
	Add: Health and education cess @4%	<u>₹ 1,22,360</u>
	Tax liability (including cess)	<u>₹ 31,81,360</u>
(F)	Marginal relief (A-D)	₹ 69,000
	Alternative method:	
(A)	Income-tax (including surcharge) computed on total income of ₹ 1,01,00,000	
	₹ 3,00,000 – ₹ 7,00,000@5%	₹ 20,000
	₹ 7,00,001 – ₹ 10,00,000@10%	₹ 30,000
	₹ 10,00,001 – ₹ 12,00,000@15%	₹ 30,000
	₹ 12,00,001 – ₹ 15,00,000@20%	₹ 60,000
	₹ 15,00,001 – ₹ 1,01,00,000@30%	<u>₹ 25,80,000</u>
	Total	₹ 27,20,000
	Add: Surcharge @ 15%	<u>₹ 4,08,000</u>
		₹31,28,000
(B)	Income-tax computed on total income of ₹ 1 crore [(₹ 1,40,000 plus ₹ 25,50,000) plus surcharge@10%]	<u>₹ 29,59,000</u>
(C)	Excess tax payable (A)-(B)	₹ 1,69,000
(D)	Marginal Relief (₹ 1,69,000 – ₹ 1,00,000, being the amount of income in excess of ₹ 1,00,00,000)	₹ 69,000
(E)	Tax liability (A) - (D)	₹ 30,59,000
	Add: Health and education cess @4%	<u>₹ 1,22,360</u>
	Tax liability (including cess)	<u>₹ 31,81,360</u>

7. Compute the tax liability of Mr. C (aged 58), having total income of ₹ 2,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. C has exercised the option to shift out of section 115BAC. **[SM]**

Ans.	<p>Computation of tax liability of Mr. C for the A.Y. 2025-26</p> <p>(A) Income-tax (including surcharge) computed on total income of ₹ 2,01,00,000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">₹ 2,50,000 – ₹ 5,00,000 @ 5%</td> <td style="width: 20%; text-align: right;">₹ 12,500</td> <td style="width: 10%;"></td> </tr> <tr> <td>₹ 5,00,001 – ₹ 10,00,000 @ 20%</td> <td style="text-align: right;">₹ 1,00,000</td> <td></td> </tr> <tr> <td>₹ 10,00,001 – ₹ 2,01,00,000 @ 30%</td> <td style="text-align: right;"><u>₹ 57,30,000</u></td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">₹ 58,42,500</td> <td></td> </tr> <tr> <td>Add: Surcharge @ 25%</td> <td style="text-align: right;"><u>₹ 14,60,625</u></td> <td style="text-align: right;">₹ 73,03,125</td> </tr> </table> <p>(B) Income-tax computed on total income of ₹ 2 crore (₹ 12,500 plus ₹ 1,00,000 plus ₹ 57,00,000)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 20%; text-align: right;">₹ 58,12,500</td> <td style="width: 10%;"></td> </tr> <tr> <td>Add: Surcharge @ 15%</td> <td style="text-align: right;"><u>₹ 8,71,875</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">₹ 66,84,375</td> <td></td> </tr> </table> <p>(C) Total Income Less ₹ 2 crore</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 20%; text-align: right;">₹ 1,00,000</td> <td style="width: 10%;"></td> </tr> </table> <p>(D) Income-tax computed on total income of ₹ 2 crore plus the excess of total income over ₹ 2 crore (B + C)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 20%; text-align: right;">₹ 67,84,375</td> <td style="width: 10%;"></td> </tr> </table> <p>(E) Tax liability (A) or (D), whichever is lower</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 20%; text-align: right;">₹ 67,84,375</td> <td style="width: 10%;"></td> </tr> <tr> <td>Add: Health and education cess @ 4%</td> <td style="text-align: right;"><u>₹ 2,71,375</u></td> <td></td> </tr> <tr> <td>Tax liability (including cess)</td> <td style="text-align: right;">₹ 70,55,750</td> <td></td> </tr> </table> <p>(F) Marginal relief (A-D)</p> <table style="width: 100%; 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8.	<p>Compute the tax liability of Mr. D (aged 65) in a most beneficial manner. He is having total income of ₹ 5,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit and is the same under both tax regimes. [SM]</p>																																																																											
Ans.	<p>Computation of tax liability of Mr. D under default tax regime for the A.Y. 2025-26</p> <p>Income-tax (including surcharge) computed on total income of ₹ 5,01,00,000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">₹ 3,00,000 – ₹ 7,00,000 @ 5%</td> <td style="width: 20%; text-align: right;">₹ 20,000</td> <td style="width: 10%;"></td> </tr> <tr> <td>₹ 7,00,001 – ₹ 10,00,000 @ 10%</td> <td style="text-align: right;">₹ 30,000</td> <td></td> </tr> <tr> <td>₹ 10,00,001 – ₹ 12,00,000 @ 15%</td> <td style="text-align: right;">₹ 30,000</td> <td></td> </tr> </table>	₹ 3,00,000 – ₹ 7,00,000 @ 5%	₹ 20,000		₹ 7,00,001 – ₹ 10,00,000 @ 10%	₹ 30,000		₹ 10,00,001 – ₹ 12,00,000 @ 15%	₹ 30,000																																																																			
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₹ 12,00,001 – ₹ 15,00,000@20%	₹ 60,000	
₹ 15,00,001 – ₹ 5,01,00,000@30%	<u>₹ 1,45,80,000</u>	
Total	₹ 1,47,20,000	
Add: Surcharge@25%	<u>₹ 36,80,000</u>	
	₹ 1,84,00,000	
Add: Health and education cess @4%	<u>₹ 7,36,000</u>	
Tax liability	<u>₹ 1,91,36,000</u>	

Computation of tax liability of Mr. D under optional tax regime for the A.Y. 2025-26

(A) Income-tax (including surcharge) computed on total income of ₹ 5,01,00,000		
₹ 3,00,000 – ₹ 5,00,000 @ 5%	₹ 10,000	
₹ 5,00,001 – ₹ 10,00,000 @ 20%	₹ 1,00,000	
₹ 10,00,001 – ₹ 5,01,00,000@30%	<u>₹ 1,47,30,000</u>	
Total	₹ 1,48,40,000	
Add: Surcharge @ 37%	₹ 54,90,800	₹ 2,03,30,800
(B) Income-tax computed on total income of ₹ 5 crore (₹ 10,000 plus ₹ 1,00,000 plus ₹ 1,47,00,000)		₹ 1,48,10,000
Add: Surcharge@25%		<u>₹ 37,02,500</u>
		<u>₹ 1,85,12,500</u>
(C) Total Income Less ₹ 5 crore		₹ 1,00,000
(D) Income-tax computed on total income of ₹ 5 crore plus the excess of total income over ₹ 5 crore (B +C)		₹ 1,86,12,500
(E) Tax liability (A) or (D), whichever is lower		₹ 1,86,12,500
Add: Health and education cess@4%		<u>₹ 7,44,500</u>
Tax liability (including cess)		<u>₹ 1,93,57,000</u>
(F) Marginal Relief (A - D)		₹ 17,18,300

Alternative method

(A) Income-tax (including surcharge) computed on total income of ₹ 5,01,00,000		
₹ 3,00,000 – ₹ 5,00,000@5%	₹ 10,000	
₹ 5,00,001 – ₹ 10,00,000@20%	₹ 1,00,000	
₹ 10,00,001 – ₹ 5,01,00,000@30%	<u>₹ 1,47,30,000</u>	
Total	₹ 1,48,40,000	
Add: Surcharge @ 37%	<u>₹ 54,90,800</u>	₹ 2,03,30,800
(B) Income-tax computed on total income of ₹ 5 crore [(₹ 10,000 plus ₹ 1,00,000 plus ₹ 1,47,00,000) plus surcharge@25%]		<u>₹ 1,85,12,500</u>
(C) Excess tax payable (A)-(B)		₹ 18,18,300
(D) Marginal Relief (₹ 18,18,300 – ₹ 1,00,000, being the amount of income in excess of ₹ 5,00,00,000)		₹ 17,18,300
(E) Tax liability (A) - (D)		₹ 1,86,12,500
Add: Health and education cess @4%		<u>₹ 7,44,500</u>
Tax liability (including cess)		<u>₹ 1,93,57,000</u>

It is beneficial for Mr. D to pay tax under default tax regime under section 115BAC, since his tax liability would be lower by ₹ 2,21,000 (₹ 1,93,57,000 - ₹ 1,91,36,000).

9. Mr. Raghav aged 26 years and a resident in India, has a total income of ₹ 6,50,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2025-26 under default tax regime under section 115BAC. [SM]

Ans. (i) **Computation of tax liability of Mr. Raghav for A.Y. 2025-26**

Particulars	₹
Tax on total income of ₹ 6,50,000	
Tax@5%of ₹ 3,50,000	17,500
Less: Rebate u/s 87A (Lower of tax payable or ₹ 25,000)	17,500
Tax Liability	Nil

- (ii) If the total income of the resident individual is chargeable to tax under section 115BAC and the total income of such individual exceeds ₹ 7,00,000 and income-tax payable on such total income exceeds the amount by which the total income is in excess of ₹ 7,00,000, the rebate would be as follows.

Step 1 - Total income (-) ₹ 7 lakhs **(A)**

Step 2 - Compute income-tax liability on total income **(B)**

Step 3 - If $B > A$, rebate under section 87A would be a $B - A$.

The amount of rebate under section 87A shall not exceed the amount of income-tax (as computed before allowing such rebate) on the total income of the assessee.

10. Mr. Pawan aged 35 years and a resident in India, has a total income of ₹ 7,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2025-26 under default tax regime under section 115BAC. [SM]

Ans. **Computation of tax liability of Mr. Pawan for A.Y. 2025-26**

Particulars	₹	
Step 1: Total Income of ₹ 7,15,000 - ₹ 7,00,000	15,000	(A)
Step 2: Tax on total income of ₹ 7,15,000 Tax@10%of ₹ 15,000 + ₹ 20,000	21,500	(B)
Step 3: Since $B > A$, rebate u/s 87A would be $B - A$ [₹ 21,500 - ₹ 15,000]	6,500	
	15,000	
Add: HEC@4%	600	
Tax Liability	15,600	

Rebate to a resident individual paying tax under optional tax regime (normal provisions of the Act)

If total income of such individual **does not exceed ₹ 5,00,000**, the rebate shall be equal to the amount of income-tax payable on his total income for any assessment year or an amount of ₹ 12,500, whichever is less.

The amount of rebate under section 87A shall not exceed the amount of income- tax (as computed before allowing such rebate) on the total income of the assessee with which he is chargeable for any assessment year.

11. Mr. Piyush, aged 35 years and a resident in India, has a total income of ₹ 4,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2025-26 if he exercises the option to shift out of the default tax regime [SM]

Ans. **Computation of tax liability of Mr. Piyush for A.Y. 2025-26**

Particulars	₹
Tax on total income of ₹ 4,15,000	
Tax@5%of ₹ 1,65,000	8,250
Less: Rebate u/s 87A (Lower of tax payable or ₹ 12,500)	8,250
Tax Liability	Nil

- Rebate under section 87A is allowed from income-tax computed before adding Health and education cess on income-tax.
- Rebate under section 87A is, however, not available in respect of tax payable on long-term capital gains taxable u/s 112A.

12. Mr. X, a resident, has provided the following particulars of his income for the P.Y. 2024-25.

i. Income from salary (computed)	- ₹ 10,80,000
ii. Income from house property (computed)	- ₹ 2,50,000
iii. Agricultural income from a land in Jaipur	- ₹ 4,80,000
iv. Expenses incurred for earning agricultural income	- ₹ 1,70,000

Compute his tax liability for A.Y. 2025-26 assuming his age is -

- (a) 45 years
(b) 70 years

[SM]

Ans. (a) **Computation of tax liability (age 45 years)**

Computation of total income of Mr. X for the A.Y. 2025-26 under default tax regime under section 115BAC

For the purpose of partial integration of taxes, Mr. X has satisfied both the conditions i.e.

1. Net agricultural income exceeds ₹ 5,000 p.a., and
2. Non-agricultural income exceeds the basic exemption limit of ₹ 3,00,000.

His tax liability is computed in the following manner:

Particulars	₹	₹
Income from salary		10,80,000
Income from house property		2,50,000
Net agricultural income [₹ 4,80,000 - ₹ 1,70,000]	3,10,000	
Less: Exempt under section 10(1)	(3,10,000)	-
Gross Total Income		13,30,000
Less: Deductions under Chapter VI-A		-
Total Income		13,30,000

Step 1 : ₹ 13,30,000 + ₹ 3,10,000 = ₹ 16,40,000

Tax on ₹ 16,40,000 = ₹ 1,82,000

(i.e., 5% of ₹ 4,00,000 plus 10% of ₹ 3,00,000 plus 15% of ₹ 2,00,000 plus 20% of ₹ 3,00,000 plus 30% of ₹ 1,40,000)

Step 2 : ₹ 3,10,000 + ₹ 3,00,000 = ₹ 6,10,000

Tax on ₹ 6,10,000 = ₹ 15,500

(i.e. 5% of ₹ 3,10,000)

Step 3 : ₹ 1,82,000 - ₹ 15,500 = ₹ 1,66,500

Step 4 & 5 : Total tax payable = ₹ 1,66,500

= ₹ 1,66,500 + 4% of ₹ 1,66,500 = ₹ 1,73,160.

Computation of total income of Mr. X for the A.Y. 2025-26 under normal provisions of the Act

For the purpose of partial integration of taxes, Mr. X has satisfied both the conditions i.e.

1. Net agricultural income exceeds ₹ 5,000 p.a., and
2. Non-agricultural income exceeds the basic exemption limit of ₹ 2,50,000.

His tax liability is computed in the following manner:

Particulars	₹	₹
Income from salary		10,80,000

Income from house property		2,50,000
Net agricultural income [₹ 4,80,000 – ₹ 1,70,000]	3,10,000	
Less: Exempt under section 10(1)	(3,10,000)	
Gross Total Income		13,30,000
Less: Deductions under Chapter VI-A		
Total Income		13,30,000

Step 1	: ₹ 13,30,000 + ₹ 3,10,000	= ₹ 16,40,000
	Tax on ₹ 16,40,000	= ₹ 3,04,500
	(i.e., 5% of ₹ 2,50,000 plus 20% of ₹ 5,00,000 plus 30% of ₹ 6,40,000)	
Step 2	: ₹ 3,10,000 + ₹ 2,50,000	= ₹ 5,60,000
	Tax on ₹ 5,60,000	= ₹ 24,500
	(i.e. 5% of ₹ 2,50,000 plus 20% of ₹ 60,000)	
Step 3	: ₹ 3,04,500 – ₹ 24,500	= ₹ 2,80,000
Step 4 & 5	: Total tax payable	= ₹ 2,80,000
		= ₹ 2,80,000 + 4% of ₹ 2,80,000 = ₹ 2,91,200.

(b) Computation of tax liability (age 70 years)

Computation of total income of Mr. X for the A.Y. 2025-26 under default tax regime under section 115BAC

Tax liability of Mr. X would be same under default tax regime whether he is of age of 45 years of 70 years i.e., ₹ 1,73,160.

Computation of total income of Mr. X for the A.Y. 2025-26 under normal provisions of the Act

His tax liability is computed in the following manner:

Step 1	: ₹ 13,30,000 + ₹ 3,10,000	= ₹ 16,40,000
	Tax on ₹ 16,40,000	= ₹ 3,02,000
	(i.e., 5% of ₹ 2,00,000 plus 20% of ₹ 5,00,000 plus 30% of ₹ 6,40,000)	
Step 2	: ₹ 3,10,000 + ₹ 3,00,000	= ₹ 6,10,000
	Tax on ₹ 6,10,000	= ₹ 32,000
	(i.e. 5% of ₹ 2,00,000 plus 20% of ₹ 1,10,000)	
Step 3	: ₹ 3,02,000 – ₹ 32,000	= ₹ 2,70,000
Step 4 & 5	: Total tax payable	= ₹ 2,70,000
		= ₹ 2,70,000 + 4% of ₹ 2,70,000 = ₹ 2,80,800.

13. Who is an "Assessee"? Explain

[SM]

Ans. As per section 2(7), assessee means a person by whom any tax or any other sum of money is payable under the Income-tax Act, 1961.

In addition, the term includes –

- Every person in respect of whom any proceeding under the Act has been taken for the assessment of –
 - his income; or
 - the income of any other person in respect of which he is assessable; or
 - the loss sustained by him or by such other person; or
 - the amount of refund due to him or to such other person.
- Every person who is deemed to be an assessee under any provision of the Act;
- Every person who is deemed to be an assessee in default under any provision of the Act.

14.	State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year. [SM]
Ans.	<p>The income of an assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in a few cases, the income is taxed in the previous year in which it is earned. These exceptions have been made to protect the interests of revenue. The exceptions are as follows:</p> <p>(i) Where a ship, belonging to or chartered by a non-resident, carries passengers, livestock, mail or goods shipped at a port in India, the ship is allowed to leave the port only when the tax has been paid or satisfactory arrangement has been made for payment thereof. 7.5% of the freight paid or payable to the owner or the charterer or to any person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income which is charged to tax in the same year in which it is earned.</p> <p>(ii) Where it appears to the Assessing Officer that any individual may leave India during the current assessment year or shortly after its expiry and he has no present intention of returning to India, the total income of such individual for the period from the expiry of the respective previous year up to the probable date of his departure from India is chargeable to tax in that assessment year.</p> <p>(iii) If an AOP/BOI etc. is formed or established for a particular event or purpose and the Assessing Officer apprehends that the AOP/BOI is likely to be dissolved in the same year or in the next year, he can make assessment of the income up to the date of dissolution as income of the relevant assessment year.</p> <p>(iv) During the current assessment year, if it appears to the Assessing Officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act, the total income of such person for the period from the expiry of the previous year to the date, when the Assessing Officer commences proceedings under this section is chargeable to tax in that assessment year.</p> <p>(v) Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the previous year up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax in that assessment year.</p>
15.	Whether the income derived from saplings or seedlings grown in a nursery is taxable under the Income-tax Act, 1961? Examine. [SM]
Ans.	As per Explanation 3 to section 2(1A), income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income and exempt from tax, whether or not the basic operations were carried out on land.
16.	What is the difference between an Association of Persons and Body of Individuals? [SM]
Ans.	<p>In order to constitute an Association of Persons (AOP), persons must join for a common purpose or action and their object must be to produce income; it is not enough that the persons receive the income jointly.</p> <p>Body of Individuals denotes the status of persons like executors or trustees who merely receive the income jointly and who may be assessable in like manner and to the same extent as the beneficiaries individually. Thus, co-executors or co-trustees are assessable as a BOI as their title and interest are indivisible.</p> <p>The difference between an AOP and BOI is that in case of a BOI, only individuals can be the members, whereas in case of AOP, any person can be its member i.e. entities like company, firm etc. can be the member of AOP but not of BOI.</p> <p>In case of an AOP, members voluntarily come together with a common will for a common intention or purpose, whereas in case of BOI, such common will may or may not be present.</p>
17.	Mr. Sumit, a resident Indian, earns income of ₹ 15 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in India and ₹ 20 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in Malaysia during the A.Y.2025-26. What would be his business income, assuming he has no other business? [SM]

Ans.	<p>Since Mr. Sumit is a resident, his global income would be taxable in India. Income of ₹ 20 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in Malaysia would be his business income since it is from rubber plants grown outside India. 35% income from sale of rubber manufactured from latex obtained from rubber plants grown by him in India would be taxable as business income and balance 65% would be exempt as agricultural income.</p> <p>Business income = 35% of ₹ 15 lakhs + ₹ 20 lakhs = ₹ 25.25 lakhs</p>																																										
18.	<p>Mr. Raja, a resident Indian, earns income of ₹ 10 lakhs from sale of coffee grown and cured in India during the A.Y.2025-26. His friend, Mr. Shyam, a resident Indian, earns income of ₹ 20 lakhs from sale of coffee grown, cured, roasted and grounded by him in India during the A.Y.2025-26. What would be the business income chargeable to tax in India of Mr. Raja and Mr. Shyam? [SM]</p>																																										
Ans.	<p>In case of income derived from the sale of coffee grown and cured by the seller in India, 25% income on such sale is taxable as business income. In case of income derived from the sale of coffee grown, cured, roasted and grounded by the seller in India, 40% income on such sale is taxable as business income.</p> <p>Business income of Mr. Raja = 25% of ₹ 10 lakhs = ₹ 2.5 lakhs Business income of Mr. Shyam = 40% of ₹ 20 lakhs = ₹ 8 lakhs</p>																																										
19.	<p>Compute the tax liability under default tax regime of Mr. Kashyap (aged 35), having total income of ₹ 51,75,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit. [SM]</p>																																										
Ans.	<p style="text-align: center;">Computation of tax liability of Mr. Kashyap for the A.Y.2025-26 under default tax regime</p> <p>(A) Tax payable including surcharge on total income of ₹ 51,75,000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">₹ 3,00,000 – ₹ 7,00,000 @5%</td> <td style="width: 10%; text-align: right;">₹ 20,000</td> <td style="width: 10%;"></td> </tr> <tr> <td>₹ 7,00,001 – ₹ 10,00,000 @10%</td> <td style="text-align: right;">₹ 30,000</td> <td></td> </tr> <tr> <td>₹ 10,00,001 – ₹ 12,00,000 @15%</td> <td style="text-align: right;">₹ 30,000</td> <td></td> </tr> <tr> <td>₹ 12,00,001 – ₹ 15,00,000 @20%</td> <td style="text-align: right;">₹ 60,000</td> <td></td> </tr> <tr> <td>₹ 15,00,001 – ₹ 51,75,000 @30%</td> <td style="text-align: right;">₹ 11,02,500</td> <td></td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">₹ 12,42,500</td> </tr> <tr> <td>Add: Surcharge @ 10%</td> <td style="text-align: right;"><u>₹ 1,24,250</u></td> <td style="text-align: right;">₹ 13,66,750</td> </tr> </table> <p>(B) Tax Payable on total income of ₹ 50 lakhs (₹ 1,40,000 plus ₹ 10,50,000) ₹ 11,90,000</p> <p>(C) Total Income <i>Less</i> ₹ 50 lakhs ₹ 1,75,000</p> <p>(D) Tax payable on total income of ₹ 50 lakhs <i>plus</i> the excess of total income over ₹ 50 lakhs (B +C) ₹ 13,65,000</p> <p>(E) Tax payable: lower of (A) and (D) ₹ 13,65,000</p> <p><i>Add: Health and education cess @4%</i> <u>₹ 54,600</u></p> <p>Tax liability ₹ 14,19,600</p> <p>(F) Marginal Relief (A – D) ₹ 1,750</p> <p>Alternative method -</p> <p>(A) Tax payable including surcharge on total income of ₹ 51,75,000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">₹ 3,00,000 – ₹ 7,00,000 @5%</td> <td style="width: 10%; text-align: right;">₹ 20,000</td> <td style="width: 10%;"></td> </tr> <tr> <td>₹ 7,00,001 – ₹ 10,00,000 @10%</td> <td style="text-align: right;">₹ 30,000</td> <td></td> </tr> <tr> <td>₹ 10,00,001 – ₹ 12,00,000 @15%</td> <td style="text-align: right;">₹ 30,000</td> <td></td> </tr> <tr> <td>₹ 12,00,001 – ₹ 15,00,000 @20%</td> <td style="text-align: right;">₹ 60,000</td> <td></td> </tr> <tr> <td>₹ 15,00,001 – ₹ 51,75,000 @30%</td> <td style="text-align: right;">₹ 11,02,500</td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">₹ 12,42,500</td> <td></td> </tr> <tr> <td>Add: Surcharge@10%</td> <td style="text-align: right;"><u>₹ 1,24,250</u></td> <td style="text-align: right;">₹13,66,750</td> </tr> </table> <p>(B) Tax Payable on total income of ₹ 50 lakhs (₹ 1,40,000 plus ₹ 10,50,000) ₹ 11,90,000</p>	₹ 3,00,000 – ₹ 7,00,000 @5%	₹ 20,000		₹ 7,00,001 – ₹ 10,00,000 @10%	₹ 30,000		₹ 10,00,001 – ₹ 12,00,000 @15%	₹ 30,000		₹ 12,00,001 – ₹ 15,00,000 @20%	₹ 60,000		₹ 15,00,001 – ₹ 51,75,000 @30%	₹ 11,02,500		Total		₹ 12,42,500	Add: Surcharge @ 10%	<u>₹ 1,24,250</u>	₹ 13,66,750	₹ 3,00,000 – ₹ 7,00,000 @5%	₹ 20,000		₹ 7,00,001 – ₹ 10,00,000 @10%	₹ 30,000		₹ 10,00,001 – ₹ 12,00,000 @15%	₹ 30,000		₹ 12,00,001 – ₹ 15,00,000 @20%	₹ 60,000		₹ 15,00,001 – ₹ 51,75,000 @30%	₹ 11,02,500		Total	₹ 12,42,500		Add: Surcharge@10%	<u>₹ 1,24,250</u>	₹13,66,750
₹ 3,00,000 – ₹ 7,00,000 @5%	₹ 20,000																																										
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Total	₹ 12,42,500																																										
Add: Surcharge@10%	<u>₹ 1,24,250</u>	₹13,66,750																																									

(C) Excess tax payable (A)-(B)	₹ 1,76,750
(D) Marginal Relief (₹ 1,76,750 – ₹ 1,75,000, being the amount of income in excess of ₹ 50,00,000)	₹ 1,750
(E) Tax payable (A)-(D)	₹ 13,65,000
Add: Health and education cess @4%	<u>₹ 54,600</u>
Tax liability	₹ 14,19,600

20. Mr. Agarwal, aged 40 years and a resident in India, has a total income of ₹ 6,50,00,000, comprising long term capital gain taxable @20% under section 112 of ₹ 55,00,000, short term capital gain taxable @15% under section 111A of ₹ 65,00,000 and other income of ₹ 5,30,00,000. Compute his tax liability for A.Y.2025-26 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes. **[SM]**

Ans.

**Computation of tax liability of Mr. Agarwal for the A.Y.2025-26
under default tax regime**

Particulars	₹
<u>Tax on total income of ₹ 6,50,00,000</u>	
Tax@20% of ₹ 55,00,000	11,00,000
Tax@15% of ₹ 65,00,000	9,75,000
Tax on other income of ₹ 5,30,00,000	
₹ 3,00,000 – ₹ 7,00,000 @5%	20,000
₹ 7,00,000 – ₹ 10,00,000 @10%	30,000
₹ 10,00,000 – ₹ 12,00,000 @15%	30,000
₹ 12,00,000 – ₹ 15,00,000 @20%	60,000
₹ 15,00,000 – ₹ 5,30,00,000 @30%	1,54,50,000
	<u>1,76,65,000</u>
Add: Surcharge @15% on ₹ 20,75,000	3,11,250
@25% on ₹ 1,55,90,000	38,97,500
	2,18,73,750
Add: Health and education cess @4%	8,74,950
Tax Liability	2,27,48,700

**Computation of tax liability of Mr. Agarwal for the A.Y.2025-26
under normal provisions of the Act**

Particulars	₹
<u>Tax on total income of ₹ 6.50,00,000</u>	
Tax@20% of ₹ 55,00,000	11,00,000
Tax@15% of ₹ 65,00,000	9,75,000
Tax on other income of ₹ 5,30,00,000	
₹ 2,50,000 – ₹ 5,00,000 @5%	12,500
₹ 5,00,000 – ₹ 10,00,000 @20%	1,00,000
₹ 10,00,000 – ₹ 5,30,00,000 @30%	1,56,00,000
	1,77,87,500
Add: Surcharge @15% on ₹ 20,75,000	3,11,250
@37% on ₹ 1,57,12,500	58,13,625
	2,39,12,375
Add: Health and education cess @4%	9,56,495
Tax Liability	2,48,68,870

21. Mr. Sharma aged 62 years and a resident in India, has a total income of ₹ 2,30,00,000, comprising long term capital gain taxable @12.5% under section 112 of ₹ 52,00,000, short term capital gain taxable @20% under section 111A of ₹ 64,00,000 and other income of ₹ 1,14,00,000. Compute his tax liability for A.Y.2025-26 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes. [SM]

Ans.

Computation of tax liability of Mr. Sharma for the A.Y.2025-26 under default tax regime

Particulars	₹
Tax on total income of ₹ 2,30,00,000	
Tax@12.5% of ₹ 52,00,000	6,50,000
Tax@20% of ₹ 64,00,000	12,80,000
Tax on other income of ₹ 1,14,00,000	
₹ 3,00,000 – ₹ 7,00,000 @5%	20,000
₹ 7,00,000 – ₹ 10,00,000 @10%	30,000
₹ 10,00,000 – ₹ 12,00,000 @15%	30,000
₹ 12,00,000 – ₹ 15,00,000 @20%	60,000
₹ 15,00,000 – ₹ 1,14,00,000 @30%	29,70,000
	50,40,000
Add: Surcharge @15%	7,56,000
	57,96,000
Add: Health and education cess @4%	2,31,840
Tax Liability	60,27,840

Computation of tax liability of Mr. Sharma for the A.Y.2025-26 under normal provisions of the Act

Particulars	₹
Tax on total income of ₹ 2,30,00,000	
Tax@12.5% of ₹ 52,00,000	6,50,000
Tax@20% of ₹ 64,00,000	12,80,000
Tax on other income of ₹ 1,14,00,000	
₹ 3,00,000 – ₹ 5,00,000 @5%	10,000
₹ 5,00,000 – ₹ 10,00,000 @20%	1,00,000
₹ 10,00,000 – ₹ 1,14,00,000 @30%	31,20,000
	32,30,000
Add: Surcharge @15%	7,74,000
	59,34,000
Add: Health and education cess @4%	2,37,360
Tax Liability	61,71,360

22. Compute the tax liability of Ms. Kajal for A.Y. 2025-26, a female resident aged 40 years, where her total income is ₹2,00,50,000 comprising of business income. Ms. Kajal opts for the provisions of section 115BAC. (MTP April 22)

Ans.

Computation of tax liability of Ms. Kajal under section 115BAC for the A.Y.2024-25

	Particulars	₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,00,50,000		
	Up to ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
	₹ ₹ 3,00,000 – ₹ 7,00,000 [₹ 4,00,000 @ 5%] 20,000	20,000	

	₹ 7,00,001 – ₹ 10,00,000 [₹ 3,00,000 @ 10%]	30,000	
	₹ 10,00,001 – ₹ 12,00,000 [₹ 2,00,000 @ 15%]	30,000	
	₹ 12,00,001 – ₹ 15,00,000 [₹ 3,00,000 @ 20%]	60,000	
	Above ₹ 15,00,000 @30%	55,65,000	
	Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	57,05,000	
		14,26,250	71,31,250
(B)	Tax payable on total income of ₹ 2 crore [(₹ 20,000 plus ₹ 30,000 plus ₹ 30,000 plus ₹ 60,000 plus ₹ 62,500 plus ₹ 55,50,000) plus surcharge @15%]		65,43,500
(C)	Excess tax payable (A)-(B)		5,87,750
(D)	Marginal Relief (₹ 58,77,50 – ₹ 50,000, being the amount of income in excess of ₹ 2,00,00,000)		5,37,750
(E)	Tax payable before cess (A – D)		65,93,500
	Add: Health and education cess @4%		2,63,740
	Tax payable		68,57,240

23.

Miss Deepika, a citizen of India, got married to Mr. John of Australia and left India for the first time on 20.8.2024. She has not visited India again during the P.Y. 2024-25. She has derived the following income for the year ended 31-3-2025:

	Particulars	₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka	2,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iv)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Deepika and compute the business income and agricultural income of Miss. Deepika for the Assessment Year 2025-26. **(MTP Oct'20)**

Ans.

Miss Deepika is said to be resident if she satisfies any one of the following basic conditions:

(i) Has been in India during the previous year for a total period of 182 days or more

(or)

(ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Deepak's stay in India during the P.Y.2024-25 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2024-25 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to P.Y.2023-24 would be more than 365 days. Hence, she is a resident for P.Y.2023-24.

Further, Miss Deepika would be "Resident and ordinarily resident" in India in during the previous year 2024-25, since her stay in India in the last seven previous years prior to P.Y.2024-25 is more than 730 days and she must be resident in the preceding ten years.

Computation of business income and agricultural income of Miss Deepika for A.Y. 2025-26

	Particulars	Income	Business Income	Agricultural Income
			₹	₹
(I)	Income from sale of centrifuged latex processed from			

	rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka (Apportioned between business and agricultural income in the ratio of 25:75, as per Rule 7B (1) of the Income-tax Rules, 1962)	2,00,000	50,000	1,50,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai [See Note 1 below]	5,00,000	5,00,000	-
(iv)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land [See Note 2 below]	2,00,000	-	2,00,000
		22,50,000	10,82,500	11,67,500

Notes:

- (1) Since MS Deepika is resident and ordinarily resident in India for A.Y. 2025-26, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.
- (2) As per Explanation 3 to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of ₹2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.

- 24.** Examine with reasons whether the following receipts are taxable or not under the provisions of Income-tax Act, 1961.
- Mr. Akash received a sum of ₹ 3,00,000 as compensation from “Sahayata Foundation” towards the loss of property on account of Flood Disaster at Chennai.
 - Rent of ₹ 60,000 received for letting out agricultural land for a movie shooting.
 - Dividend of ₹ 17 lakhs received by Mr. Yatin during P.Y. 2024-25 from A Ltd., a domestic company.
 - Agricultural income of ₹ 1,30,000 of Mr. Sunil from a land situated in Canada. **(RTP May '18)**

Ans.

Taxability of receipts under the provisions of Income-tax Act, 1961

	Taxable/Not taxable	Reason
(a)	Taxable	As per section 10(10BC), any amount received or receivable by an individual as compensation, on account of any disaster, from the Central Government, State Government or a local authority is exempt from tax, to the extent the individual has not been allowed deduction under any other provision of Income-tax Act, 1961 on account of any loss or damage caused by such disaster. However, in this case, since Mr., Akash has received a compensation of ₹ 3,00,000 from Sahayata Foundation, and not from the Central Government or State Government or local authority, no exemption will be available under section 10(10BC) and the same is chargeable to tax.
(b)	Taxable	Agricultural income is exempt from income-tax as per section 10(1). Agriculture income means, inter alia, any rent or revenue derived from land which is situated in India and is used for agricultural purposes. In this case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. In effect, the land is not being put to use

		for agricultural purposes. Therefore, ₹ 60,000, being rent received from letting out agricultural land for movie shooting, is not exempt under section 10(1) and the same is chargeable to tax.
		As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assesses. Interest Income incurred to earn such income will be allowed as a deduction but only up to 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.
(d)	Taxable	Agricultural income from a land situated in any foreign country is not exempt under section 10(1) and hence, is chargeable to tax. Therefore, in this case, agricultural income of ₹ 1,30,000 of Mr. Sunil from land situated in Canada is taxable.

25. Mr. Charan grows paddy and uses the same for the purpose of manufacturing of rice in his own Rice Mill. He furnished the following details for the financial year 2024-25:
- Cost of cultivation of 40% of paddy produce is ₹ 9,00,000 which is sold for ₹ 18,50,000.
 - Cost of cultivation of balance 60% of paddy is ₹ 14,40,000 and the market value of such paddy is ₹ 28,60,000.
 - Incurred ₹ 3,60,000 in the manufacturing process of rice on the balance (60%) paddy. The rice was sold for ₹ 38,00,000.
- Compute the Business income and Agricultural Income of Mr. Charan for A.Y. 2025-26. (RTP Nov '18)

Ans. **Computation of Business Income and Agriculture Income of Mr. Charan for A.Y. 2025-26**

Particulars	Business Income	Agricultural Income	
	₹	₹	₹
Sale of Rice			
Business income			
Sale Proceeds of Rice	38,00,000		
Less: Market Value of paddy (60%)	28,60,000		
Less: Manufacturing expenses	3,60,000		
	5,80,000		
Agricultural Income			
Market value of paddy (60%)		28,60,000	
Less: Cost of cultivation		14,40,000	
			14,20,000
Sale of Paddy			
Agricultural Income			
Sale proceeds of paddy produce (40%)		18,50,000	
Less: Cost of cultivation		9,00,000	
			9,50,000
			23,70,000

26. Explain with brief reasons, whether the following income can be regarded as agricultural income, as per the provisions of the Income-tax Act, 1961:
- (i) Rent received for letting out agricultural land for a movie shooting.
 - (ii) Income from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assessee.
- (RTP Nov '20)

- Ans. i) Rent received for letting out agricultural land for a movie shooting:
As per section 2(1A), "agricultural income" means, inter alia,
- any rent or revenue derived from land

	<ul style="list-style-type: none"> • which is situated in India and is used for agricultural purposes. <p>In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose and hence, it does not constitute agricultural income.</p> <p>ii) Income from sale of seedlings in a nursery: As per Explanation 3 to section 2(1A), income derived from saplings or seedlings grown in a nursery is deemed to be agricultural income, whether or not the basic operations were carried out on land. Therefore, the amount received from sale of seedlings in a nursery adjacent to the agricultural lands owned by the assessee constitutes agricultural income.</p>
27.	<p>Mr. X a resident, aged 56 years, till recently was a successful businessman filing his return of incomes regularly and promptly ever since he obtained PAN card. During the COVID- Pandemic period his business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1st January, 2024 he decided to wind-up his business which he also promptly intimated to the jurisdictional Assessing Officer about the closure of his business.</p> <p>The Assessing Officer sent him a notice to tax income of A.Y. 2024-25 during the A.Y. 2023-24 itself. Does the Assessing Officer have the power to do so? Are there any exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year"? (PYP Nov '22)</p>
Ans.	<p>Yes, he has the power to do so.</p> <p>Since the business of Mr. X is discontinued on 1st January, 2024, the income of the period from 1.4.2023 to 1.1.2024 may, at the discretion of the Assessing Officer, be charged to tax in A.Y.2024-25 itself.</p> <p>Following are the other exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year" i.e., the income of the previous year is assessed in the previous year itself.</p> <p>(i) Shipping business of non-resident (ii) Persons leaving India with no present intention of returning (iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose and likely to be dissolved (iv) Persons likely to transfer property to avoid tax.</p>
28.	<p>The assessee is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2024 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue. (PYP May'22)</p>
Ans.	<p>As per section 69B, if the assessee is found to be the owner of gold (market value of which is ₹ 50 lakhs) during the financial year ending 31.3.2024 but he has recorded to have spent only ₹ 10 lakhs in acquiring it, the Assessing Officer can add the difference of the market value of such gold and ₹ 10 lakhs i.e., ₹ 40 lakhs as the income of the assessee for A.Y.2024-25, if the assessee offers no satisfactory explanation thereof.</p> <p>Such income would be chargeable to tax@78% (@60% plus surcharge @25% and cess @4%).</p>
29.	<p>Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:</p> <p>Cash credit of ₹ 1,50,000 were traced in the books of accounts of Mr. Yogesh for which no explanation about its source was provided. Such income is taxable @30% under section 115BB in the hands of Yogesh. (RTP Nov '23)</p>
Ans.	<p>The statement is incorrect.</p> <p>Unexplained cash credit is taxable @60%plus surcharge @25% plus cess @4% under section 115BBE.</p>
30.	<p>Discuss the taxability of the following transactions giving reasons, in the light of relevant provisions, for your conclusion. Attempt any two out of the following three parts:</p> <p>(i) Mr. Rajpal took a land on rent from Ms. Shilpa on monthly rent of ₹ 10,000. He sub- lets the land to Mr. Manish for a monthly rent of ₹ 11,500. Manish uses the land for grazing of cattle required for agricultural activities. Mr. Rajpal wants to claim deduction of ₹ 10,000 (being rent paid by him to Ms. Shilpa) from the rental income received by Prakshal Shah 8779794646 it from Mr. Manish.</p> <p>(ii) Mr. Netram grows paddy on land. He then employs mechanical operations on grain to make it fit for sale in the market, like removing hay and chaff from the grain, filtering the grain and finally packing the rice in gunny bags. He claims that entire income earned by him from sale of rice is agricultural income not liable to income- tax since paddy as grown on land is not fit for sale in its original form (PYP Jan'21)</p>

- Ans.**
- (i) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income under section 2(1A) (a). Therefore, rent received from sub-letting of the land used for grazing of cattle required for agriculture activities is agricultural income. The rent can either be received by the owner of the land or by the original tenant from the sub-tenant. Accordingly, rent received by Mr. Rajpal from Mr. Manish for using land for grazing of cattle required for agricultural activities is agricultural income exempt u/s 10(1). As per section 14A, no deduction is allowable in respect of exempt income.
- (ii) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income under section 2(1A) (b)(ii). The process of making the rice ready from paddy for the market may involve manual operations or mechanical operations, both of which constitute processes ordinarily employed to make the product fit for the market.
- Accordingly, the entire income earned by Mr. Netram from sale of rice is agricultural income.

31. Mr. Jay is having total income of ₹ 6,90,000 during the P.Y. 2024-25 consisting of Income from business of ₹ 40,000, lottery winnings (gross) ₹ 5,60,000, income by way of salary (computed) ₹ 1,20,000 and loss from house property ₹ 30,000. Compute his tax liability and advance tax obligations for A.Y. 2025-26. [Assume he opt out of / 115 AC] **(MTP Oct'21)**

Ans. **Computation of tax liability and advance tax obligations of Mr. Jay for A.Y. 2025-26**

Particulars	₹	₹
Income from salary (computed)	1,20,000	
Less: Set-off loss from house property	(30,000)	90,000
Loss form house property	30,000	
Less: Set-off against salary income	(30,000)	-
Income from business		40,000
Lottery winning		5,60,000
Total Income		6,90,000
Tax liability		
Tax @30% on lottery income		1,68,000
Tax on other income of ₹ 1,30,000 (Nil, since it does not exceed the basic exemption limit of ₹ 2,50,000)		-
		1,68,000
Add: Health and education cess@4%		6,720
Total tax liability		1,74,720
Less: TDS on lottery income under section 194B		1,68,000
Net tax payable		6,720
Since tax payable for the P.Y. 2023-24 is less than ₹ 10,000, Mr. Jay is not liable to pay advance tax.		

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NOTES

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