

Text Book



# INCOME TAX

A Textbook for B. Com. & BBM/BBA as per Gulbarga University Kalaburagi,  
Karnataka University Dharwad, Rani Chennamma University Belagavi,  
Vijaynagar Sri Krishnadevaraya University Bellary and Akkamahadevi  
Women's University Vijayapura Syllabus

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## MODULE-9

### 9.1 ASSESSMENT OF INDIVIDUAL

An individual means any human being. An individual has to pay income tax on total income at progressive rates of tax.) The gross total income of an individual comprises the income from following heads.

- ✓ a) Income from Salary
- ✓ b) Income from House Property
- ✓ c) Income from Business or Profession
- ✓ d) Income from Capital Gains
- ✓ e) Income from Other sources

As an individual apart from his income, he/she may get share of income from various institutions in different capacities. The following are the income tax provisions relating to his/her share of income from various institutions.

#### (I) **As a member of Hindu Undivided Family:**

Share of income received by an individual as a member of Hindu Undivided Family is fully exempt U/s 10(2). According to Sec 64(2), if an individual has converted his self acquired property into HUF property the income from such converted property is taxable in the hands of an individual but not in the hands of HUF, even though the income from such converted property is received by HUF.

#### (II) **As a partner of a firm:**

- a) Share of profit received from firm by an individual as a partner is fully exempt U/s 10(2A)
- b) Any interest received from firm as a partner is taxable under the head "Income from Business" to the extent to which it was allowed in the assessment of firm.
- c) Salary, Bonus, etc received from firm by an individual as a non-working partner is not taxable because, it was fully disallowed in the assessment of firm.
- d) Salary, Bonus etc received from firm by an individual as a working partner is taxable under the head "Income from Business" only to the extent to which it was allowed in the assessment of firm.
- e) As interest Salary, Bonus etc received from firm are taxable under the head "Income from Business" all expenses incurred for earning of these incomes are allowed as business expenses.

#### (III) **As a Share Holder of a Company:**

- a) Any dividend received from an Indian Company is fully exempt U/s 10(34)



**EXERCISES****SECTION-A**

- Who is an individual?
1. Name the various heads of income in case of individual.
2. How do you treat the share of income received by an individual as a member of Hindu Undivided Family?
3. How do you treat the income from property converted by an individual in to Hindu undivided family property?
4. How do you treat share of profit received by an individual as a partner of firm?
5. How do you treat the interest received by an individual as a partner of firm?
6. How do you treat Salary, Bonus, etc received by an individual as a non-working partner of a firm?
7. How do you treat Salary, Bonus etc received by an individual as a working partner of a firm?
8. How do you treat dividend received by an individual from foreign company and co-operative society?
9. How do you treat share of income received by an individual as a member of AOP/BOI when its total income is taxable at maximum marginal rate?
10. How do you treat share of income received by an individual as a member of AOP/BOI when its total income is taxable at normal rates?
11. How do you treat share of income received by an individual as a member of AOP/BOI when its total income is less than non taxable limit?
- 12.

**SECTION-B**

1. How are the following income treated while computing the total income of an Individual?

- Exempt* a) Income received as a member of Hindu Undivided Family  
*Exempt* b) Share of profit from a firm  
*Exempt* c) Dividend from co-operative society  
*Exempt* d) Dividend from domestic company  
*Exempt* e) Interest from a firm of which the assessee is a partner.

(GUG B.Com. VI Sem. 2015)

- Ans:** a) It is fully exempt U/s 10(2)  
 b) It is fully exempt U/s 10(2A)  
 c) It is taxable under the head other sources  
 d) It is fully exempt U/s 10(34)  
 e) It is taxable under the head business

2. How do you treat the following incomes while computing the total income of an individual:



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- Exempt a)* Share of profit from firm.  
*Exempt b)* Income received as member of HUF  
*Not taxable c)* Share of profit from AOP.  
*Exempt d)* Dividend from a domestic company.  
*Taxable e)* Interest from a firm of which the assessee is a partner  
*up to 12% Taxable f)* Salary from a firm of which the assessee is a partner  
*Taxable g)* Dividends from a cooperative society.

(GUG B.Com VI Sem. 2017 & RCUB, B.Com. VI, 2016)

- Ans:**
- a) It is exempt U/s 10(2A)
  - b) It is exempt U/s 10(2)
  - c) i) If total income of AOP is taxable at "maximum" marginal rate, share of income from AOP is not taxable.  
 ii) If total income of AOP is taxable at normal rates, share of income from AOP is included in total income and rebate of tax U/s 86 is granted.  
 iii) If total income of AOP is less than non-taxable limit, share of income from AOP is included in total income but rebate U/s 86 is not granted.
  - d) It is exempt U/s 10 (34)
  - e) It is taxable under the head business to the extent to which it was allowed in the assessment of firm.
  - f) It is taxable under the head business to the extent to which it was allowed in the assessment of firm.
  - g) It is taxable under the head income from other sources.

3. How are the following incomes treated while computing the total income of an Individual:

- Taxable a)* Salary from a firm of which the assessee is a partner  
*Exempt b)* Income received as member of HUF  
*Taxable c)* Income received as a member of Association of Persons  
*Exempt d)* Dividend from a domestic company.  
*Taxable e)* Interest from a firm of which the assessee is a partner  
*up to 12%*

(GUG, B.Com. VI Sem. 2018)

- Ans:**
- a) It is taxable under the head business to the extent to which it was allowed in the assessment of firm.
  - b) It is exempt U/s 10(2A)
  - c) i) If total income of AOP is taxable at maximum marginal rate, share of income from AOP is not taxable.  
 ii) If total income of AOP is taxable at normal rates, share of income from AOP is included in total income and rebate of tax U/s 86 is granted.



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iii) If total income of AOP is less than non-taxable limit, share of income from AOP is included in total income but rebate U/s 86 is not granted.

- d) It is exempt U/s 10 (34)
- e) It is taxable under the head business to the extent to which it was allowed in the assessment of firm.

4. Compute the total income of Dr. Ramesh for the A.Y. 2018-19 from the following information.

- Exempt a) Share of profits received from firms Rs.20,000
- Exempt b) Share of income received from HUF Rs.40,000
- Taxable c) Dividend received from co-operative society Rs.15,000
- Taxable d) Interest received as a partner of firm at 15% Rs.9,000  $\times \frac{12}{15} = 7,200$  ✓
- Taxable e) Rent received from House Property let out Rs.90,000  $- 27,000 \text{ (30\% of A.V.)} = 63,000$  ✓
- Taxable f) Winnings from lotteries (gross) Rs.27,000

**Ans:** Total Income Rs.1,12,200

Hint: Income from HP Rs.63,000; Income from Business Rs.7,200; Income from Other Sources Rs.42,000; GTI Rs.1,12,200.

Note: Taxable interest from firm =  $9,000 \times \frac{12}{15} = \text{Rs.7,200}$

5. From the following information, compute the total income of Mr. Prasad.

- Taxable a) Share of income received from AOP (AOP has paid "maximum" marginal rates of tax) Rs.20,000 ✓
- Taxable b) Interest on debentures of X Ltd. received (listed) Rs.18,000  $\times \frac{100}{90} = 20,000$  ✓
- Taxable c) The sale proceeds of his house is Rs.2,22,000 which was purchased in 2012-13 for Rs.1,50,000. The cost of inflation index for the year 2012-13 and 2017-18 were 200 and 272 respectively.  $2,22,000 - \frac{200}{272} \times 200,000 = 18,000$  ✓
- Taxable d) Salary received as MLC Rs.5,000 per month  $\times 12 = 60,000$  ✓
- Taxable e) Income from business (computed) Rs.25,000 ✓

**Ans:** Total Income Rs.1,23,000

Hint: Income from Business Rs.25,000; LTCG Rs.18,000; Income from Other Sources Rs.80,000; GTI Rs.1,23,000.

Note: As AOP has paid "maximum" marginal rate of tax, share of income received from AOP is "not taxable."

6. From the following information relating Mr. Vinay, compute the total income for the A.Y. 2018-19.

- Taxable a) Agricultural income from Bangladesh Rs.25,000 ✓
- Taxable b) He is a partner in a firm from which he has received interest on capital at 10% Rs.20,000 and Salary as a working partner Rs.40,000 (which was fully allowed in the assessment of firm) ✓
- Exempt c) Dividend from Indian Company Rs.20,000 ✓
- Taxable d) Salary received as a Guest lecturer Rs.5,000 p.m.  $\times 12 = 60,000$  ✓



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*Taxable* e) Income from speculation business Rs.1,20,000  
*And U/s 80DDB* f) During the year he spent Rs.70,000<sup>for</sup> for the medical treatment of specified disease of dependent mother (82 years)

**Ans:** Total Income Rs.1,95,000

**Hint:** Income from Salary Rs.60,000; Income from Business Rs.1,80,000; Income from Other Sources Rs.25,000; GTI Rs.2,65,000; Deduction U/s 80DDB Rs.70,000.

7. The following are the particulars relates to Mr. Vasant for the A.Y. 2018-19.

*Taxable* a) Rent received from the house property let out Rs.6,000 per month ~~X~~  
Municipal tax paid Rs.2,000 Interest on loan taken for construction is Rs.9,000.

*Taxable* b) Share of income received from AOP is Rs.10,000 (AOP has paid ~~u/s 86~~ "normal" rates of tax)

c) Net profit from business Rs.1,00,000 after taking into account the following:

1) Income tax paid Rs.5,000~~X~~

*Add* 2) Interest on capital Rs.20,000 ✓

*other source - Add* 3) Interest on Bank deposit Rs.5,000 ✓

**Ans:** Total Income Rs.1,75,000

**Hint:** Income from HP Rs.40,000; Income from Business Rs.1,30,000; Income from Other Sources Rs.5,000; GTI Rs.1,75,000.

**Note:** As AOP has paid "normal" rates of tax, share of income is included in business income on which he can claim rebate of tax U/s 86

8. How do you treat the following?

*Exempt* a) Income from agriculture amounting to Rs.25,000~~X~~ in Hubli

*Taxable* b) Income from agriculture amounting to Rs.50,000~~X~~ in Nepal

*not Taxable* c) Recovery of bad debts Rs.10,000~~X~~ which is disallowed by assessing officer in earlier assessment.

*Taxable* d) Unrealized rent of the past years Rs.5,000~~X~~ is realized during the current year

*not Taxable* e) Loss of cash by embezzlement Rs.15,000~~X~~

**Ans:** a) It is fully exempt U/s 10(1) (KUD, B.Com. 5<sup>th</sup> Sem., 2012)

b) It is fully taxable under the head income from other sources as the land is situated outside India.

c) Bad debts recovered is not taxable as it was previously disallowed.

d) Unrealized rent realized during the previous year is taxable under the head of income from house property subject to standard deductions u/s 24.

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- e) Loss of cash by embezzlement is allowed as deduction under the head business or profession assuming that it is incidental to business.

9. How do you treat the following incomes while computing the total income of an individual:

- Exempt*  
*Exempt*  
*not taxable*  
*Exempt*  
*taxable*
- a) Share of profit from firm.
  - b) Income received as member of HUF
  - c) Share of profit from Association of persons.
  - d) Dividend from a domestic company.
  - e) Salary from a firm of which the assessee is a partner

(RCUB, B.Com. VI, 2017)

- Ans:**
- a) It is exempt U/s 10(2A)
  - b) It is exempt U/s 10(2)
  - c) i) If total income of AOP is taxable at maximum marginal rate, share of income from AOP is not taxable.  
ii) If total income of AOP is taxable at normal rates, share of income from AOP is included in total income and rebate of tax U/s 86 is granted.  
iii) If total income of AOP is less than non-taxable limit, share of income from AOP is included in total income but rebate U/s 86 is not granted.
  - d) It is exempt U/s 10 (34)
  - e) It is taxable under the head business to the extent to which it was allowed in the assessment of firm.



# INCOME TAX

## SECTION-C

1. From the following particulars furnished Mr. Ravi, compute his total income for the assessment year 2018-19.

### Profits and Loss Account for the year ending 31.03.2018

To Salary	60,000	By Gross profit X	2,42,250
To Office Rent	20,000	By Rent from house property- IV & V	28,800
To General Expenses	10,000	By Winnings from lottery (net) $21,000 \times \frac{100}{70} = 30,000$ ✓	IV - 21,000 V
To Sales Tax	6,270	By Interest on fixed deposits with bank - IV & V	10,000
To Income Tax	6,000		
To Bad debts	3,000		
To municipal Tax	4,800		
To RDD	2,800		
To Fire Insurance	1,000		
To Car Expenses $\frac{1}{4} \times 16,000 = 4,000$ ✓	16,000		
To Life insurance premium	8,000		
To Donation to Gulbarga University (Approved) $24,000 \times \frac{1}{3} = 8,000$ ✓	24,000		
To Depreciation	20,000		
To Net Profit	1,20,220		
	3,02,090		3,02,090

### Other Information:

- II ✓ 1) Municipal taxes, fire insurance pertain to house property let out.  
 II ✓ 2)  $\frac{1}{4}$ th of car expenses relate to his personal use.  
 ✓ 3) General expenses include Rs.5,000 compensation paid on employee on termination of his service in the interest of the business.  
 III ✓ 4) Depreciation allowable amounted to Rs.15,000.  
 IV ✓ 5) Ravi sold a land during the year for Rs.3,29,600. It was purchased by him in May 2011 for Rs.1,84,000. The cost inflation indices for the financial year 2011-12 and 2017-18 were 184 and 272 respectively.  
 capital gain  $184,000 \times \frac{272}{184} = 2,72,000 - 3,29,600 = 57,600$  (GUG, B.Com VI Sem. 2009)

Ans: Total Income Rs.2,14,179 (rounded off Rs.2,14,180)

Hint: Income from Business Rs.1,16,020; Income from House Property Rs.16,800; LTCG Rs.57,600; Other sources Rs.40,000; GTI Rs.2,30,420; 80C Rs.8,000; 80G Rs.8,241.

2. From the following particulars furnished by Mr. Bharath, compute his total income for the Assessment year 2018-19.

### Profits and Loss A/c for the year ending 31.03.2018

	Rs.		Rs.
To Salaries	66,000	By Gross Profit X	3,60,000
To Office rent	54,000	By Rent from house property IV & V	43,200
To General expenses	18,000	By Winnings from lotteries IV	21,000



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+ To Sales Tax	6,000	(Net) $21,000 \times \frac{100}{70} = 30,000$ <del>IV</del> <sup>V</sup>	
✓ To Income Tax	9,000	By Interest on Govt. Securities (Gross) <del>IV</del> <sup>V</sup>	29,730
+ To Bad debts	4,500	By Commission <del>X</del>	200
✓ To Municipal Taxes	7,200		
✓ To Reserve for Bad and doubtful debts	4,200		
✓ To Fire Insurance	1,500		
✓ To Car expenses $\times \frac{1}{2} = 12,000$	24,000		
✓ To Life Insurance Premium	12,000		
✓ To Donation to approved institution	36,000		
✓ To Depreciation	30,000		
✓ To Net Profit	1,81,730		
	4,54,130		4,54,130

## Other Information:

- ✓ 1. Municipal taxes and fire insurance pertain to house property let out.
- ~~X~~ 2. General expenses include Rs.3,000 compensation paid to an employee on termination of his service in the interest of business
- ✓ 3. Half of the car expenses relate to his personal use
- ~~III~~ ✓ 4. Depreciation allowable amounted to Rs.24,000

(GUG, B.com VI Sem -2010 & 2013 & 2016)

**Ans:** Total Income Rs.2,36,198.

**Hint:** Income from Business Rs.1,75,700; Income from H.P Rs.25,200; Income from other sources Rs.59,730; GTI Rs.2,60,630; Deduction U/s 80C Rs.12,000; U/s 80G Rs.12,432.

**Note:**

1. Gross winnings from lotteries  $(21,000 \times 100/70)$  Rs.30,000
2. Donation to approved institution is qualified for deduction U/s 80G subject to a limit of Rs. 24864 (10% of A GTI of Rs.2,48,6400) and the rate of deduction is 50% of Rs.12,432.
3. From the following particulars furnished by Mr. Bharath, compute his total income for the Assessment year 2018-19.

## Profits and Loss A/c for the year ending 31.03.2018

	Rs.		Rs.
<del>X</del> To Salaries	22,000	By Gross Profit <del>X</del>	1,20,000
<del>X</del> To Office rent	18,000	By Rent from house property <del>IV</del> <sup>V</sup>	14,400
<del>X</del> To General expenses	6,000	By Winnings from lotteries <del>IV</del> <sup>V</sup>	7,000
		(Net) $7,000 \times \frac{100}{70} = 10,000$ <del>V</del>	
<del>X</del> To Sales Tax	2,000	By Interest on Govt. Securities (Gross) <del>IV</del> <sup>V</sup>	10,000
✓ To Income Tax	3,000		



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✓ To Bad debts	1,500	
✓ To Municipal Taxes	2,400	
✓ To Reserve for Bad and doubtful debts	1,400	
✓ To Fire Insurance	500	
✓ To Car expenses $\times \frac{1}{2} = 2000$	8,000	
✓ To Life Insurance Premium	4,000	
✓ To Donation to Gulbarga University	12,000	
✓ To Depreciation	10,000	
✓ To Net Profit	60,600	
	1,51,400	1,51,400

### Other Information:

- ✓ 1. Municipal taxes and fire insurance pertain to house property let out.
- ✓ 2. General expenses include Rs.1,500 compensation paid to an employee on termination of his service in the interest of business
- ✓ 3. Half of the car expenses relate to his personal use
- ✓ 4. Depreciation allowable amounted to Rs.8,000

(GUG, B.com VI Sem. 2010)

**Ans:** Total Income rounded off Rs.78,760 (78,755)

**Hint:** Income from Business Rs.58,500; Income from H.P Rs.8,400; Income from other sources Rs..20,000; GTI Rs.86,900; Deduction U/s 80C Rs.4,000; U/s 80G Rs.4145.

**Note:**

1. Gross winnings from lotteries (7000 x 100/70) Rs.10,000
2. Donation to Gulbarga University is qualified for deduction U/s 80G subject to a limit of Rs.8,290 (10% of A GTI of Rs.82,900) and the rate of deduction is 50% of Rs.8,290.
4. From the following particulars of income of Mr. X, compute his total income for the AY 2018-19.
  - a) Salary at Rs.2,400 p.m.
  - b) Rent from house property at Rs.3,000 p.m.
  - c) Interest on fixed deposit with bank Rs.2,400
  - d) Interest on deposit with Maruti Co. Ltd., Rs.2,700  $\times \frac{100}{90} = 3000$  (Net) listed
  - e) Interest on Government Securities Rs.15,000.
  - f) Dividend received from a Cooperative Society Rs.10,000.
  - g) Dividend from Indian Company Rs.2,000.
  - h) He owns a poultry farm from which his profits are Rs.50,000.
  - i) He sold his residential house for Rs.5,41,000 which he had purchased for Rs.80,000 in May 1979 and its fair market value on 01.04.2001 was Rs.1,00,000.



Cost of inflation index in 2001-02 was 100 and 2017-18 it was 272.

During the PY he purchased National Savings Certificates (VIII Issue) of Rs.10,000<sup>80C</sup>, contributed to Public Provident Fund Rs.15,000<sup>80C</sup> and paid premium of Rs.8,000 on his "Mediclaim" Policy by cheque.  
80D Ltd

(GUG B.Com. VI Sem. 2011, 2015 & 2018)

**Ans:** Total Income Rs.3,70,400.

**Hint:** Income from salary Rs.28,800; Income from house property Rs.25,200; Income from business Rs.50,000; LTCG Rs.2,69,000; Income from other sources Rs.30,400; GTI Rs.4,03,400; Deduction U/s 80C Rs.25,000; Deduction U/s 80D Rs.8,000.

5. Sri Shankar is engaged in smuggling business out of which he earned a profit of Rs.70,000. this profit is arrived at after claiming the following expenses:

- ✗ a) Rs.3,000 paid as tips to Border police.
- ✗ b) Rs.5,000 as loss of goods seized by the customs authority.
- ✓ c) Rs.2,000 paid as penalty to the customs department.

He is also carrying on regular cloth business from which he made a profit of Rs.1,00,000.

His other incomes are:

- ✓ 1) Winnings from horse race Rs.2,000, winnings from lotteries Rs.5,000 and winnings from bridge game Rs.1,000.
- ✓ 2) He received a royalty of Rs.15,000 in respect of a book written by him and he claims expenditure of Rs.3,000 in preparing its manuscript and Rs.2,000 paid to a student who collected the material for the book.
- ✓ 3) He received remuneration of Rs.1,500 for delivering guest lectures.
- ✓ 4) He received Rs.790 as dividend on shares of a foreign company and Rs.3,500 as income from agricultural land in Bhutan.
- ✓ 5) He earned interest at 15% on a deposit of Rs.5,000 with Bajaj Auto Ltd.

Sri Shankar has spent Rs.25,000 for Medical Treatment of his handicapped son who is a person with disability. - 80DD - 75000/-

Computer his Total Income for the assessment year 2018-19.

(GUG, B.Com VI Sem. 2012)

**Ans:** Total Income Rs.1,21,540

**Hint:** Income from Business (Regular Rs.1,00,000 + Smuggling Rs.72,000) Rs.1,72,000; Income from Other sources Rs.24,540; GTI Rs.1,96,540; Deduction U/s 80DD Rs.75,000.

**Note:**

1. Penalty paid is disallowed.



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2. Tips to border police & loss of goods seized by customs authority are allowed in case of smuggling business.

6. Compute the total income of Prof. Patil for P.Y. 2017-18.

Sl. No.	Particulars	Rs.
✓1.	Business Income (computed)	78,000
✓2.	House Property Income (computed)	20,000
✓3.	Interest on Govt. Securities	5,600
✓4.	Capital Gain:	
	Short term	15,000
	Long term	15,000
		30,000
✓5.	Winning from Lottery (Tickets purchased of Rs.1,000)X	25,000
✓6.	Dividend and Interest:	
Exempt	i) Dividend from Indian Company -	5,000
✓	ii) Dividend from Foreign Company	10,000
Exempt	iii) Income from U.T.I.	4,000
✓	iv) Interest on fixed deposits with Bank	6,000
✓	v) Interest on Deposit in Binny Cloth Mill	5,000

He made the following payments:

80C-1.	LIC premium on policy of Rs.1,50,000 paid	14,000
80C-2.	Public Provident Fund	20,000
80C-3.	Deposit in 15 Year Post Office CTD A/c	6,000
80G-4.	Donation for charitable institution	20,000
80DD-5.	Medical treatment of <u>handicapped dependent</u> admitted in Hospital for 60 days - 75000 ✓	30,000

(GUG BBM V Sem. (Old) 2010)

**Ans:** Total Income Rs.62,870

Hint: Income from Business Rs.78,000; Income from H.P. Rs.20,000; Income from Capital gain Rs.30,000; Income from other sources Rs.51,600; GTI Rs.1,79,600; Deduction U/s 80C Rs.40,000; U/s 80DD Rs.75,000; U/s 80G Rs.1,730.

Note:

- Purchase of Lottery tickets is not allowed
- Dividend from Indian Co and Income from UTI are exempt U/s 10(34) and 10(35) respectively
- Irrespective of the amount spent for medical treatment of handicapped dependent, deduction U/s 80DD is allowed at a fixed amount of Rs.75,000
- Calculation of Deduction U/s 80G

Gross Total Income		1,79,600
Less: 1) STCG		
2) LTCG	15,000	
3) Deduction U/s 80C	15,000	
	40,000	



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4) Deduct U/s 80DD	75,000	1,45,000
Adjusted Gross Total Income		34,600
Donations to Charitable Institution		20,000
OR		
10% of Adjusted GTI (34,600 x 10/100)		3,460
Whichever is Less		
Qualified Donation		3,460
∴ Deduction U/s 80G (50% of 3460)		1730

7. Mr. Shanbagh is furnishing the following details of his income and payments. You are required to compute the total income.

✓ Winnings from car race (Net)	35,000	$\times \frac{100}{70} = 50,000$
✓ Dividend on Shares of a Co-operative Society	3,000	
✓ Salary (Gross)	45,000	
✓ Hire charge collected on tractor	15,000	
✓ Interest on fixed deposit with Bank of India	6,000	
✓ Short term capital loss	5,000	
✓ Long term capital gain	22,000	
Example- Share of Income from firm	30,000	
✓ Meeting allowance as director	5,000	
✓ Remuneration for examination work from Gulbarga University	1,200	

Ques-57 Payments and Investments:

Tractor Maintenance and Repair charges	3,000
80C- National Savings Certificate (N.S.C) VIII	5,000
80C- Contribution to Recognized P.F.	6,000
80C- Life Insurance premium paid on his policy of Rs.60,000	5,000
80D- Health Insurance premium on his wife	2,000
80C- Deposits in Post office CTD account	6,000
80G- Donation to Gulbarga University (Approved)	4,000
80C- Repayment of loan installments to H.D.F.C Bangalore	18,000
80C- Contribution towards units of ULIP of UTI	5,000

Ans: Total Income Rs.90,200

Hint: Income from Salary Rs.45,000; Capital gain Rs.17,000; Income from other sources Rs.77,200; GTI Rs.1,39,200; Deduction U/s 80C Rs.45,000; U/s 80D Rs.2,000; U/s 80G Rs.2,000 (50% of Rs.4,000)

8. Mohan a Chief Executive, appointed on a contract period of two years by a company, furnishes the following particulars of his income for the financial year 2017-18.



## INCOME TAX

Compute his total income for the A.Y. 2018-19.

A) ✓ i) Basic pay and Dearness Allowance	48,000
✓ ii) Other Allowances:	
calculate a) Education Allowance for two children of the assessee	3,000
" b) House Rent allowance - <i>Trouble</i> <i>Exempt - 100 × 2 × 12 = 2400</i>	12,000
" c) Servant allowance	1,500
" d) Gas, Electricity and water supply	1,500
" e) Conveyance Allowance for private purposes	6,000
other source ✓ B) (He resides in his own house) the <u>annual letting value of which is Rs.18,000. The Municipal tax there on Rs.3,000</u>	
p.a.	
C) Interest Income:	Rs.
Example 800- a) Public Provident Fund	1,000
other source b) National Savings Certificates VIII issue (Accrued)	750
other source ✓ c) On Fixed Deposit with Bank	11,000
D) He has invested the following amounts out of his income:	
800-a) Deposited into Public Provident Fund Rs.3,000	
800-b) Insurance premium paid on the lives of	
800-i) Dependent Son	2,000
800-ii) Wife	2,000
800-c) Deposit in National Savings Certificates VIII issue	5,000
	(GUG I-2000)

**Ans:** Total Income Rs.69,350

Hint: Income from Salary Rs.69,600; Income from H.P. (SOP) Rs. Nil; Income from other sources Rs..11,750; GTI Rs.81,350; Deduction U/s 80C Rs.12,000; Taxable Education allowance (Rs.3000-2400) Rs.600;

Note:

1. Interest on PPF is exempt U/s 10(11)
2. Mohan is residing in his own house, hence, exemption U/s 10 (13A) for HRA is not granted.

9. Sri Baswaraj a resident and person with severe disability has received the following amounts during the financial year 2017-18.

- ✓ 1. Net salary Rs.89,084 after deduction of Income Tax Rs.3,400 and his contribution to Statutory Provident Fund Rs.7,200. Life insurance premium of Rs.5,816 paid by the employer.
- ✓ 2. Rs.5,800 (Gross) from a Bank being interest on F.D (Fixed Deposit).
- ✓ 3. Rs.2,000 from a firm being interest on deposits.
- ✓ 4. He sold the house on 01.01.2018 for Rs.1,96,000 which was purchased in April 2001 for Rs.35,000. Sri Baswaraj had spent Rs.10,000 for addition of one room during the year 2012-13.
- ✓ 5. Rs.18,000 from the tenant of the house as rent.
- ✓ 6. Speculation profit Rs.10,000.



- ✓ 7. Rs.24,000 being compensation for termination of agency.  
 ✓ 8. Interest on Govt. Securities Rs.10,000.  
 The cost inflation index for 2001-02 was 100 in 2012-13 it was 200 and for 2017-18 it was 272  
 Compute his Total Income for the A.Y. 2018-19.

Ans: Total Income Rs.1,19,084

(GUG I-2005, II-1998)

Hint: Income from Salary Rs.1,05,500; Income from H.P Rs. 12,600; Income from Business Rs.34,000; LTCG Rs.87,200; Income from other sources Rs.17,800; GTI Rs.2,57,100; Deduction U/s 80C Rs.13,016; U/s 80U Rs.1,25,000.

10. Mr. Anil, a resident individual, gives the following particulars of his income earned during the year 2017-18.

- ✓ 1. Basic salary (after deducting contribution to recognized provident fund Rs.18,000) Rs.1,22,000  $(122000 + 18000) = 1,40,000$  ✓  
 ✓ 2. Employer's contribution to the above fund Rs.18,000  $140000 \times \frac{12\%}{100} = 16800$  ✓  
 ✓ 3. Club bills and membership fees paid by the employer Rs.6,000  
 ✓ 4. Entertainment allowance Rs.8,000

✓ Other Incomes of the Mr. Anil for the same period are as under

- ✓ 1. Interest on Govt. securities Rs.4,000  
 ✓ 2. Rent from House property Rs.20,000  
 ✓ 3. Long-term capital gains Rs.10,000  
 ✓ 4. Income from Units of Mutual Fund Rs.5,000  
 ✓ 5. Dividend from Indian Company Rs.1,000

He also furnished the following information:

- 80C-1. Deposited in public provident fund Rs.15,000  
 80C-2. Life insurance premium paid on his wife's policy Rs.1,000  
 80D-3. Medical insurance premium paid by cheque to insurance corporation of India Rs.12,000.

Compute his total income for the A.Y. 2018-19.

Ans: Total Income Rs.1,37,200

Hint: Income from Salary Rs.1,55,200; Income from H.P Rs. 14,000; LTCG Rs.10,000; Income from other sources Rs.4,000; GTI Rs.1,83,200; Deduction U/s 80C Rs.34,000; U/s 80D Rs.12,000.

11. Dr. Praveen furnished his receipts and payments account for the previous year 2017-18.

To Balance b/d	21000	By Rent of clinic - II	35,000
To Loan from Bank	25,000	By Purchase of surgical equipment (on 01.01.2018)	20,000
To Consultation fees - I	1,35,000	By Municipal taxes - III	9,600
To Visiting fees - I	80,000	By Purchase of books for profession	5,000



# INCOME TAX

To Gifts from patients - I ✓	11,000	By Motor car purchased on (15.09.2017) X Dis allowable	1,50,000
<i>calculations</i> III - To Rent from house property	42,000	By Salary to staff - II	48,000
<i>Exempt</i> To Agriculture income	8,600	By Interest on Bank loan - II	8,150
<i>Exempt</i> To Interest on Post Office SB Account	2,000	By Donation to political party ↳ 80 C & C	1,000
III - To Interest on debentures of Z-9000 X 10% = 9,000 company limited (net) (listed) = 10,000 - 90	9,000	By Donation to temple (approved) ↳ 80 C	20,000
III - To Winnings from Lotteries (net)	14,000	By Car expenses X 1/2 = 10,000 - II	20,000
X To Share of income from HUF = 12,000 X 100/200 = 6,000	16,000	By Purchase of medicine - II	22,600
<i>Exempt</i>		By Life insurance premium 80 C	2,000
		By Balance c/d X	22,250
	3,63,600		3,63,600

## Additional Information:

1. Provide depreciation on motor car at 15%, on surgical equipment at 20% and on books at 60%. - 5000 X 60% = 3000 ✓
2. Municipal taxes pertain to house property.
3. During the year he paid medical insurance premium Rs.4,000 by cheque on his health under approved scheme. 80 D
4. He sold a building during the year for Rs.2,92,000 was purchased by him in May 2006 for Rs.1,22,000. The cost inflation index for the financial year 2006-07 and 2017-18 were 122 and 272 respectively.
5. Half of the car expenses relate to his personal use.
- Compute the total income of Dr. Praveen for the assessment year 2018-19.

**Ans:** Total Income Rs.1,45,096, Total income rounded off to Rs 1,45,100

**Hint:** Income from Profession Rs.86,000; Income from H.P Rs. 22,600; Income from other sources Rs.30,000; Long term capital gains Rs.20,000; GTI Rs.1,58,680; Deduction U/s 80C Rs.2,000; U/s 80D Rs.4,000; U/s 80GGC Rs.1,000; U/s 80G Rs.6,584.

12. From the following Receipts and Payments Account of Dr. Sunil and the additional information, compute his total income for the assessment year 2018-19.

## Receipts and Payments Account

Cash on hand X	2,000	Dispensary - II expenses	22,000
Consultation fees - I	1,30,000	Medical Periodicals - II	800
Visiting fees - I	20,000	Life Insurance X U/s allow	12,000
X-ray fees - I		Premium 80 C	
Share from HUF - X Exempt	50,000	Salaries to staff - II	60,000
Loan from Bank for purchase of - X	8,000	Domestic expenses X	55,200
	30,000	Donations X U/s allow	20,000



ASSESSMENT OF INDIVIDUAL			
Surgical equipment			
Winnings from lotteries (net) - III	35,000	10%	
Rent from House Property let out - III	24,000		
		Deposit in bank X Disallowed	60,000
		Car expenses - II	6,000
		Cost of surgical equipment X Disallowed	60,000
		Cash in hand X	3,000
	2,99,000		2,99,000

#### Additional Information:

- II-1. Depreciation allowable as per rule is Rs.5,000.
2. Donations are Rs.2,000 to political party and Rs.18,000 to an approved charitable institution. *80G & 80G*
3. Domestic expenses include Rs.6,000 being premium on Mediclaim policy for himself. *80D*

**Ans:** Total Income Rs.1,45,350

(VSKUB B.Com. VI Sem., 2018)

Hint: Income from Profession Rs.1,06,200; Income from H.P Rs. 16,800; Income from other sources Rs..50,000; GTI Rs.1,73,000; Deduction U/s 80C Rs.12,000; U/s 80D Rs.6,000; U/s 80GGC Rs.2,000; U/s 80G Rs.7,650.

13. The following is the Receipts and Payments Account of Dr. Bhramari, a medical practitioner for the year 2017-18.

#### Receipts and Payments Account

Consultation fees	2,75,000	Staff salary	1,30,000
Visiting fees	1,25,000	Cost of surgical equipment	50,000
Sale of medicines	1,10,000	Cost of medicines	70,000
Interest on Savings deposits with Bank	10,000	Rent of dispensary	40,000
Rent from letout house	60,000	Life insurance premium	20,000
		Municipal Tax	5,000
		Donations	5,000
		Balance c/d	2,60,000
	5,80,000		5,80,000

#### Additional Information:

1. Municipal taxes paid were related to house property letout.
2. Life insurance premium paid is on her life policy of Rs.3,00,000.
3. Donations are made to the Prime Minister's National Relief Fund.
4. Depreciation allowable amount to Rs.18,000.

Compute the Total Income of Dr. Bhramari for the A.Y. 2018-19.

(KSWU-2008)

**Ans:** Total Income Rs.2,65,500

Hint: Income from Profession Rs.2,52,000; Income from H.P Rs. 38,500; Income from other sources Rs..10,000; GTI Rs.3,00,500; Deduction U/s 80C Rs.20,000; U/s 80G Rs.5,000; U/s 80TTA Rs. 10,000



**INCOME TAX**

14. From the following information of Sri Naval Kishore compute the taxable income.

**Profits and Loss A/c for the year ending 31.03.2018**

To Interest	7,200	By Gross profit	
To Repairs and Renewals	8,800	By Interest on debentures of a company (Gross)	4,90,800
To Insurance	16,800	By Rent from house property	40,000
To Depreciation	22,400		1,44,000
To Compensation	40,800		
To Legal charges	20,400		
To Labour welfare expenses	14,000		
To Subscription	24,400		
To Net profit	5,20,000		
	6,74,800		6,74,800

**Other Information:**

- Interest includes Rs.800 on loan taken for purchase of debentures of a company and Rs.1,200 on loan taken for reconstruction of let out property.
- Repairs relating to house property let out are 40% of Repairs and Renewal expenses.
- Depreciation includes Rs.4,800 on let out property.
- Compensation was paid to an employee whose dismissal was in business interest.
- Insurance includes 30% fire insurance of let out property, 30% workers accident insurance and the balance for life insurance.
- Legal charges include Rs.8000 relating to a petition filed against breach of a contract and the balance regarding sales tax appeal.
- Subscriptions include Rs.8,000 given for election purposes to political parties.
- The following amounts are not debited to P & L A/c:
  - Expenses incurred on the occasion of Deepavali Rs.2,000.
  - Theft of cash from Iron safe Rs.6,000.
  - Expenses for new telephone connection in the business Rs.8,000.

**Ans:** Taxable Income Rs.4,74,160

**Hint:** Income from Business Rs.3,50,080; Income from H.P Rs. 99,600; Income from other sources Rs.39,200; GTI Rs.4,88,880; Deduction U/s 80C Rs.6,720; U/s 80GGC Rs.8,000.

**Note:**



## Assessment of Individual

Section - B, 5 marks problem solved

Solution No - 1:-

Computation of Total Income of Suresh for the A.Y. 2019-2020.

S.No.	particular	Amount
a)	It is fully exempt u/s 10(2)	
b)	It is fully exempt u/s 10(2A)	
c)	It is taxable under the head other sources.	
d)	It is fully exempt u/s 10(3u)	
e)	It is taxable under the head business	

Solution No - 2:-

Computation of Total Income of Individual for the A.Y. 2019-2020.

S.No.	particulars.	Amount
a)	It is exempt u/s 10(2A)	
b)	It is exempt u/s 10(2)	
c)	Share of profit from AOP. - (AOP has paid maximum marginal rate of tax - not taxable)	
d)	It is exempt u/s 10(3u)	
e)	Interest from a firm (capital) upto 12% is taxable.	
f)	It is taxable under the head business.	
g)	It is taxable under the head other sources.	

Solution No - 3:-

Computation of Total Income of Individual for the A.Y. 2019-2020.

S.No.	particulars.	Amount
a)	It is taxable under the head business.	
b)	It is exempt u/s 10(2A)	
c)	If total income of A.O.P. is taxable at "maximum" marginal rate. Share of income from AOP. is not taxable.	
d)	It is exempt u/s 10(3u)	
e)	It is taxable under the head business.	

Solution No - 4:-

Computation of Total Income of Mr. Ramesh for the A.Y. 2019-2020.

S.No.	particular	Amount
a)	Share of profits received from firms	Exempt
b)	Share of income received from HUF	Exempt
c)	Dividend received from co-operative society	15,000
d)	Interest received as a partner of firm at $9000 \times 1\%$	7,200
e)	Rent received from Huse property let out	90,000
	less: Municipal tax paid	Nil
	Net 90,000	90,000
	Let only 2% at 30% of Annual value	$90,000 \times 30\%$
		27,000
		63,000



f) winnings from lotteries (gross)  
 less- Deduction u/s 80C to 80V

Gross total Income  $\rightarrow$  27,000  
 Nil  
 Total Income  $\rightarrow$  1,12,200

### Solution No-5:-

Computation of Total Income of Mr. Prabodh for the A.Y. 2019-20

S.No.	Particulars	Amount
a)	Share of income received from AOP (AOP has paid "maximum" marginal rate of tax - not taxable)	not taxable
b)	Interest on Debentures of X Ltd. received (dated) Rs 18,000 $\times \frac{100}{90}$	20,000
c)	Capital gain - Sales proceeds of his house is Rs 2,22,000 less- Indexed cost of Acquisition = $150,000 \times \frac{272}{200}$ - Rs 2,04,000	18,000
d)	Salary received as MHO Rs 5,000 p.m $\times 12$ - Rs 60,000	60,000
e)	Income from business (computed)	25,000
	Gross total Income $\rightarrow$	1,23,000
	less- Deduction u/s 80C to 80V	Nil
	Taxable Income / Total Income $\rightarrow$	1,23,000

### Solution No-6:-

Computation of Total Income of Mr. Vinay for the A.Y. 2019-2020.

S.No.	Particulars	Amount
a)	Agricultural income from Bangladesh - Rs -	25,000
b)	He is a partner in a firm - he has received interest on capital at 10% - Salary as a working partner Rs -	20,000 40,000
c)	Dividend from Indian Company - It is fully exempt	<del>20,000</del> Exempt
d)	Salary received as a guest lecturer Rs 5,000 p.m $\times 12$ -	60,000
e)	Income from speculation business -	1,20,000
	Gross total Income $\rightarrow$	2,65,000
	less- Deduction u/s 80 DDB - medical treatment of specified disease of dependent mother (82 years)	(-) 70,000
	Taxable Income / Total Income $\rightarrow$	1,95,000

### Solution No-7:-

Computation of Total Income of Mr. Varant for the A.Y. 2019-2020.

S.No.	Particulars	Amount
a)	Rent received from the house property 6,000 p.m $\times 12 =$ 72,000 less- municipal tax paid - 2,000 Annual value $\rightarrow$ 70,000 less- std ded u/s 24 - 20,000 Annual value 70,000 $\times 30\%$ = 21,000 Interest on loan taken for construction - 9,000	30,000
b)	Share of income received from AOP is Rs (AOP has paid "normal" rate of tax)	40,000 10,000
c)	Net profit from business -	1,00,000
	2) Interest on capital -	20,000
	3) Interest on Bank deposit -	5,000
	Gross total Income $\rightarrow$	1,75,000
	less- Deduction u/s 80C to 80V	Nil
	Taxable Income / Total Income $\rightarrow$	1,75,000



Solution:- 8:-

Computation of Total Income for the A.Y. 2019-2020-

S.No.	Particulars	Page No.	Amounts.
a)	Income from Agricultural amounting to in Hubli	Page	Exempt
b)	Income from Agriculture amounting to in Nepal		50,000
c)	Recovery of bad debts - which is disallowed by assessing office in earlier assessment (10,000)		Not Taxable
d)	Unrealized rent of the past years Rs 5000 is realised during the current year.		5,000
e)	Loss of cash by embezzlement (15,000)		Not Taxable
	Less: Deduction u/s 80B to 80V		55,000
		Less: Total Income	Nil.
		Taxable Income / Total Income	55,000

Solution NO-9:-

Computation of total Income of Mr. Individual for the A.Y. 2019-2020.

S.No.	Particulars	Amount
a)	Share of profit from firms. - It is Exempt u/s 10(2A)	
b)	Income Received as member of H.V.F. - It is Exempt u/s 10(2)	
c)	Share of profit from Association of persons - "maximum marginal rate of income" - Not Taxable	
d)	Dividend from a domestic company. - It is Exempt u/s 10(3A)	
e)	Salary from a firm of which the assessee is a partner. - It is taxable under the head business.	

Section - C.

15 marks problem solved.

Solution NO: 1

Computation of Total Income of Mr. Ravi for the A.Y. 2019-2020.

S.No.	Particulars	Amount
I)	Net profit of per p & h AC	1,20,220
II)	Add: Disallowable Expenses	
1)	Income tax	6,000
2)	Municipal Tax	4,800
3)	RDD	2,800
4)	Fire Insurance	1,000
5)	Car Expenses: $16000 \times 4\% = 6400$	6,400
6)	Life Insurance Premium	8,000
7)	Donation to Gulbarga University (Approved)	24,000
8)	Depreciation	20,000
		70,600
		1,90,820
III)	Less: Allowable Depreciation	15,000
		1,75,820
IV)	Less: Income not chargeable under this head.	
1)	Rent from house property	28,800
2)	Winning from lotteries	21,000
3)	Interest on fixed deposits with bank	10,000
		59,800
	Income from Business	1,16,020
V)	Add: Income from other sources	
1)	Rent from house property	28,800
2)	Less: Municipal tax paid	4,800
	Net Rent	24,000
Less: Ded u/s 80C	Standard Deduction at 30% A.Y. $24000 \times 30\% = 7,200$	7,200
	Income from house property	16,800
2)	Long term capital gain - sold land	30,000
3)	Less: Indexed cost of Acquisition: $18000 \times \frac{272}{180} = 2,72,000$	2,72,000
4)	Income from other sources - winning from lotteries (net) $21000 \times \frac{100-30}{100} = 14,700$	14,700
5)	Interest on fixed deposits with bank	10,000



VI) <u>Less</u> Deduction <u>V/S</u> 80 C. - Life Insurance premium - 8,000	Gross total income - 2,30,420
Deduction <u>V/S</u> 80 G - Donation to Gulbarga university - 8,241	16,241
at 50% =	
Taxable income / Total income - 2,14,179	

working note

Calculation of Ded V/S 80 G.

Gross total income - 2,30,420	
<u>Less</u> <u>V/S</u> 80 C. - Life Insurance premium - 8,000	
- Long term capital gain - 57,600	65,600
Adjusted Gross total income - 1,64,820	

Ded V/S 80 G - Donation to Gulbarga university (approved) - 24,000

10% of Adjusted Gross total income -  $1,64,820 \times 10\% = 16,482$

Whichever is less - 16,482

50%  $\times 16,482 = 8,241$  Deduction V/S 80 G.

Solution No-2:-

Computation of total income of Mr Bharath for the A.Y. 2019-2020.

S.No.	Particulars	Amounts
I)	Net profit of firm per p & M.	1,81,730
II)	<u>Add</u> - Disallowable Expenses -	
1)	Income tax - 9,000	
2)	Municipal taxes - 7,200	
3)	Reserve for bad and doubtful debts - 4,200	
4)	Fire Insurance - 1,500	
5)	Car expenses $24,000 \times \frac{2}{3} = 12,000$	
6)	Life Insurance premium - 12,000	
7)	Donation to approved institution - 36,000	
8)	Depreciation - 30,000	1,11,900
		2,93,630
III)	<u>Less</u> Allowable Depreciation -	24,000
		2,69,630
IV)	<u>Less</u> Income not chargeable under this head.	
1)	Rent from house property - 43,200	
2)	Winnings from lotteries (Net) $21,000 \times \frac{100}{90} = 23,333$	
3)	Interest on Govt Securities (gross) - 29,730	93,930
	Income from Business - 1,75,700	
V)	<u>Add</u> Income from other sources -	
1)	Rent from house property - 43,200	
2)	Municipal tax paid - 7,200	
	Annual values - 36,000	
	Std Ded at 30% of A. val = $36,000 \times 30\% = 10,800$	
	Income from house property - 25,200	
2)	Winnings from lotteries (Net) $21,000 \times \frac{100}{90}$	30,000
3)	Interest on Govt Securities (gross) - 29,730	
VI)	<u>Less</u> Deduction <u>V/S</u> 80 C. - Life Insurance premium - 12,000	
Ded <u>V/S</u> 80 G - Donation to approved institution - 12,432	24,432	
at 50% =		
Taxable income / Total income - 2,36,198		

working note

Calculation deduction V/S 80 G.

1) Gross total income - 2,60,630	
<u>Less</u> - Deduction <u>V/S</u> 80 C. - 12,000	
Adjusted gross total income - 2,48,630	

Ded V/S 80 G - Donation to approved institution - 36,000

10% of Adjusted gross total income  $2,48,630 \times 10\% = 24,863$

Whichever is less - 24,863

Ded - 50%  $\times 24,863 = 12,432$  Ded V/S 80 G.



Solution No - 3:-

Computation of Total Income of Mr. Bherath for the A.Y. 2019-2020.

S.No.	Particulars	Page No.	Amount Rs.
		Date	60.600
I)	Net profit or loss p/b A/c		
II)	Add: Disallowable Expenses		
	(a) Income tax	3,000	
	(b) Municipal taxes	2,400	
	(c) Reserve for bad and doubtful debts	1,400	
	(d) Fire Insurance	500	
	(e) Car Expenses: $8000 \times \frac{1}{2}$	4,000	
	(f) Life insurance premium	4,000	
	(g) Donation to Gulbarga university	12,000	
	(h) Depreciation	10,000	37,300
			97,900
III)	Less: Allowable Depreciation		8,000
			89,900
IV)	Less: Income not chargeable under this head		
	(1) Rent from house property	14,400	
	(2) Winnings from lotteries (net)	7,000	
	(3) Interest on Govt Securities (gross)	10,000	31,400
	Income from business		58,500
V)	Add: Income from other sources		
	(1) Rent from house property	14,400	
	Less: Municipal tax paid	2,400	
	Annual value $\rightarrow$	12,000	
	Less: Ded $\frac{1}{3}$ 24		
	Std Ded at 30% of Annual value $\rightarrow 12000 \times 30\%$	3,600	8,400
	(2) Winnings from lotteries (net) $7000 \times \frac{100}{70}$		10,000
	(3) Interest on Govt Securities (gross)		10,000
	Gross total income		86,900
VI)	Less: Ded $\frac{1}{5}$ 800 - Life insurance premium	4,000	
	Ded $\frac{1}{5}$ 800 - Donation to Gulbarga university	4,145	8,145
	at 50%		
	Taxable Income/Total Income		78,755

working note:

Calculation  $\frac{1}{5}$  800 Deduction

(a) Donation to Gulbarga university  $\rightarrow$  12,000

Calculation of Adjusted Gross Total Income  $\rightarrow$  86,900

Less: Ded  $\frac{1}{5}$  800 - Life insurance premium  $\rightarrow$  4,000

Adj. Gross total income  $\rightarrow$  82,900

(b) Donation to Gulbarga university  $\rightarrow$  12,000

10% Adjst Gross total income  $82900 \times \frac{10}{100} \rightarrow$  8,290

whichever is less  $\rightarrow$  8,290

$50\% \times 8290 = 4145$  Ded  $\frac{1}{5}$  800

Solution No - 4:-

Computation of Total Income of Mr. D. for the A.Y. 2019-2020.

S.No.	Particulars	Amount
I)	Salary at Rs 2400 p.m $\times 12$	28,800
II)	Rent from house property at Rs 3000 p.m $\times 12 = 36,000$	
	Less: Municipal tax paid	
	Annual value $\rightarrow$ 36,000	
	Less: Deduction $\frac{1}{3}$ 24	
	Std Ded at 30% of Annual value $36000 \times 30\%$	10,800
	Income from house property $\rightarrow$ 25,200	25,200
III)	Capital gain Long term: Sold Residential house $\rightarrow$ 5,10,000	
	Less: Indexed cost of Acquisition $100,000 \times \frac{272}{100}$	2,72,000
		2,38,000
IV)	Income from other sources	
	(a) Interest on fixed deposit with bank Rs	2,400
	(b) Interest on deposit with mutual fund (net) $2700 \times \frac{100}{90}$	3,000
	(c) Interest on Govt Securities	15,000
	(d) Dividend received from a co-operative society	10,000



g) Dividend from Indian company Rs 2000	Exempt	
h) He owns a poultry farm from which his profits Rs = 50,000		80,000
VI) Less: Deduction $\frac{1}{2}$ 80		4,03,400
1) National saving certificates (VIII issue) Ded $\frac{1}{2}$ 800	10,000	
2) Contribution to public provident fund Ded $\frac{1}{2}$ 800	15,000	
3) "Mediclarm" policy by cheque premium paid $\frac{1}{2}$ 800	8,000	
		33,000
	Taxable Income / Total Income	3,70,400

### Solution No-5:-

Computation of total income of Sri Shankar for the A.Y. 2019-2020.

S.No.	Particulars	Amount
I)	Smuggling business.	
1)	He earned a profit of Rs	70,000
2)	penalty to the customs departments	2,000
		72,000
II)	He is also carrying on regular cloth business a profit -	1,00,000
III)	a) winning from horse race Rs	2,000
	b) winning from lotteries Rs	5,000
	c) winning from bridge game Rs	1,000
2)	He received a royalty of Rs	15,000
	Less: He claims expenditure Rs (-) 3,000	
	Less: manuscripts Rs (-) 2,000	10,000
3)	He received remuneration delivering guest lectures	1,500
4a)	Dividend on shares of a foreign company	790
b)	Income from Agricultural land in Bhutan	3,500
5)	He received interest deposit of Rs 5,000 $\times$ 15%	750
		24,540
	Gross total income	1,96,540
IV)	Less: Deduction $\frac{1}{2}$ 80000	
	medical treatment of his handicapped son who is a person with disability	75,000
	Taxable Income / Total Income	1,21,540

### Solution No-6:-

Computation of total income of prof Patel for the A.Y. 2019-2020.

S.No.	Particulars	Amount
I)	House property income (Computed)	20,000
II)	Business income (Computed)	78,000
III)	a) Capital gain - short term	15,000
	long term	15,000
		30,000
IV)	3) Interest on Govt. Securities	5,600
	a) winning from lottery	25,000
	b) dividend and interest.	
	1) Dividend from Indian company	Exempt
	2) Dividend from Foreign company	10,000
	iii) Income from U.T.I.	Exempt
	iv) Interest on fixed deposits with Bank	6,000
	v) Interest on deposits in spinning cloth mill	5,000
	Gross total income	1,73,600
		(1,73,600)
V)	Less: Deduction $\frac{1}{2}$ 80.	
1)	Ded $\frac{1}{2}$ 800 - LIC premium on policy	14,000
2)	" " " - public provident fund	20,000
3)	" " " - Deposit in 15 year post office CTDA	6,000
4)	" " 8000 - medical treatment of handicapped dependent	75,000
5)	" " 8000 - donation for charitable institutions at 80%	1,730
		1,16,730
	Taxable Income / Total Income	66,870



## Calculation of Deduction u/s 80 G.

Gross total Income	1,79,600
Less: 1) short term capital gain	15,000
2) long term capital gain	15,000
3) Deduction u/s 80C - LIC, PPF & CTDA	40,000
4) Ded u/s 80 G	11,000 + 20,000 + 6,000 = 37,000
	1,45,600

Adjusted Gross total Income  $\rightarrow$  1,45,600

Donation to charitable Institution  $\rightarrow$  20,000

10% of Adjusted Gross total Income  $\rightarrow$  14,560

Whichever is less  $\rightarrow$  14,560

Ded u/s 80 G  $\rightarrow$  50%  $\times$  14,560 = 7,280 Ans.

## Solution NO 7 :-

Computation of Total Income of Mr. Shanbagh for the A.Y. 2019-2020.

S.No.	Particulars	Amounts
I)	Salary (Gross)	45,000
II)	Short term Capital loss $\rightarrow$ 5,000	
	Long term Capital gain $\rightarrow$ 22,000	17,000
III)	Earnings from car hire (net) $\rightarrow$ 35,000 $\times$ 100/70	50,000
	Dividend on shares of a co-operative society	3,000
	Hire charge collected on tractor $\rightarrow$ 15,000	15,000
	Tractor maintenance and Repair charges $\rightarrow$ 3,000	12,000
	Interest on Fixed Deposit with Bank of India	6,000
	Share of Income from firm	Exempt
	Meeting allowance of Director	5,000
	Remuneration for examination work from Gulbarga University	1,200
	Gross total Income $\rightarrow$	1,39,200
IV)	Less: Deduction u/s 80C - National Savings Certificate (NSC) VIII - 5,000	
	" " " - Contribution to Recognized P.F. - 6,000	
	" " " - Life Insurance premium paid on his policy - 85,000	
	" " " - Health Insurance premium on his wife - 2,000	
	" " " - Deposits in post office CTDA accounts - 6,000	
	" " " - Repayment of loan in installment to HDPB - 18,000	
	" " " - Contribution towards wife's UPF - 5,000	
	Ded u/s 80 G - Donations to Gulbarga University Approved $\rightarrow$ 2,000	
	100% $\times$ 50%	10,000
	Taxable Income / Total Income $\rightarrow$	90,200

## Solution NO-82-

Computation of Total Income of Mohan for the A.Y. 2019-2020.

S.No.	Particulars	Amounts
I)	Salary pay and Dearness allowance	48,000
II)	Other Allowances	
	a) Education allowance for two children of the assessee $\rightarrow$ 3,000	
	Less: Exemption limit $\rightarrow$ 100 $\times$ 2 $\times$ 12 = 2,400	600
	b) House rent allowance taxable C $\rightarrow$	12,000
	c) Servant allowance $\rightarrow$	1,500
	d) Gas, electricity and water supply $\rightarrow$	1,500
	e) Conveyance allowance for private purpose $\rightarrow$	6,000
III)	Annual letting value of Rs. (50,000 p.a.)	Income from Salary $\rightarrow$ 69,600
	Less: Municipal tax paid Rs. $\rightarrow$ 3,000	
	Annual value $\rightarrow$ 15,000	
	Less: Std Ded u/s 24 at 30% of Annual value $\rightarrow$ 4,500	
IV)	a) Interest on public Provident Fund	Exempt
	b) Interest on National Savings Certificate VIII (accrued) $\rightarrow$ 1,500	
	c) on Fixed Deposit with Bank Interest $\rightarrow$ 11,000	11,750



V) Less Deduction u/s 80C	Gross total Income	81,350
(1) Deposited into public provident fund Rs. 3000		
(2) Insurance premium paid dependent son Rs. 2,000		
(3) Insurance premium paid on wife		
(4) Deposits in National Savings Certificates (VII) issued - 5,000		
	Taxable Income / Total Income	69,350

### Solution No-9:-

Computation of Total Income of Mr. B. S. B. for the A.Y. 2019-2020

S.No.	Particulars	Amount Rs.
I)	Net Salary Rs. = 89,084 + Income tax Rs. 3,000 + the contribution to statutory provident fund Rs. 7,200 + Insurance premium Rs. 5,816	1,05,500
II)	The tenant of the house of rent	18,000
	Less municipal tax paid	NIL
	Less std ded u/s 24 - at 30% of Annual value 18,000 x 30%	5,400
		12,600
III)	a) Speculation profit Rs. 10,000	10,000
	b) Compensation for termination of Agency	24,000
IV)	Long term capital gain - he sold house	1,96,000
	Less: Endowed cost of Acquisition = 35,000 x $\frac{272}{100}$ = 95,200	
	Addition of one room 10,000 x $\frac{272}{100}$ = 27,200	
		1,08,800
		87,200
V)	Income from other sources	
(1)	Interest on Fixed Deposits	5,800
(2)	Interest on Deposits	2,000
(3)	Interest on Govt securities	10,000
		17,800
	Gross total Income	2,57,100
VI)	Less Deduction u/s 80C	
(1)	His contribution to statutory provident fund	7,200
(2)	Life insurance premium of Rs. 5,816	
(3)	u/s 80D - he is resident and person with severe disability 1,25,000	1,38,016
		1,38,016
	Taxable Income / Total Income	1,19,084

### Solution No-10:-

Computation of Total Income of Mr. A. Y. L. for the A.Y. - 2019-2020

S.No.	Particulars	Amount
I)	1) Basic Salary (1,22,000 + other deductions R.P. fund 18,000)	1,40,000
	2) Employer's contribution to R.P. fund (1,40,000 x $\frac{12\%}{100}$ = 16,800 - 18,000)	1,200
	3) Club bills and membership fees - paid by the employer	6,000
	4) Entertainment allowance Rs. 8,000	8,000
	Less std deduction u/s 16	1,55,200
	Income from salary	1,55,200
II)	Income from other sources	
(1)	Rent from House property	20,000
	Less municipal tax paid	NIL
	Less std ded u/s 24 at 30% of Annual value 20,000 x 30%	6,000
	Income from house property	14,000
(2)	Long-term capital gains	10,000
(3)	Interest on Govt securities	4,000
(4)	Income from units of mutual fund	Exempt
(5)	Dividend from Indian company	Exempt
	Gross total Income	1,83,200
III)	Less Deduction u/s 80C	
(1)	His contribution to R.P. fund	18,000
(2)	Deposited in public provident fund	15,000
(3)	Life insurance premium paid on his wife's policy Rs. 1,000	
(4)	u/s 80D - medical insurance premium paid by cheque to insurance corporation of India 12,000	46,000
	Taxable Income / Total Income	1,37,200



Solution No-115

Computation of Total Income of Dr. Praveen for the A.Y. 2019-2020.

S.No.	Particulars	Page No.	Amount
I)	Income from Profession		
1)	Consultation fees	1,35,000	
2)	visiting fees	80,000	
3)	Gift from patients	11,000	2,26,000
II)	Less: Allowable Expenses		
1)	Rent of clinic	35,000	
2)	Salary to staff	48,000	
3)	Interest on Bank loan	8,150	
4)	Purchase of medicine	22,000	
5)	Car expenses $20,000 \times \frac{1}{2} = 10,000$	10,000	
6)	Water bill at 15% $152,000 \times 15\% \times \frac{1}{2} = \text{Def}$	11,250	
7)	Surgical equipment at 20% $20,000 \times 20\% \times \frac{1}{2} = \text{Def}$	2,000	
8)	Books at 60% $5,000 \times 60\% = 3,000 = \text{Def}$	3,000	
		1,40,000	1,40,000
	Income from Profession	86,000	86,000
III)	Add: Income from other Sources		
1)	Rent from house property	12,000	
	Less: Municipal tax paid	9,600	
	Annual value $\rightarrow 32,400$		
	Less: Std Ded $\frac{1}{2}$ at 30% of A. Value $32,400 \times 30\%$	9,720	22,680
2)	Capital gain (long term) Sold building for Rs	2,92,000	
	Less: Indexed cost of Acquisition $122,000 \times \frac{372}{132}$	2,72,000	20,000
3)	Other Sources		
1)	Agricultural income	2,600	Exempt
2)	Interest on post office SB Account	2,000	Exempt
3)	Interest on debentures of 2 Company Limited (NAT) (Interest)	10,000	
	$9,000 \times \frac{100}{90}$		
4)	Winnings from lotteries (NAT) $10,000 \times \frac{100}{90}$	20,000	
5)	Share of Income from H.V.P. $18,000 \times \frac{70}{100}$	12,600	30,000
	Gross total Income		1,58,680
IV)	Less: Deduction $\frac{1}{2}$ 80 G		
1)	Life insurance premium	2,000	
2)	Medicinal insurance premium	4,000	
3)	Donation to political parties	1,000	
4)	Donation to temple (approved)	6584	13,584
	Net Income / Total Income		1,45,096

working notes

Calculation of Deduction  $\frac{1}{2}$  80 G.

1) Deduction to temple (approved) Gross total income  $\rightarrow 1,58,680$

Less: Ded  $\frac{1}{2}$  80 G - LIC

Ded  $\frac{1}{2}$  80 G - Medical insurance premium

Ded  $\frac{1}{2}$  80 G - Donation to political parties

Long term capital gain

Adjusted Gross total income  $\rightarrow 1,31,680$

1) 10% of Adj gross total income  $\rightarrow 1,31,680 \times 10\% = 13,168$

2) Donation to Temple (approved)  $\rightarrow 20,000$

Whichever is less  $\rightarrow 13,168$

50% of Deduction  $\rightarrow 13,168 \times 50\% = 6,584$  Ans 80 G.

Solution No-12

Computation of Total Income of Dr. Sunil for the A.Y. 2019-2020.

S.No.	Particulars	Amount
I)	Income from Profession	
1)	Consultation fees	1,30,000
2)	visiting fees	20,000
3)	X-ray fees	50,000
		2,00,000
II)	Less: Allowable Expenses	
1)	Dispensary expenses	22,000
2)	Medical periodicals	800
3)	Salaries to staff	60,000
4)	Car expenses	6,000
5)	Depreciation allowable	5,000
	Income from Profession	93,800
		1,06,200



III)

Add Income from other sources.

① Rent from House property, let out

less municipal tax paid

Annual value

Page No 24000

Date N/A

24.000

less Deduction 1/3rd

std ded at 30% of Annual value -  $24000 \times 30\%$

Income from house property

② Income from other sources.

Share from HUF 5000

winnings from lotteries (net)  $35000 \times 100$

Gross total income

Exempt

50.000

50.000

1.73.000

IV)

less Deduction 1/3rd

① Life insurance premium

ded 1/3rd 80 b/c - ① donation political party

ded 1/3rd 80 b/c - ② donation to approved charitable institution

ded 1/3rd 80 b/c - ③ medical insurance premium

taxable income / total income

12.000

2.000

7.650

6.000

27.650

1.45.350

working notes

calculation Deduction 1/3rd 80 b/c

Adjusted Gross total income

1.73.000

less ded 1/3rd 80-C

12.000

ded 1/3rd 80 D

6.000

ded 1/3rd 80 b/c

2.000

20.000

Adjusted gross total income

1.53.000

10% of Adjusted gross total income  $= 1.53000 \times 10\%$

15.300

deduction to approved charitable institutions

18.000

whichever is less

15.300

50% ded 1/3rd 80 b/c  $= 15300 \times 50\%$

7650

80 b/c ded