

## TEST 1

### (INCOME TAX CALCULATION + Opted Out of Sec 115BAC)

**Time : 30 minutes    Each Question : 4 marks    Total Marks : 20**

**Question 1 :** Mr. Y has income as given below:

Income under the head PGBP	₹505,00,000
LTCG 112A	₹101,00,000
STCG 111A	₹100,00,000

**Compute his tax liability for A.Y. 2024-25.**

**Question 2:** Mr. Y has income as given below:

Income under the head PGBP	₹202,00,000
Dividend Income	₹100,00,000

**Compute his tax liability for A.Y. 2024-25.**

**Question 3:** Mr. Y has income from business ₹ 501 lakhs and short term capital gain under section 111A ₹30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, **Compute Tax Liability**

**Question 4 :** Mr. C borrowed on Hundi, a sum of ₹ 25,000 by way of bearer cheque on 11-09-2023 and repaid the same with interest amounting to ₹ 30,000 by account payee cheque on 12-10-2023. The Assessing Officer (AO) wants to treat the amount borrowed as income during the previous year. Is the action of the **Assessing Officer valid?**

**Question 5 :**

The broad break-up of tax and allied details of Mrs. X, born on 31<sup>st</sup> March, 1964 are as under:

	₹
Long-term capital gains on sale of house	2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid)	30,000
Prize winning from a T.V. show	20,000
Business income	2,90,000
Net agricultural income	4,40,000
Deduction allowed under section 80C to 80U	60,000

**Compute the tax payable by Mrs. X for the assessment year 2024-25.**

## TEST 1 SOLUTION

### (INCOME TAX CALCULATION)

**Solution 1:****Computation of Total Income and Tax Liability of Mr. Y**

	₹
Income under the head PGBP	505,00,000
LTCG 112A	101,00,000
STCG 111A	100,00,000
Gross Total Income	706,00,000
Less: Deductions u/s 80C to 80U	Nil
<b>Total Income</b>	<b>706,00,000</b>

**Computation of Tax Liability**

Tax on LTCG 100,00,000 (101,00,000-1,00,000) @ 10% u/s 112A	10,00,000.00
Tax on STCG 100,00,000 @ 15% u/s 111A	15,00,000.00
Tax on 5,05,00,000 at slab rate	1,49,62,500.00
Add: Surcharge on PGBP Income (1,49,62,500) X 37%	55,36,125.00
Add: Surcharge @ 15% on 25,00,000	3,75,000.00
Less: Marginal Relief	(14,83,000)

**Working Note:**

Tax + surcharge @ 37% on income of ₹505,00,000	204,98,625
Tax + surcharge @25% on income of ₹500,00,000 (185,15,625)	185,15,625
Increase in tax	19,83,000
Increase in income	5,00,000
Marginal Relief (19,83,000 – 5,00,000)	14,83,000

Tax Before cess	218,90,625.00
Add: Health and education cess @ 4%	8,75,625.00
<b>Tax Liability</b>	<b>227,66,250.00</b>

**Solution 2 :****Computation of Total Income and Tax Liability of Mr. Y**

	₹
Income under the head PGBP	202,00,000
Dividend Income	100,00,000
Gross Total Income	302,00,000
Less: Deductions u/s 80C to 80U	Nil
<b>Total Income</b>	<b>302,00,00</b>

**Option 1: Taking Dividend tax at slab rate for surcharge****Computation of Tax Liability**

Tax on Business Income 2,02,00,000 at 30%	60,60,000.00
Tax on Dividend Income 1,00,00,000 at slab rate	28,12,500.00
Tax Before Surcharge	88,72,500.00
Add: Surcharge on Dividend Income (28,12,500) X 15%	4,21,875.00
Add: Surcharge on PGBP Income (60,60,000) X 25%	15,15,000.00
Less: Marginal Relief	(4,75,000.00)

**Working Note:**

Tax + surcharge @ 25% on income of ₹202,00,000	75,75,000	
Tax + surcharge @ 15% on income of ₹200,00,000	(69,00,000)	
Increase in tax	6,75,000	
Increase in income	2,00,000	
Marginal Relief (6,75,000 – 2,00,000)	4,75,000	
Tax Before cess		103,34,375.00
Add: Health and education cess @ 4%		4,13,375.00
<b>Tax Liability</b>		<b>107,47,750.00</b>

**Option 2: Taking Dividend tax @ 30% for surcharge and PGBP income on slab rate****Computation of Tax Liability**

Tax on Business Income 2,02,00,000 at slab rate	58,72,500.00
Tax on Dividend Income 1,00,00,000 at 30%	30,00,000.00
Tax Before Surcharge	88,72,500.00
Add: Surcharge on Dividend Income (30,00,000) X 15%	4,50,000.00
Add: Surcharge on PGBP Income at slab (58,72,500) X 25%	14,68,125.00
Less: Marginal Relief	(4,56,250.00)

**Working Note:**

Tax + surcharge @ 25% on income of ₹202,00,000	73,40,625	
Tax + surcharge @ 15% on income of ₹200,00,000	(66,84,375)	
Increase in tax	6,56,250	
Increase in income	2,00,000	
Marginal Relief (6,56,250 – 2,00,000)	4,56,250	
Tax Before cess		103,34,375.00
Add: Health and education cess @ 4%		4,13,375.00
<b>Tax Liability</b>		<b>107,47,750.00</b>

**Option 3: Taking Dividend tax on average basis for surcharge****Computation of Tax Liability**

Tax on 3,02,00,000 at slab rate	88,72,500.00
Add: Surcharge on Dividend Income (88,72,500/3,02,00,000 x 1,00,00,000 = 29,37,913.91) X 15%	4,40,687.08
Add: Surcharge on PGBP Income (88,72,500/3,02,00,000 x 2,02,00,000 = 59,34,586.09) X 25%	14,83,646.52
Less: Marginal Relief	(4,61,030.)

**Working Note:**

Tax + surcharge @ 25% on ₹202,00,000	74,18,232.61
Tax + surcharge @ 15% on ₹200,00,000	(67,57,201.98)
(88,72,500/3,02,00,000 x 2,00,00,000) x 115%	
Increase in tax	6,61,030.63
Increase in income	2,00,000
Marginal Relief (6,61,030.63 – 2,00,000)	4,61,030.63

Tax Before cess	
Add: Health and education cess @ 4%	103,35,802.97 4,13,432.11

Tax Liability	107,49,235.08
<b>Rounded off u/s 288B</b>	<b>107,49,240.00</b>

**Solution 3:**

Income under the head business/profession from business	501,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	572,00,000

**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	203,34,225
Less: Marginal Relief	(17,18,600)

**Working Note:**

Tax + surcharge @37% on income of ₹501,00,000	203,34,225
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	186,15,625
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax Liability	195,93,125
Add: HEC @ 4%	7,83,725
<b>Tax Liability</b>	<b>203,76,850</b>

**Solution 4 :** Section 69D provides that where any amount is borrowed on a hundi or any amount due thereon is repaid otherwise than by way of an account-payee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying the amount for the previous year in which the amount was so borrowed or repaid, as the case may be.

In this case, Mr. C has borrowed ₹ 25,000 on Hundi by way of bearer cheque. Therefore, it shall be deemed to be income of Mr. C for the previous year 2023-24. Since the repayment of the same along with interest was made by way of account payee cheque, the same would not be hit by the provisions of section 69D. Therefore, the action of the Assessing Officer treating the amount borrowed as income during the previous year is valid in law.

**Solution 5 : Computation of Total Income**

Business Income	2,90,000
Long term capital gain on sale of house	2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid)	30,000
Casual Income (Prize winning from a T.V. show)	20,000
Gross Total Income	5,40,000
Less: Deduction u/s 80C to 80U	(60,000)
<b>Total Income</b>	<b>4,80,000</b>

**Computation of tax payable by Mrs. X for the A.Y. 2024-25**

<b>Particulars</b>	<b>₹</b>
(i) Tax on long-term capital gain of ₹1,30,000 (2,00,000 – 70,000) @ 20%	26,000
(ii) Tax on short term capital gain of ₹30,000 @ 15%	4,500
(iii) Tax on winnings of ₹20,000 from a T.V. show @ 30%	6,000
(iv) Tax on balance income of ₹2,30,000 at slab rate	Nil
Deficiency of ₹70,000 has been allowed from LTCG	
Amount of tax before Rebate	36,500
Less: Rebate u/s 87A	(12,500)
Tax before HEC	24,000
Add: HEC @ 4%	960
<b>Tax payable by Mrs. X</b>	<b>24,960</b>

**Alternative Solution**

**shifting allowed from Capital gains only of 50,000, As TI -LTCG-STCG u/s 111A is below Exemption Limit by 50,000**

**Computation of tax payable by Mrs. X for the A.Y. 2024-25**

<b>Particulars</b>	<b>₹</b>
(i) Tax on long-term capital gain of ₹1,50,000 (2,00,000 – 50,000) @ 20%	30,000
(ii) Tax on short term capital gain of ₹30,000 @ 15%	4,500
(iii) Tax on winnings of ₹20,000 from a T.V. show @ 30%	6,000
(iv) Tax on balance income of ₹2,30,000 at slab rate	Nil
Deficiency of ₹70,000 has been allowed from LTCG	
Amount of tax before Rebate	40,500
Less: Rebate u/s 87A	(12,500)
Tax before HEC	28,000
Add: HEC @ 4%	1,120
<b>Tax payable by Mrs. X</b>	<b>29,120</b>