

Illustration 24.

Shri Abhay is the manager of the Vinod Handlooms, Sikar. He receives every month Rs. 12,500 as basic pay, Rs. 200 as entertainment allowance and Rs. 800 as dearness allowance under the terms of employment.

- (a) He owns his house, but the employer has provided him the following amenities.
- A gardener, a sweeper and a watchman who are each paid Rs. 150 per month.
 - Free use of the refrigerator costing Rs. 5,000.
- (b) The following obligations of him were paid by the employer :
- Gas, electricity and water bills amounting to Rs. 2,000.
 - Annual membership fee of Rotary Club Rs. 1,200.
- (c) The employer has provided the facility of a 1.8 litre (c.c.) car. The car is used for private purposes also and all the expenses including the driver's salary are borne by the employer. The expenses of employer during the previous year amounted to Rs. 60,000 and the employer has recovered Rs. 1,000 per month from the employee for this facility.
- (d) His one son and one sister are studying in a school run by the employer. The monthly expenses incurred by the employer per student is Rs. 1,000 but had they been sent for education to a similar school in Sikar, a sum of Rs. 800 per student per month would have been payable during the year.
- (e) He was sent to attend a training course at I.I.M., Ahmedabad for 15 days, the fee of Rs. 500 was paid by the employer.
- (f) He proceeded on one month's leave to Darjeeling where he stayed in the Holiday home maintained by the employer. The expenses of his boarding and lodging amounting to Rs. 10,000 were borne by the employer. This facility is not provided to all employees uniformly.
- (g) A sum of Rs. 6,400 was paid by the employer voluntarily by way of tax on non-monetary facilities given to employee.
- (h) He contributed 10% of his salary towards a pension scheme notified u/s 80-CCD. A matching contribution i.e. contribution of the same amount is also paid by the employer.

Compute his taxable income under the head 'Salaries' for the assessment year 2020-21

Illustration 27.

Shri Ramesh Chandra, a resident of India is employed as Manager in a Cloth Mill of Bhilwara. The particulars of his income for the assessment year 2020-21 are as under —

- (i) Salary @ Rs 40,000 p.m. Shri Ramesh went Germany for three months in concern with the office work. He received his salary for the said period in Germany.
- (ii) Dearness allowance @ Rs. 4,000 p.m which is payable under the terms of employment.
- (iii) Rs. 21,600 as Bonus.
- (iv) Employer's contribution in Recognised Provident Fund Rs. 72,000.
- (v) Employee's contribution in Provident Fund Rs. 72,000. The employee has paid the contribution in this fund from the salary mentioned above in clause (i).
- (vi) Interest credited to his Fund @ 12% per annum amounted to Rs. 48,000.
- (vii) He gets Rs. 40,000 from his employer as Entertainment allowance since 2002.
- (viii) His son is studying at Pilani where he lives in a hostel. To meet the hostel expenditure of his son his employer has granted him a special allowance of Rs. 1,800 p.m.
- (ix) The Company has provided him an unfurnished house without any charge. The fair rental value of this house is Rs. 33,600. The house is owned by the company.
- (x) He has been given facility of a cook by the company for which company pays Rs. 4,000 per month.
- (xi) For the maintenance of the garden of the house provided by the employer free of rent the employer has provided the facility of a gardener to whom the employer pays Rs. 2,400 p.m. as salary.
- (xii) During the year Mr. Ramesh purchased 40 metres of cloth at a concessional rate of Rs. 50 per metre, while the manufacturing cost to the company is Rs. 200 per metre and sale price is 240 per metre.
- (xiii) Assume that the population of Bhilwara is less than 10 lakhs.

Compute income from salary of Shri Ramesh Chandra assuming that his employer has paid a sum of Rs. 2,500 as tax on employment on his behalf.

Illustration 30.

Raman, an employee of XYZ (P) Ltd., Jaipur has received the following salary and perquisites from his employer during the previous year 2019-20 :

- (i) Basic Salary @ Rs. 40,000 per month.
- (ii) Bonus equal to one month salary.
- (iii) Entertainment allowance @ Rs. 2,500 per month.
- (iv) Children education allowance @ Rs. 300 per month per child for two children.
- (v) House rent allowance Rs. 5,000 per month. Mr. Raman spends Rs. 8,000 per month as lease rent of the house.
- (vi) A car of 1.4 litre (cc) is given to Mr. Raman for both office and personal use. All the expenses of running and maintenance including salary of driver Rs. 3,000 per month are paid by the employer.
- (vii) His employer has provided him the facility of free electricity and water for his domestic use, the cost of the employer being Rs. 7,000 during the year.
- (viii) He has been given facility of a domestic servant. The employer pays him Rs. 3,000 per month as salary.
- (ix) Mr. Raman has engaged a cook who is paid a salary of Rs. 5,000 per month by his employer.
- (x) Mr. Raman has also engaged a watchman. The salary of watchman being Rs. 3,000 p.m. is paid by his employer.
- (xi) Mr. Raman purchased jewellery worth Rs. 1,50,000 for Mrs. Raman during the previous year. The payment is made by a credit card given by the company to Mr. Raman.
- (xii) He is given free club facility. Employer incurred expenditure of Rs. 3,000 p.m. on this amenity.
- (xiii) On 16th October, 2019 XYZ Ltd. purchased a laptop computer for Rs. 40,000 and it was given to Mr. Raman both for office and private use. On January 1, 2020 it also purchased a fridge for Rs. 12,000 and gave it to Mr. Raman to use it in his kitchen. The ownership was not transferred in both cases.
- (xiv) On 1st January, 2020 XYZ Ltd. sold an old car to Mr. Raman for Rs. 2,40,000. It was purchased by XYZ Ltd. on 15th Sept., 2017 for Rs. 5,00,000 and put to use on the same day.

Compute the taxable income of Mr. Raman under the head 'Salary' for the assessment year 2020-21.

Illustration 40.

Shri Shyam Sunder was appointed as a technician in M/s Delhi Cloth Mill, Delhi on January 1, 2003 in the scale of Rs. 8,000-400-14,000-600-20,000. He was in receipt of city compensatory allowance @ Rs. 200 p.m., dearness allowance @ Rs. 1,000 p.m. (under the terms of employment) and entertainment allowance @ Rs. 500 p.m. He had taken an advance of 3 months salary on February 1, 2019. He was provided a rent-free residential accommodation facility by his employer. The amount of rent of the house was Rs. 4,000 p.m.

His services were terminated on account of retrenchment on July 1, 2019 and he was paid Rs. 1,00,000 as compensation for it. No notice was given to him for his retrenchment so he was paid Rs. 50,000 as salary of notice period. At the time of termination of services earned leave of 9 months was at his credit for which he was paid Rs. 1,42,200 including dearness allowance and city compensatory allowance. He was also paid Rs. 1,56,000 in respect of gratuity being basic pay and dearness allowance for 10 months. He gets Rs. 6,000 p.m. as pension. He received on January 1, 2020 Rs. 4,50,000 as commuted value of pension for $\frac{3}{4}$ th his pension. Compute Shri Shyam Sunder's taxable income from salaries for the A.Y. 2020-21.

Illustration 34.

Shri Rajendra is the manager in a business concern owned by an Hindu Undivided Family in the name & style M/s. Balu Ram & Sons at Darjeeling. He gets

basic pay @ Rs. 10,000 per month, dearness allowance @ Rs 1,000 per month (30% of which is paid under the terms of employment) and entertainment allowance @ Rs. 500 per month. He has been provided with a rent free house by the employer with the fair annual rent of which is Rs. 6,500. He was also provided by the employer with facility of free use of furniture costing Rs. 9,000 and refrigerator costing Rs. 6,000. The employer has also given him the amenity of a gardener which is paid Rs. 250 per month by the employer. He was getting entertainment allowance since 1st June, 1994. He is also given Composite Hill Compensatory Allowance @ Rs. 300 p.m.

The employer has provided him a 1.8 litre (c.c.) car and a 1.6 litre (c.c.) car. All the expenses are borne by the employer. The cars are used partly for personal purpose also. The salary of the driver is paid by the employer.

The expenses in respect of both the cars of the employer are as under :

	1.8 Litre (c.c.)	1.6 Litre (c.c.)
Maintenance expenses	22,000	20,000
Driver's salary	12,000	10,000
Cost of car	5,00,000	4,00,000

The bills of Rs. 2,000 relating to the education of his children were reimbursed by the employer. The employer has provided the amenity of free lunch and free refreshment in office during office hours. The estimated value of which is Rs. 1,500 and Rs. 1,300 per month respectively. Assume 25 working days in a month.

He and the employer both contribute 14 percent of basic pay and the dearness allowance towards Recognised Provident Fund. During the financial year 2019-20 interest credited to his provident fund account @ $12\frac{1}{2}\%$ amounted to Rs. 12,500.

During the previous year he surrendered Rs. 5,000 of his basic pay for being paid to the Central Government.

Compute the taxable income from salaries of Shri Rajendra for the Assessment Year 2020-21, assuming that he has paid Rs. 2,000 as tax on employment. Assume also that the population of Darjeeling is less than 10 lakhs. (R.U. B. Com., 2000)

Illustration 6.

Compute the annual value in the following cases for the assessment year 2020-21 :

(i) Mr. Shyam started construction of a residential house on 1st August, 2015 which was completed on 31st January, 2017. It was let out from 1st February, 2017 at a rent of Rs. 4,000 per month. On 31st July, 2019 the tenant vacated the house and it remained vacant for two months. From 1st October, 2019 it was again let out at a rent of Rs. 6,000 per month. The municipal valuation, annual fair rent and the standard rent of the house are Rs. 60,000; Rs. 72,000 and Rs. 66,000 respectively. During the previous year he paid Rs. 12,000 for municipal taxes for the years 2017-18 and 2018-19. The municipal taxes of 2019-20 were not paid during the previous year.

(ii) Mr. Chandra Prakash started construction of a residential house on 1st April, 2016 which was completed on 15th May, 2017. From 16th May, 2017 it was let out at a rent of Rs. 5,000 per month including Rs. 1,000 for light, water and garden facilities. Municipal taxes are levied @ $6\frac{1}{4}\%$ of the municipal valuation which during the previous year amounted to Rs. 3,750. Half of the municipal taxes were paid by the tenant while the remaining amount of the municipal taxes were outstanding at the end of the previous year. However, Mr. Chandra Prakash paid Rs. 1,500 as municipal taxes during the previous year which were outstanding for the previous year 2018-19. The tenant vacated the house on 28th February, 2020 and it remained vacant till 31st March, 2020. The rent for 2 months viz. January and February also could not be realised from the tenant. The fair rent of the house is Rs. 4,800 per month.

Illustration 18.

Mr. A has the following properties —

(i) Flat in Bombay purchased on 1st June, 2019 which is let out on a monthly rent of Rs. 3,000. The building in which the flat is located was completed on 31st January, 2013. The flat was let out from 1st August, 2019.

(ii) Flat in Delhi constructed in 1998 which is self occupied.

(iii) Godown in Calcutta constructed in 2000 is let out on a monthly rent of Rs. 8,000. The expenses actually incurred during the year for these properties are :

	Flat at Mumbai	Flat at Delhi	Godown at Calcutta
Municipal Taxes	6,000	8,000	18,000
Building maintenance	1,000	900	—
Electricity charges	—	1,200	4,800
Collection charges	700	—	5,400
Insurance Premium	—	—	600
Repair	20	1,900	11,000

The additional information in respect of these properties is as follows :

1. The flat in Delhi, if let out would fetch a monthly rent of Rs. 7,500. This flat was constructed with a loan from Life Insurance Corporation. The loan is still pending and Rs. 36,000 is paid as interest every year.

2. The other data regarding the flat in Bombay and the godown at Calcutta are as follows :

	Bombay flat	Calcutta Godown
(i) Municipal Valuation (annual)	27,000	60,000
(ii) Fair rent (annual)	30,000	66,000
(iii) Standard rent (annual)	33,000	63,000
(iv) Unrealised rent	3,000	8,000

The godown at Calcutta remained vacant for one month. Compute taxable income from house property of Mr. A for the assessment year 2020-21.

Illustration 19.

Given below is the Profit and Loss Account of Sugar Mill company for the year ended 31st March, 2020 :

	Rs.		Rs.
Opening stock	1,82,300	Sales	25,51,500
Cost of cane crushed	12,57,700	Sundry receipt	1,06,700
Manufacturing expenses	6,98,500	Closing stock	2,64,000
Wages and salaries	1,50,000		
Compensation	1,00,000		
Repairs and renewals	40,500		
Establishment charges	41,500		
Commission on sales	61,500		
Director's fees	3,700		
Auditor's fees	1,200		
General charges	15,000		
Managing Director's Remuneration	78,500		
Depreciation	1,30,700		
Balance c/d	<u>1,61,100</u>		
	<u>29,22,200</u>		<u>29,22,200</u>
Provision for income-tax	80,000	Balance b/d	1,61,100
General reserve	20,000		
Balance carried to b/s	<u>61,100</u>		
	<u>1,61,100</u>		<u>1,61,100</u>

After taking the following information into consideration compute the income from business of the company for the assessment year 2020-21.

- (i) Cane crushed includes Rs. 1,54,000 cost of cane grown on the company's own farm, the average market price of the same being Rs. 1,96,000.
- (ii) Manufacturing expenses include :
 - (a) Rs. 4,26,000 for excise duty.
 - (b) Rs. 67,000 capital expenditure on a new scientific research laboratory set up during the previous year 2019-20.
 - (c) Rs. 10,000 current expenditure on above research.
- (iii) Establishment charges include Rs. 3,000 paid as compensation to an employee whom it was not desirable to keep in the service of the company.

- (iv) Sugar worth Rs. 1,500 was distributed free on the occasion of Republic Day Celebration.
- (v) Rs. 20,000 cost of additions to factory building has been charged to repairs and renewals.
- (vi) Admissible depreciation amounts to Rs. 98,200
- (vii) General charges include Rs. 5,000 for donation to local educational institutions.
- (viii) Opening stock is under valued by Rs. 40,000 while closing stock is under valued by Rs. 50,000.
- (ix) Sundry receipts include a sum of Rs. 1,00,000 as cash assistance given by the Govt. for exports of sugar to undeveloped countries.
- (x) Compensation has been paid to M/s Bharat udyog for not operating its factory in the same area for five years.

Illustration 22.

The Profit and Loss Account of a Company for the year ended on 31st March, 2020 is as under —

	Rs.		Rs.
Opening stock	2,75,000	Sales	40,84,500
Purchases	27,80,000	Rent of staff quarters	18,750
Railway freight, octroi etc.	3,00,000	Closing stock	4,24,750
Salaries and wages	2,30,000		
Director's fees	3,000		
Audit fees	2,500		
Legal expenses	17,000		
Repairs to building and machinery	7,000		
Staff welfare expenses	5,000		
General charges	12,500		
Interest paid	1,25,000		
Provision for bad debts	2,500		
Depreciation allowable	25,000		
Donation to National Fund for Rural Development	5,000		
Managing Director's remuneration	15,000		
Contribution to Employees State Insurance	10,000		

Debenture redemption fund account	12,500
Provision for taxation	2,70,000
General Reserve	48,000
Proposed dividend	3,00,000
Balance Carried forward	83,000
	<u>45,28,000</u>

45,28,000

You are required to compute the taxable income from business of a company for the assessment year 2020-21 after taking the following information into consideration –

(1) A sum of Rs. 2,500 on account of liability for commission foregone by a creditor has been carried direct to a special reserve. The amount had already been charged in last year's Profit and Loss Account.

(2) General charges include –

(i) Rs. 5,000 for insurance premium of staff quarters.

(ii) Rs. 1,500 for repairs of staff quarters.

(iii) Rs. 1,500 for municipal taxes of staff quarters.

(iv) Rs. 500 for charitable donations.

(3) Staff welfare expenses include Rs. 750 being cost of a pucca well, constructed for the use of the employees.

(4) Legal expenses include Rs. 11,000 paid to an advocate for an income tax appeal, Rs. 3,000 paid to a lawyer in respect of sales-tax proceedings and Rs. 1,000 paid to a lawyer to defend a case against managing director for smuggling goods from Pakistan.

(5) Repairs to business premises include Rs. 5,000 cost of additions to business premises.

(6) Managing Director's remuneration include Rs. 4,000 paid to ex-managing Director for bonus.

(7) Interest paid include Rs. 2,000 being the payment of commission for raising the loan for the company.

(8) Rs. 2,000 as contribution to ESI by employer, already included in P&L Account, was due on 31.3.2020 but was paid on 16.11.2020.

(9) A bill for purchase of goods amounting to Rs. 30,000 was paid by crossed cheque.

(10) The assessee has deposited a sum of Rs. 2,00,000 with the National Bank in Tea, Coffee and Rubber Deposit Account during the previous year and his business fulfils the required conditions of section 33-AB.

Illustration 25.

The following particulars have been submitted by Shri Kulkarni regarding his textile business for the accounting year ended on 31st March, 2020 :

Profit and Loss Account

	Rs.		Rs.
Salaries to employees	52,000	Gross profit	2,38,000
Rent of building	10,800	Interest on Govt. securities	4,270
Bonus to staff	16,400	Dividend received	
Printing and stationery	13,400	from Indian Company	6,460
Subscriptions	3,850	Discount received	
Advertisement expenses	15,200	from wholesale distributors	18,600
Drawings	36,000		
Life insurance premium	4,500		
Motor car expenses	24,800		
Profit for the year	90,380		
	<u>2,67,330</u>		<u>2,67,330</u>

Capital Account

Amount advanced to		Balance b/f	48,400
M/s Kulkarni & Hegde as capital	20,000	Profit for the year	90,380
Medical expenses of his minor son	3,600	Camel race winning	6,000
Balance c/f	1,39,580	Amount received from	
		Wholeseller towards share	
		of advertisement charges	4,600
		Amount received on maturity of	
		life insurance policy	13,800
	<u>1,63,180</u>		<u>1,63,180</u>

Following additional information have been furnished :

(a) Bonus to employee was paid on 10th June, 2020 Rs. 10,200 and on 10th November, 2020 Rs. 6,200.

(b) Half of the building for which rent is debited to Profit and Loss Account has been used for the residence of Shri Kulkarni.

(c) Investment in Government securities is in the course of business.

(d) Subscription include Rs. 3,000 paid to an advocate as fee in a case to defend Shri Kulkarni and his driver who were prosecuted by the police for a traffic offence. Shri Kulkarni was let off with a warning but his driver was sentenced to two months imprisonment.

(e) The Textile Dealers Association of which Shri Kulkarni is a member represented to the Government against the shifting of the textile market from its present location. The Association succeeded in its efforts and a contribution of Rs. 2,500 was made by Shri Kulkarni. This sum has been included in advertisement expenses.

(f) Though the motor car is a business asset, but it is exclusively used by members of the family of Shri Kulkarni.

Compute the taxable profits of business of Shri Kulkarni on the basis of above information for the assessment year 2020-21 assuming that the due date for submission of Income Tax Return is 31st July, 2020.

Illustration 26.

From the following particulars determine Shri Ridha Karan's taxable income under different heads for the assessment year 2020-21 :

**Income & Expenditure Account of Shri Ridhakaran
for the year ending 31st March, 2020**

	Rs.		Rs.
Salaries	35,000	Consultation fees	1,00,000
Professional Subscription	1,500	Cash Gift from Clients	10,000
Gift to son	800	Rent from property (8 months)	2,400
Life insurance premium	2,100		
Municipal taxes	480		
Entertainment Exp.	18,000		
Contribution to Recognised Provident Fund	12,000		
Travelling expenses	8,000		
Surplus	<u>34,520</u>		
	<u>1,12,400</u>		<u>1,12,400</u>

- (i) Contribution to provident fund includes Rs. 8,000 assessee's contribution deposited after due date. The contribution received from the employees amounted to Rs. 12,000 out of which also Rs. 8,000 have been deposited after the due date.
- (ii) Municipal taxes relates to house property let out.
- (iii) Rs. 3,000 payable for bonus included in salaries have been paid in the year January, 2021.
- (iv) The house property was occupied by Shri Ridhakaran for his own residence for 4 months. The house was constructed on March 1, 2002. Municipal valuation is Rs. 4,000.
- (v) An imported car costing Rs. 80,000 was purchased in November, 2019. It was used for profession since January 1, 2020.
- (vi) A typewriter costing Rs. 4,500 was purchased for office use in November, 2019.

Illustration 27.

From the following information of Ravi, compute the amount of taxable capital gain for the assessment year 2020-21 :

	Residential House	Listed Debentures	Non listed shares	Listed shares
Date of Sale	March 15, 2020	March 7, 2020	Dec. 18, 2019	Jan. 18, 2020
Date of acquisition	April 20, 1978	April 20, 1973	Nov. 15, 2017	Nov. 15, 2018
	Rs.	Rs.	Rs.	Rs.
Sale consideration	1,00,00,000	2,00,000	3,00,000	3,00,000
Cost of acquisition	80,000	90,000	1,53,889	1,49,354
F.M.V. on 1-4-2001	10,00,000	1,20,000	—	—

On May 25, 2020 Mr. Ravi acquired bonds of Rs. 60,00,000 issued by the Rural Electrification Corporation Limited redeemable after 5 years. He also acquired on June 10, 2020 the equity shares of an Indian Company worth Rs. 1,20,000 which were offered to public for subscription.

The cost inflation indices for the year 2017-18, 2018-19 and 2019-20 are 272, 280 and 289 respectively. Security transaction tax was not payable.

Illustration 29.

Mr. Sachin sold the following long term capital assets on 15th February, 2020 :

	Gold Shares (Rs.)	Unlisted (Rs.)	Land (Rs.)
Sale Consideration	5,40,000	2,70,000	7,60,000
Indexed Cost of Acquisition	2,03,000	1,62,400	4,06,000
Transfer expenses	40,000	20,000	60,000

Mr. Sachin owned one residential house property on 15th February, 2020, being the date of transfer of aforesaid assets. He has invested in the following assets after 31st March, 2020 but upto 31st July, 2020, being the last date of furnishing the return of income for the assessment year 2020-21 :

1. Bonds of National Highways Authority of India redeemable after 5 years
Rs. 2,40,000
2. Bonds of Rural Electrification Corporation Ltd. redeemable after 6 years
Rs. 1,20,000
3. Residential house property Rs. 1,40,000.

Calculate the income taxable under the head "Capital gains" after giving maximum permissible exemption under different sections of the Income Tax Act. Assume that on the date of transfer of Land, its stamp duty value was Rs. 8,60,000.

Illustration 12.

From the following particulars submitted by Shree Guru Charan Singh compute his taxable income from different sources for the Assessment year 2020-21.

(1) As the Director of Haryana Glass Works he received Rs. 6,000 p.m. as salary and Rs. 5,400 per annum as Entertainment Allowance. The facility of a 1.8 litre (c.c.) motor car has been provided by the company, expenses of which for personal use are borne by him. He uses this car for company's purposes also. He himself drives the car. The written down value of the car is Rs. 60,000.

(2) As the Director of Punjab Bank, he received Rs. 5,000.

(3) Income received from agricultural land in Nepal Rs. 10,000. Income received from a piece of land in Amritsar which is not appurtenant to a house and has been let out for storing coal Rs. 3,600. Income from land given on rent for holding market Rs. 2,000. He incurred expenses amounting to Rs. 1,000 in respect of these incomes.

(4) Received a scooter worth Rs. 25,000 and Rs. 10,000 in cash in March, 2020 in respect of winnings from a lottery.

(5) During the previous year interest received on deposits with the Co-operative Land Mortgage Bank Rs. 2,000. Interest received from a Co-operative Society of which he is member Rs. 1,500, interest received on deposits under the Post Office (Recurring Deposit) Rules, 1970 Rs. 600 and he also received Rs. 400 from Post Office Saving Bank Account.

(6) Dividends received from William Chemicals Ltd. a foreign company Rs. 2,000. The foreign company deducted Rs. 400 by way of tax at source.

(7) On 1st April, 2019 the amount of consideration received on the sale of house property, which was purchased in 2007-08 was Rs. 1,45,800. The cost of acquisition of this house was Rs. 18,000. The expenses incurred in respect of its sale were Rs. 1,500 for brokerage, Rs. 2,500 for stamps and registration, and Rs. 300 for lawyer's fees. Cost inflation index for the year 2007-08 is 129.

(8) During the previous year Mr. Guru Charan Singh had the following securities—

(i) Rs. 16,000 10% Tax free Debentures of Malwa Textiles.

(ii) Rs. 36,000 10% Tax free Debentures of Sugar Mill company listed at Indore Stock Exchange.

(iii) Rs. 22,000 7% Capital Investment Bonds.

(iv) Rs. 45,000 10% Tax free Calcutta Port Trust Bonds.

Interest in each case is paid by account payee cheque on 31st December annually. He has paid 2% commission to his bankers for realisation of interest.

Illustration 6.

Ramesh had the following investments during the year 2019-20 :

- (i) Rs. 27,000 8% Municipal Debentures;
- (ii) Rs. 10,000 7% Port Trust Bonds;
- (iii) Rs. 15,000 10% Govt. Paper;
- (iv) Rs. 36,000 10% Tax free Debentures of Cloth Mill Company;
- (v) Rs. 7,500 10% Debentures of Jaipur Spining Mills;
- (vi) Rs. 10,000 12% Debentures of a Co-operative Society;
- (vii) Rs. 20,000 15% Preference Shares of an Indian Company.

Interest on above investment is payable on 1st June and 1st Dec. every year. Dividend is paid in the month of May.

On 1st September, 2019 he bought Rs. 20,000 8% U.P. Govt. loan at Rs. 20,600 the interest on which is payable on 30th June and 31st December. For this purpose he took a loan from his bankers of Rs. 12,000 @ 8%. The Bank also charged 2% commission on realisation of interest and dividends and 1% commission on purchase of securities. Debentures of Cloth Mill Co. are listed at Bombay stock exchange while debentures of Jaipur Spinning Mills are not listed at any Stock exchange. The public are not substantially interested in Jaipur Spinning Mill.

Find out the taxable income from other sources assuming that interest and dividend in each case is paid by account payee Cheque only.

Illustration 3.

Mr. Rajesh is employed with a Public Limited Company at a salary of Rs. 50,000 per month. He contributes 10% of his salary to a recognised provident fund. The employer also contributes similar amount to this fund. The particulars of his other incomes are as under —

	Rs.
1. Income from self occupied house	(—) 6,000
2. Long term capital gain (computed) u/s 112	1,11,000
3. Gross winnings from Lottery	21,000
4. Interest on Government Securities	94,000
5. Interest received on Fixed deposits of a Bank	54,000

During the previous year 2019-20 he has made the following payments :

(i) Mediclaim insurance on his own health by cheque	47,000
(ii) Donation to Rajasthan Government for promotion of family planning programme	8,000
(iii) National Saving Certificate (VIII)th issue purchased.	3,000
(iv) His three sons are studying in school and college. He is paying Rs. 1,500; Rs. 800 and Rs. 600 p.m. as their tuition fees to school and college.	

Assuming Mr. Rajesh is 61 years old during the previous year 2019-20, find out his total income and net tax liability. Assume also that the employer has deducted Rs. 9,880 by way of tax at source from salary.

Illustration 6.

From the following particulars compute the total income and the net tax payable or refundable by an individual assessee for the assessment year 2020-21 — Rs.

(i)	Income from let out property	(-)25,000
(ii)	Income from Business & Profession	10,86,000
(iii)	Long term capital gain under section 112 (computed)	1,72,000
(iv)	Dividend received from domestic companies	10,09,000
(v)	Received interest from unlisted debentures of a company	9,000
(vi)	Winnings from M.P. State Lottery in December, 2019	30,000
(vii)	Donation to charitable institutions	10,000
(viii)	Paid premium of insurance of his health by cheque	28,000
(ix)	Donation to National Defence Fund	4,500
(x)	Deposited in Public Provident Fund	70,000
(xi)	Purchased National Savings certificates (VIIIth issue)	35,000
(xii)	Interest on Savings Bank Deposits	20,000

Illustration 8.

From the following particulars furnished by Mr. Harish, calculate his taxable income and tax liability for the assessment year 2020-21 :

	Rs.
Salary per month	12,000
Bonus per month	5,000
Transport allowance for commuting between office and residence per month	1,200
House rent allowance per month (rent paid per month Rs. 2,100 in Ajmer)	2,000
House property is let out on a monthly rent of Rs. 10,000. The municipal value of the house property is Rs. 1,30,000. Municipal tax paid is Rs. 1,800 for whole year.	
Repayment of house building loans taken from friends is Rs. 5,000 and from Life Insurance Corporation is Rs. 9,000 (which includes Rs. 6,000 on account of interest).	
During the previous year he received cash gift of Rs. 80,000 from one friend and Rs. 40,000 from another friend.	
Interest on Savings Bank A/c	1,50,000
Interest on PPF Account	3,000
Income from Units of Unit Trust of India	1,800
Life Insurance Premium	6,000
Contribution to Public Provident Fund	1,000
Interest accrued on NSC VIII th issue and deemed to be reinvested	4,000
Tuition fees of one child paid to a school	3,000
The construction of the buildings was completed on 1-1-1992. [M.D.S.U. B.Com., 2019]	

Illustration 15.

From the following particulars compute the total income and gross tax payable by Shri Sachin for the assessment year 2020-21 —

	Rs.
(i) Loss under the head Income from House Property	2,40,000
(ii) Profits from own business	1,78,00,000
(iii) Share in profits of a partnership firm	50,00,000
(iv) Interest from firm @ 18% from above firm	18,00,000
(v) Short-term capital gain from sale of jewellery	20,00,000
(vi) Short term capital gain u/s 111A from sale of shares	30,00,000
(vii) Long term capital gain u/s 112 from sale of Land and Buildings	50,00,000
(viii) Long term capital gain u/s 112A from sale of shares	91,00,000
(ix) Deemed dividend from different domestic companies excluding dividend u/s 2(22)(e)	15,00,000
(x) Deemed dividend u/s 2(22)(e) from different domestic companies	70,00,000
(xi) Dividend from foreign companies	10,00,000
(xii) Income from un-explained sources u/s 68 to 69D	50,00,000

Illustration 11.

Mr. Ramesh has furnished the following particulars of his income and payments etc. for the previous year ending on 31st March, 2020 :

(1) He is employed in a private company at a salary of Rs. 25,000 per month. He left this service with effect from 1st January, 2020. He received Rs. 24,000 from unrecognised provident fund including interest of Rs. 6,000. He and his employer contributed equally to this fund.

(2) He is owner of 3 trucks of 18 ton capacity, which he gives on hire. One of these trucks was sold on 5th December, 2019. He does not maintain account books for income and expenditure of these trucks.

(3) He purchased 500 equity shares of a company on 10th September, 2018 at a price of Rs. 200 per share. Out of these shares, he sold 200 shares in June, 2019 at a price of Rs. 350 per share and sold 200 shares in November, 2019 at a price of Rs. 375 per share. Shares are listed at a recognised stock exchange and securities transaction tax of Rs. 140 has been paid on sale of these shares. The cost inflation indices for the year 2018-19 and 2019-20 are 280 and 289 respectively.

Fair market value of above equity shares on 31st January, 2018 on a recognised stock exchange was Rs. 325 per share.

(4) During the previous year 2019-20 he purchased the following assets from non-relatives –

(i) A friend transferred a house for Rs. 15,00,000 while its stamp duty value was Rs. 16,30,000.

(ii) Another friend transferred gold jewellery for Rs. 3,00,000 while its fair market value was Rs. 4,00,000.

(5) He received Rs. 6,300 by way of winnings from a lottery and Rs. 3,200 by way of winnings for betting in horse race in January, 2020.

(6) Interest of Rs. 11,140 has been deemed to accrue on the NSC VIIIth Issue purchased during the month of September, 2015.

(7) During the previous year he has made the following payments –

- (i) Paid Rs. 26,000 for medical insurance of his wife and Rs. 48,000 for medical insurance of his dependent mother (68 years) by cheque.
- (ii) Paid tuitions fees Rs. 6,000 for three children @ Rs. 2,000 per child.
- (iii) Paid Rs. 25,000 as premium on a Life Insurance Policy of Rs. 1,00,000 taken on his own life before 1st April, 2012.
- (iv) He gave a donation of Rs. 10,000 to the State Government for the promotion of family planning programme and Rs. 10,000 for the repairs of Taj Mahal (A national monument).

Compute the total income and the net tax liability of Mr. Ramesh for the assessment year 2020-21. Assume that tax has not been deducted at source from his salary.

Illustration 1.

A Hindu undivided family of which Z is the Karta consists of the Karta and his three brothers (R, S & T) as co-parceners. The family and the co-parceners had the following incomes for the year ended 31-3-2020 :

	Rs.
1. Salary of S as manager of a company	72,000
2. Interest received on Government Securities :	
(a) in the name of S (investment made out of his salary)	4,200
(b) in the name of all co-parceners (investment made out of family funds)	64,950
3. Rent from Property :	
(a) Ancestral House	1,08,000
(b) In the name of R – bought in 1979 out of family fund	12,000
4. Business :	
(a) family business income	3,45,000
Family business income includes Rs. 1,20,000 earned from the business of purchasing and selling shares. Rs. 24,000 has been paid as securities transaction tax in respect of this income which has not been deducted in computing such income.	
(b) Half share of income in a firm in which R is partner in a representative capacity	10,000
(c) Interest on Capital from the firm	16,960
(d) Income from profession of T as a lawyer	9,600
5. Dividend received in May, 2019 on shares of Indian Companies :	
(a) In the name of R bought out of family funds	25,370
(b) In the name of R's wife bought out of her Stridhan	1,200

Family paid Rs. 60,000 as life insurance premium on the policies taken on the lives of the male members. Family donated Rs. 50,000 to charitable institutions. Compute the total income and the tax payable by the family.

Illustration 3.

The following particulars are supplied by the Karta of a Hindu Undivided Family. You are required to compute the total income of this family and the net tax payable for the Assessment Year 2020-21 :

(i)	Business Profits (it includes profits of Rs. 40,000 from an industrial undertaking established on 1-6-2003 in a backward state)		2,00,000
(ii)	Salary received by a member of family		15,000
(iii)	Fees received by the Karta as director of a company		6,000
(iv)	Municipal valuation of letout House property		12,000
(v)	Local tax on above property		600
(vi)	Interest and dividend received during previous year 2019-20 in December, 2019 from :		
	(a) Interest from Unlisted debentures	4,500	
	(b) Dividend from Unit Trust of India	<u>10,000</u>	14,500
(vii)	Amount received from the transfer of a house, purchased in 2001-02 for Rs. 12,500		1,05,925

(viii)	Amount received from the transfer of Preference shares in May, 2019 which were purchased in 2001-02 for Rs. 7,500	20,825
(ix)	Profits from firm	14,000
(x)	Interest on capital from the firm	9,570
(xi)	Salary to a member as working partner	24,000
(xii)	Donations to an approved educational institution	20,000
(xiii)	Purchased N.S.C. VIIIth issue	22,000
(xiv)	Medical Insurance Premium paid by cheque on Insurance of male members	7,500

Cost inflation indices for the year 2001-02 and 2019-20 are 100 and 289 respectively.

Illustration 4.

There is a Hindu Undivided family with Shri Mohan as its Karta. Shri Mohan's three brothers—Shri Suresh, Shri Ramesh and Shri Padam—are the other members of the family. The following are the particulars of the Income of the family and its members for the assessment year 2020-21.

1. Rs. 4,00,000 have been invested out of family fund in a firm in the name of Shri Padam and Shri Padam's share in the firm's profit of 2019-20 is Rs. 50,000, excluding interest on capital which is Rs. 58,000. During the previous year Shri Padam as the manager of firm received Rs. 19,200 as salary.
2. Out of the family fund shares of an Indian company have been purchased in the name of Shri Ramesh. The amount of dividends received on these shares on 15th February, 2020 was Rs. 7,160. On the shares of the company purchased by Shri Ramesh out of his personal income dividend of Rs. 800 was received.
3. Shri Padam is an engineer and he has been given Rs. 2,00,000 out of the family funds for running a workshop at 12% p.a. interest. Shri Padam's taxable income from this workshop in 2019-20 was Rs. 50,000.
4. Shri Mohan is a Chartered Accountant. He also took Rs. 80,000 from the family funds for establishing his profession on which no interest is charged. His taxable income from the profession for financial year 2019-20 was Rs. 40,000.
5. Taxable income from the ancestral house property was Rs. 1,78,000. Taxable income from a house purchased in the name of Shri Mohan from family fund was

Rs. 50,000 and taxable income from house purchased by Shri Ramesh in his own name from his savings and money borrowed by him from a friend was Rs. 8,000.

6. Shri Suresh on 1st January, 1987 impressed 8% Government Securities of the face value of Rs. 50,000 which he had purchased out of his personal income with the character of property belonging to the family. These securities continue to be owned by the family during the financial year 2019-20.

7. Net agricultural income of the family is Rs. 10,000.

During the previous year the family purchased N.S.C. VIIIth issue for Rs. 20,000.

Compute the Total income of the family for the Assessment year 2020-21 and the tax payable by the family.

Illustration 5.

The following details have been supplied by Shri Raghudev, the karta of a Hindu Undivided Family. You are required to compute the total income of the family and its liability of tax for the assessment year 2020-21 :

	Rs.
Profit from Business of purchase and sale of shares before deducting Security Transaction Tax	60,00,000
Security Transaction Tax paid on above	30,000
Short term capital gain	1,05,000
Long term capital gains u/s 112	7,700
Long term capital loss u/s 112	9,000
Dividend from Indian companies other than section 2(22)(e)	17,00,000
Dividend from Indian companies u/s 2(22)(e)	11,00,000
Rent received from the house property	30,000
Local tax paid on above mentioned house property	3,000
Interest received on Government securities	10,000
Interest paid on loan taken to purchase Government securities	4,000
Donation to approved institutions	10,000
Premium paid on Life Insurance Policy of Karta (taken in 2011) of Rs. 2,00,000	50,000
Deposited into Public Provident Fund Account	60,000

Illustration 7.

Compute the total income and the tax payable by a Hindu undivided family for the assessment year 2020-21 from the following particulars :

- (1) Profits from an industrial undertaking established in special economic zone during the financial year 2015-16 Rs. 40 Lacs. Total sales of the undertaking was Rs. 200 lacs which includes Rs. 180 lacs from export sales. Money brought to India in convertible foreign exchange upto 30th Sept., 2020 from export sale was Rs. 140 lacs.
- (2) Interest credited on Savings Bank deposits of a bank Rs. 30,000.
- (3) During the previous year the family purchased NSC VIII issue for Rs. 55,000.
- (4) Business profits Rs. 60,000 from an industrial undertaking established on 1st July, 2003 in a backward State.
- (5) Donation to an approved charitable institution Rs. 40,000.