TEST 2
(Sec 115BAC)
Time : 30 minutes   Total Marks : 20

Question 1 : Mr. Y is employed in Central Government.

Basic Pay per month	₹1,00,000
House Rent allowance per month	₹20,000
Entertainment allowance received per month	₹1,000

Employer allowed him leave travel concession from Delhi to Goa and paid ₹7,000 per ticket for 4 members of family including Mr. Y but economy class fare is ₹3,000 per ticket.

He has one house which is self-occupied. He has taken loan of ₹35,00,000 @ 12% p.a. from State Bank on 01-05-2022 for purchase of this house. He has deposited the certificate of interest. He invested ₹1,00,000 in NSC and paid ₹20,000 medi-claim premium by cheque. Donated ₹40,000 to PMCARES Funds by cheque.

Compute his tax liability in the following situations

    (i) Opted out of section 115BAC

    (ii) Not Opted out of section 115BAC   **8 Marks**

Question 2 : Mr. Y has income under the business profession 20,00,000 but no adjustment has been made for the followings:
1. Donation given ₹2,00,000 to approved scientific research association.
2. Unabsorbed depreciation of earlier years ₹1,75,000
3. Unabsorbed depreciation relating to additional depreciation of earlier year ₹1,40,000
4. Brought Forward loss of house property ₹3,00,000 of A.Y. 2023-24. His minor son has interest income ₹1,00,000

He has invested ₹40,000 in PPF.

Compute his tax liability in the following situations

    (i) opted out of Sec 115BAC

    (ii) Not Opted for section 115BAC   **8 Marks**

Question 3 : Mr. Y is employed in ABC Ltd. and is getting basic pay ₹1,00,000 per month. Employer and employee both have contributed @ 10% of salary to NPS. Mr. Y has one house property which is let out @ ₹20,000 per month. He paid Municipal Tax ₹ 40,000 and interest on loan u/s 24(b) is ₹ 3,00,000. Compute his tax liability in two situations

    (i)   Opted out of Sec 115BAC

    (ii)   Not Opted out of Sec 115BAC   **4 Marks**

TEST 2 SOLUTION
(Sec 115BAC)

Solution 1 :
(i) Opted out of section 115BAC
Computation of Tax Liability of Mr. Y
Income under the head salary

Basic Salary (1,00,000 x 12)	12,00,000.00
House Rent allowance (fully taxable since he owns his own house) (20,000 x 12)	2,40,000.00
Leave Travel allowance (4,000 x 4)	16,000.00
Entertainment allowance (1,000 x 12)	12,000.00
Gross salary	14,68,000.00
Less: Deduction u/s 16(ia)	(50,000.00)
Less: Deduction u/s 16(ii)	(5,000.00)

Least of the followings:
(i) 20% of basic salary i.e. 12,00,000 x 20% = 2,40,000
(ii) 5,000
(iii) The actual allowance received = 12,000

Income under the head salary	14,13,000.00
Income under the head house property (Self occupied house)	
Gross Annual Value	Nil
Less: Municipal Taxes paid	Nil
Net Annual Value	Nil
Less: Standard deduction	Nil
Less: Interest on capital borrowed	(2,00,000.00)
(35,00,000 x 12% x) = 4,20,000 but restricted to 2,00,000	
Loss under the head house property	(2,00,000.00)
Gross Total Income (14,13,000 -2,00,000)	12,13,000.00
Less: Deductions u/s 80C	(1,00,000.00)
Less: Deductions u/s 80D	(20,000.00)
Less: Deductions u/s 80EEA (4,20,000-2,00,000=2,20,000 but restricted to)	(1,50,000.00)
Less: Deductions u/s 80G (100%)	(40,000.00)
Total Income	**9,03,000.00**
Calculation of Tax Liability	
Tax on 9,03,000 at slab rate	93,100.00
Add: HEC @ 4%	3,724.00
Tax Liability	**96,824.00**
Rounded off u/s 288B	**96,820.00**

(ii) Not Opted out of section 115BAC
Computation of Tax Liability of Mr. Y
Income under the head salary

Basic Salary (1,00,000 x 12)	12,00,000.00

House Rent allowance	2,40,000.00
Leave Travel allowance (7,000 x 4)	28,000.00
Entertainment allowance (1,000 x 12)	12,000.00
Gross salary	14,80,000.00
Less: Deduction u/s 16(ia)	(50,000.00)
Income under the head salary	**14,30,000.00**

Income under the head house property (Self occupied house)

Gross Annual Value	Nil
Less: Municipal Taxes paid	Nil
Net Annual Value	Nil
Less: Standard deduction	Nil
Less: Interest on capital borrowed	Nil
Income under the head house property	Nil
Gross Total Income	14,30,000.00
Less: Deductions u/s 80C to 80U	Nil
Total Income	**14,30,000.00**

Calculation of Tax Liability as per section 115BAC

Tax on ₹14,80,000 as per section 115BAC	1,46,000.00
Add: HEC @ 4%	5,840.00
Tax Liability	**1,51,840.00**

Solution 2 : (i) opted out of section 115BAC
Computation of Tax Liability of Mr. Y

Income under the head Business/Profession

Business Income	20,00,000.00
Less: Donation for approved scientific research association	(2,00,000.00)
Less: unabsorbed depreciation	(1,75,000.00)
Less: unabsorbed depreciation relating to additional depreciation	(1,40,000.00)
Income under the head business profession	14,85,000.00

Income under the head other sources

Interest Income of minor son	1,00,000.00
Less: exemption u/s 10(32)	(1,500.00)
Income under the head other sources	98,500.00
Gross Total Income	15,83,500.00
Less: Deductions u/s 80C	(40,000.00)
Total Income	**15,43,500.00**

Calculation of Tax Liability

Tax on 15,43,500 at slab rate	
	2,75,550.00
Add: HEC @ 4%	11,022.00
Tax Liability	2,86,572.00
Rounded off u/s 288B	**2,86,570.00**

(ii) Not Opted out of section 115BAC

Computation of Tax Liability of Mr. Y Income under the head
Business/Profession

Business Income	20,00,000.00
Less: Donation for approved scientific research association	Nil
Less: unabsorbed depreciation	(1,75,000)
Less: unabsorbed depreciation relating to additional depreciation	Nil
Income under the head business profession	18,25,000.00
Income under the head other sources	
Interest Income of minor son	1,00,000.00
Less: exemption u/s 10(32)	Nil
Income under the head other sources	1,00,000.00
Gross Total Income	19,25,000.00
Less: Deductions u/s 80C	Nil
Total Income	19,25,000.00

Calculation of Tax Liability as per section 115BAC

Tax on 19,25,000 as per section 115BAC			2,77,500.00
3,00,000		Nil	
3,00,000	5%	15,000	
3,00,000	10%	30,000	
3,00,000	15%	45,000	
3,00,000	20%	60,000	
4,25,000	30%	1,27,500	
Add: HEC @ 4%			11,100.00
Tax Liability			**2,88,600.00**

Solution 3: (i) opted out of section 115BAC

Basic Pay 1,00,000 X 12	12,00,000
Employers Contribution to NPS	1,20,000
Gross Salary	13,20,000
Less: Standard Deduction 16(ia)	(50,000)
Income under the head salary	12,70,000
Income under the head house property	
Gross Annual Value 20,000 X 12	2,40,000
Less: Municipal Tax	(40,000)
Net Annual Value	2,00,000
Less: Standard Deduction @ 30% u/s 24(a)	(60,000)
Less: Interest u/s 24(b)	(3,00,000)
Loss from house property	(1,60,000)
Gross Total Income	11,10,000
Less: Deduction u/s 80CCD (1)	(1,20,000)
Less: Deduction u/s 80CCD (2)	(1,20,000)

		Total Income	8,70,000

Computation of Tax Liability

2,50,000	Nil	
2,50,000	12,500	
3,70,000	74,000	86,500
Add: HEC @ 4%		3460
Total		**89,960**

(ii) Not Opted out of Sec 115BAC

Basic Pay 1,00,000 X 12	12,00,000
Employers Contribution to NPS	1,20,000
Gross Salary	13,20,000
Less: Standard Deduction 16(ia)	50,000
Income under the head salary	12,70,000
Income under the head house property	
Gross Annual Value 20,000 X 12	2,40,000
Less: Municipal Tax	(40,000)
Net Annual Value	2,00,000
Standard Deduction u/s 24(a)	(60,000)
Interest u/s 24(b) (Interest is allowed but no interest is allowed for self occupied house)	(3,00,000)
Loss from house property (Loss can be set off only from house property and not from other heads) (1,60,000)	
Gross Total Income (HP Loss not allowed to be set off)	12,70,000
Less: Deduction u/s 80CCD(1) (Deduction u/s 80CCD(1) not allowed)	Nil
Less: Deduction u/s 80CCD(2)	(1,20,000)
Total Income	11,50,000

			82,500
3,00,000	Nil		
3,00,000	5%	15,000	
3,00,000	10%	30,000	
2,50,000	15%	37,500	
Add: HEC 4%			3,300
Total			**85,800**

If any person has opted section 115BAC, in that case highest rate of depreciation allowed shall be 40%

If any person has opted section 115BAC, no exemptions shall be allowed for free food or refreshments u/s 17(2)(viii)/ Rule 3(7)(ii)