PAPER – 3 : TAXATION

Part – I: Multiple Choice Questions

Case Scenario -I

Mr. Gopal (aged 33 years), a resident individual, sold one of his residential house properties for ₹ 60,00,000 on 31.08.2024 which was purchased on 14.10.2021 for ₹ 45,00,000. His old tenant paid him rent in arrear for the above said property on 12.11.2024 amounting to ₹ 75,000 which was treated as unrealized rent by Mr. Gopal during earlier years. He purchased a residential plot on 08.12.2024 for ₹ 5,00,000 but no construction was started till date although he earned ₹ 30,000 as rent from this plot in the last quarter of previous year 2024-25. Mr. Gopal is opting for[1] default taxation regime under section 115BAC of Income-tax Act, 1961.

Cost of Index for P.Y. 2024-25:363 and P.Y. 2021-22:317

Based on the above information, answer the following MCQ No. 1 to 3 for the assessment year 2025-26.

1. *Determine income from capital gains and exemption available to Mr. Gopal for purchasing residential plot considering benefit of the assessee.*

   (A) Long-term capital gain of ₹ 15,00,000 after no exemption.

   (B) Long-term capital gain of ₹ 8,47,003 after no exemption.

   (C) Long-term capital gain of ₹ 3,47,003 after claiming exemption of ₹ 5,00,000 u/s 54.

   (D) Long-term capital gain of ₹ 12,00,000 after claiming exemption of ₹ 5,00,000 u/s 54. ***(2 Marks)***

2. *Compute income from house property in the hands of Mr. Gopal.*

   (A) ₹ 75,000

   (B) ₹ 1,05,000

   (C) ₹ 73,500

   (D) ₹ 52,500 ***(2 Marks)***

---

[1] *Read "opting for" as "paying tax under"*

3. *Assuming Mr. Gopal has no other income, his total tax liability shall be -*

   (A) ₹ 1,30,940

   (B) ₹ 44,670

   (C) ₹ 1,76,180

   (D) ₹ 1,02,340 **(2 Marks)**

Case Scenario - II

Mr. Satya (aged 59 years) is a resident Indian, opting for optional tax regime of the Income-tax Act, 1961 and provides following information for the A.Y.2025-26:

(i) Profit from specified business (eligible for deduction u/s 35AD) is ₹ 6,00,000.

(ii) Loss from trading of equity shares of ₹ 50,000 and from trading of commodity derivatives of ₹ 75,000.

(iii) Taken loan of ₹ 40 lakh from State Bank of India for purchasing a house of stamp duty value of ₹ 42 lakh in January 2022. He has let out this house in February 2024 for rent of ₹ 15,000 per month. He has paid ₹ 1,60,000 against principal and ₹ 4,40,000 against interest during the previous year 2024-25.

(iv) Loss from betting on horse races ₹ 25,000.

Based on the above information, answer the following MCQ No. 4 to 6 for the assessment year 2025-26.

4. *What shall be the gross total income in the hands of Mr. Satya?*

   (A) ₹ 6,00,000

   (B) ₹ 4,00,000

   (C) ₹ 3,25,000

   (D) ₹ 3,00,000 **(2 Marks)**

5. *Compute total income of Mr. Satya for the assessment year 2025-26.*

   (A) ₹ 61,000

   (B) ₹ 3,25,000

   (C) ₹ 1,25,000

   (D) ₹ 2,11,000 **(2 Marks)**

6. *Which statement is correct in respect of losses to be carried forward in next assessment years?*

   (A) *Loss from trading of equity shares of ₹ 50,000 and loss from betting on horse races of ₹ 25,000 for 8 years*

   (B) *Loss from trading of equity shares of ₹ 50,000 and loss from trading of commodity derivatives of ₹ 75,000 for 4 years*

   (C) *Loss from trading of equity shares of ₹ 50,000 for 4 years and loss from betting on horse races of ₹ 25,000 for 8 years*

   (D) *Loss from trading of equity shares of ₹ 50,000 for 4 years* ***(2 Marks)***

7. *Mr. Shivam, a resident individual, has made following payments to M/s ABC Ltd. to purchase overseas tour programme packages:*

   (i) *₹ 4 lakhs on 18-05-2024 to visit New York, USA.*

   (ii) *₹ 5 lakhs on 11-03-2025 to visit London, UK.*

   Compute the amount of tax required to be collected u/s 206C(1G) by M/s ABC Ltd. assuming Mr. Shivam has furnished a valid PAN.

   (A) *On 18-05-2024: Nil, On 11-03-2025:₹ 10,000*

   (B) *On 18-05-2024: ₹ 20,000, On 11-03-2025: ₹ 1,00,000*

   (C) *On 18-05-2024: ₹ 20,000, On 11-03-2025: ₹ 55,000*

   (D) *On 18-05-2024: Nil, On 11-03-2025: ₹ 40,000* ***(2 Marks)***

8. *On 18th June, 2024, unexplained money of ₹ 30 lakhs u/s 69A was detected of Mr. Mahesh. Expenses of ₹ 10 lakhs were incurred to earn the income. He has also a brought forward business loss of ₹ 4,00,000. Amount of income tax payable by Mr. Mahesh on such income shall be -*

   (A) *₹ 23,40,000*

   (B) *₹ 19,36,000*

   (C) *₹ 12,48,000*

   (D) *₹ 15,60,000* ***(1 Mark)***

Case Scenario-III

Sandeep, a registered person in Pune, Maharashtra, is engaged in the business of providing training services to various registered and unregistered persons. During the month of October, 2024, he conducted training camps at different cities in Uttar

Pradesh for general public and received ₹ 3,45,000 from such camps. He was hired by Arihant Pharma Limited, registered in Goa, to provide training to its employees for total consideration of ₹ 2,25,000. The training was given to 20 employees at Mumbai, Maharashtra. Sandeep also gave his residential property in Mumbai to Arihant Pharma Limited for the stay of employees who joined the training. ₹ 10,000 per person was additionally charged by Sandeep for period of stay of 30 days. Sandeep hired a bus from Ravi (Registered in Maharashtra) at ₹ 50,000 for 30 days to transport trainees. The bus has enough seating capacity to transport 20 trainees. Cost of fuel is included in the consideration paid to Ravi. Sandeep also received security services from Protect You Security Limited for ₹ 35,000.

All the amounts given above are exclusive of tax, wherever applicable.

Rates of GST are 9%, 9% and 18% for CGST/SGST/IGST respectively.

Subject to the information given above, all other conditions for availing ITC are complied with.

Based on the above information, choose the most appropriate answer for the questions 9 to 11:

9. *Amount of inter-state outward supply on which Sandeep shall pay tax is:*
   - *(A) ₹ 4,25,000*
   - *(B) ₹ 5,70,000*
   - *(C) ₹ 7,70,000*
   - *(D) ₹ 3,45,000* **(2 Marks)**
10. *Amount on which Sandeep is required to pay tax under RCM is:*
    - *(A) ₹ 0*
    - *(B) ₹ 35,000*
    - *(C) ₹ 50,000*
    - *(D) ₹ 85,000* **(2 Marks)**
11. *Total tax payable in cash (including RCM) by Sandeep is:*
    - *(A) ₹ 1,38,600*
    - *(B) ₹ 1,02,600*
    - *(C) ₹ 1,23,300*
    - *(D) ₹ 87,300* **(2 Marks)**

Case Scenario - IV

Raj Enterprises, a partnership firm registered under GST is engaged in the sale of both taxable and exempt goods and services in Bhubaneswar, Odisha. On 20-03-2024, it entered into a contract of providing painting services to one of its client for his office. The value of the whole contract was pre-decided for ₹ 2,00,000. The due date to complete contract was estimated to be 20-04-2024. However, due to some dispute with the client, painting service was stopped abruptly on 31-03-2024. Only 60% of work was completed upto 31-03-2024.

Raj Enterprises received a new order from Mr. Mathur of Kerala on 25-04-2024 for supply constituting both taxable and exempt goods. He sold goods amounting to ₹ 55,000 out of which goods worth ₹ 10,000 was exempt. The value of exempt goods is separately mentioned in the invoice and both goods are independent to each other. Applicable rate of IGST was 12%. He issued a single invoice in respect of both taxable and exempt supply of goods.

The Accountant of the firm advised the firm that the requirement of e-way bill is based on the requirement of consignment value of goods supplied.

The firm had received a GST refund of ₹ 50,000, which was sanctioned by the department erroneously and credited to cash ledger of the firm. An interest of ₹ 1,100 was also payable by the firm owing to the late payment of GST for previous tax periods. The firm's output tax liability for the month of April 2024 is ₹ 2,50,000 including output tax liability, if any, on the above-mentioned transactions. The opening balance lying in the electronic credit ledger of the firm was ₹ 2,60,000 and the opening balance of Electronic Cash ledger was ₹ 70,000. All the amounts given above are exclusive of GST wherever applicable.

From the information given above, choose the most appropriate answer for the questions 12-14:

12. *The due date of issuance of invoice and the value of such invoice issued for work contract is:*

    (A) 18-04-2024 and ₹ 2,00,000

    (B) 31-03-2024 and ₹ 2,00,000

    (C) 31-03-2024 and ₹ 1,20,000

    (D) 30-04-2024 and ₹ 1,20,000 ***(2 Marks)***

13. *Consignment value of goods supplied to Kerala to Mr. Mathur, in order to determine applicability of issue of e-way bill, is*

    (A) ₹ 61,600

    (B) ₹ 55,000

    (C) ₹ 45,000

    (D) ₹ 50,400 **(2 Marks)**

14. *Remaining Balance of Electronic Credit ledger and Electronic Cash ledger after filing return of April, 2024 will be*

    (A) ₹ 10,000 and ₹ 18,900

    (B) NIL and ₹ 28,900

    (C) ₹ 8,900 and ₹ 20,000

    (D) ₹ 28,900 and NIL **(2 Marks)**

15. *Mr. Arun, a registered person, is del-credere agent (DCA) of Udhay Limited and AST Limited. Mr. Arun reported following transactions for the month of October 2024:*

    (i) *Sale of Goods of Udhay Limited in DCA Capacity for ₹ 4,50,000 (Invoices are issued in the name of Udhay Limited)*

    (ii) *Sale of Goods of AST Limited in DCA Capacity for ₹ 2,20,000 (Invoices are issued by Mr. Arun in his own name)*

    (iii) *To both the principals he has given guarantee for the realization of payments from customers and to fulfil it, he extends short-term transaction-based loan to the customer and charged interest for the same.*

Interest earned from customers of Udhay Limited	₹ 45,000
Interest earned from customer of AST Limited	₹ 22,000

    The value of supply of goods to customers on which tax will be paid by Mr. Arun is _________and value of exempt supply is ______________.

    (A) ₹ 6,70,000 and ₹ 67,000

    (B) ₹ 2,20,000 and ₹ 67,000

    (C) ₹ 2,42,000 and ₹ 45,000

    (D) ₹ 2,87,000 and ₹ 45,000 **(2 Marks)**

16. *Aggregate turnover of Techno India Private Limited, a registered person, is ₹ 800 crore.*

Which of the following statements is correct in respect of QR Code?

(A) Invoices issued are required to have QR Code irrespective of whether it is issued against B2B supply, B2C supply, export supply or supply to Government Department.

(B) QR Code is required for Invoices issued for B2B supply, Export Supply and Supply to Government Department but not for B2C supply.

(C) QR Code is required for Invoices issued for B2B supply, B2C supply, Export Supply but not for Supply to Government Department.

(D) QR Code is required for Invoices issued for B2B supply, B2C supply and Supply to Government Department but not for Export Supply. ***(1 Mark)***

Answer Key

MCQ No.	Correct Option
1.	**(A)**
2.	**(D)**
3.	**(A)**
4.	**No Correct Option**
5.	**No Correct Option**
6.	**No Correct Option**
7.	**(C)**
8.	**(A)**
9.	**(B)**
10.	**(A)**
11.	**No Correct Option***
12.	**(C)**
13.	**(D)**
14.	**(A)**
15.	**(C)**
16.	**No Correct Option**

*Correct answer is ₹ 91,274

Part – II: Descriptive Questions

SECTION A: INCOME TAX LAW

*Question No.**1** is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

Working notes should form part of the respective answers.

All questions relate to Assessment Year 2025-26, unless otherwise stated.

Question 1

Mrs. S.C. Bose (aged 62 years) is a widow of a public sector employee who died during his service in 2011. She earns income from business of running a flower bouquet shop at Kolkata and income from royalty from writing books of science and sells in India and abroad. Profit & Loss account for the year ended 31st March, 2025 furnished by her is given below:

Particulars	*₹*	*Particulars*	*₹*
To Opening stock	*1,00,000*	*By Sales of flower bouquet*	*36,75,000*
To Purchases	*15,66,000*	*By Family pension from PSU through bank*	*3,60,000*
To Salaries and wages	*4,90,000*	*By Royalty form California University for books sold (Foreign exchange brought into India)*	*4,25,000*
To Expenses relating to books authored by her	*75,000*	*By Dividend (Net of TDS)*	*4,50,000*
To Expenses in connection with dividends	*12,000*	*By Interest on FDR (No TDS deducted)*	*76,000*
To Repairs & Maintenance	*3,25,000*	*By Closing stock*	*1,36,000*
To Amount paid to IIT Chennai for scientific research projects	*35,000*		
To Computers and other electronic items (purchased on 01-12-2024)	*4,50,000*		

To Net Profit	*20,69,000*		
Total	***51,22,000***	***Total***	***51,22,000***

Additional Information:

(i) Purchases include ₹ 2 lakhs relate to flowers and creepers directly purchased from a farmer in cash on 26.09.2024.

(ii) Repairs & Maintenance includes one-time deposit of ₹ 2,00,000 paid to electricity and water department.

(iii) Computers and other electronic items includes ₹ 1,00,000 paid for television and washing machine for her household use.

(iv) Salary & wages includes salary paid ₹ 2,40,000 to her illiterate brother (reasonable salary as per market rate is ₹ 1,80,000)

(v) She purchased a residential house for ₹ 110 lakhs for which loan of ₹ 75 lakhs was taken from State Bank of India. Accrued interest was ₹ 3,37,500 till 31-03-2025 which was paid on 10-04-2025. No principal amount and interest was paid by Mrs. S.C. Bose till 31-03-2025. Ground floor of the house was used for shop and first floor was occupied for her residence.

(vi) She purchased an electric vehicle on 30-09-2024 for ₹ 25 lakhs for business purposes.

(vii) She sold 10,000 listed shares of SBCL Ltd. for ₹ 11,66,000 on 11-12-2024 which were purchased for ₹ 2,65,000 on 16.08.2024. STT was paid on purchase and sale both.

Compute total income of Mrs. S.C. Bose under default tax regime u/s 115BAC and optional tax regime of the Income-tax Act, 1961 ***(15 Marks)***

Answer

Computation of total income of Mrs. S.C. Bose for A.Y. 2025-26 under default tax regime under section 115BAC(1A)

	Particulars		₹	₹
I	**Income from house property**			
	Self-occupied portion [First Floor]			
	Annual Value		Nil	

	Less: Deduction u/s 24 Interest on housing loan [Not allowed under default tax regime]		Nil	Nil
II	**Profits and gains from business or profession**			
	Net profit		20,69,000	
	***Add*: Items of expenditure not allowable while computing business income**			
	- Expenses relating to books authored by her [Allowed as deduction considering royalty income is taxable under the head "Profits and gains from business or profession"] *[**Note -** Royalty income may be taxed under the head "Income from other Sources". In such case, expenses relating to books would not be allowed as deduction while computing business income and allowed from royalty income while computing "Income from Other Sources".]*	Nil		
	- Expenses in connection with dividends [Not allowed since expense is in respect of dividend taxable under the head "Income from Other Sources"]	12,000		
	- Amount paid to IIT Chennai from scientific research projects, not allowable under default tax regime	35,000		

	- Computers and other electronic items [Capital expenditure not allowed as deduction]	4,50,000			
	- Payment to a farmer exceeding ₹ 10,000 in cash for purchase of flower and creepers [Not disallowed under section 40A(3), since payment to farmer comes under exclusion]	Nil			
	- One-time deposit to electricity and water department, not allowed as deduction	2,00,000			
	- Excessive salary paid to brother [Disallowed under section 40A(2), since brother falls under the definition of relative and salary paid is in excess of market rate] [₹ 2,40,000 – ₹ 1,80,000]	60,000	7,57,000		
			28,26,000		
	***Less*: Items of income to be treated separately under the respective head of income**				
	- Family pension from PSU [Taxable under the head "Income from Other Sources"]	3,60,000			
	- Royalty from California University [No adjustment is required since royalty is taxable under the head "Profits and gains from business or profession"] *[**Note -** Royalty income may be taxed under the head "Income from Other Sources". In such case, the income has to be reduced while computing business income.]*	Nil			

	- Dividend [Taxable under the head "Income from Other Sources"]	4,50,000		
	- Interest on FDRs [Taxable under the head "Income from Other Sources"]	76,000	8,86,000	
			19,40,000	
	***Less*: Allowable expenditure**			
	- Interest on residential house used for shop [₹ 3,37,500/2][2] [Since the interest is paid on or before due date of filing return of income, disallowance under section 43B would not be attracted.]		1,68,750	
	- **Depreciation**			
	On Computer and other electronic items other than television and washing machine [₹ 3,50,000 x 40% x 50%, since it is purchased and put to use for less than 180 days]	70,000		
	On residential house used for shop [₹ 1,10,00,000 x 10% x 50% for ground floor]	5,50,000		
	On electric vehicle [₹ 25,00,000 x 40%]	10,00,000	16,20,000	
				1,51,250
III	**Capital Gains**			
	Sale consideration on sale of listed shares of SBCL Ltd.		11,66,000	
	Less: Cost of acquisition		2,65,000	

[2] *Assumed the portion of ground floor and first floor is equal.*

	Short term capital gains taxable under section 111A [Since shares are held for less than 12 months and STT has been paid]			9,01,000
IV	**Income from Other Sources**			
	Family pension from PSU	3,60,000		
	Less: Lower of 33-1/3% of ₹ 3,60,000 or ₹ 25,000 allowed as deduction	25,000	3,35,000	
	Dividend [₹ 4,50,000/90%]	5,00,000		
	Less: Expenditure to the extent of 20% of dividend	12,000	4,88,000	
	*[**Note** - If it is assumed that expenditure are in the nature of expenses other than interest expenses, no deduction would be allowed from dividend income.]*			
	Interest on FDRs		76,000	8,99,000
	Gross Total Income			**19,51,250**
	Less: Deduction under section 80QQB and 80TTB [Not allowable under default tax regime]			Nil
	Total Income			**19,51,250**

Computation of total income of Mrs. S.C. Bose for A.Y. 2025-26 under the optional tax regime of the Income-tax Act, 1961

	Particulars	₹	₹
	Gross Total Income as per default tax regime u/s 115BAC		19,51,250
	Less: Interest on borrowings for self-occupied property [₹ 3,37,500 / 2]	1,68,750	
	100% deduction under section 35(2AA) for amount paid to IIT Chennai from scientific research projects	35,000	2,03,750
			17,47,500

	Add: Excess deduction from family pension [₹ 25.000 - ₹ 15,000] [Lower of 33-1/3% of ₹ 3,60,000 or ₹ 15,000 as deduction is allowed from family pension under optional tax regime]		10,000
	Gross Total Income as per optional tax regime		17,57,500
	Less: Deduction under Chapter VI-A		
	Deduction under section 80QQB		
	Deduction for royalty income of ₹ 3,50,000 [₹4,25,000 – ₹ 75,000], restricted to ₹ 3,00,000	3,00,000	
	Deduction under section 80TTB		
	Interest on FDRs assuming FDRs are with banks, restricted to	50,000	
	*[**Note** - If it is assumed that FDRs are not with banks, co-operative society engaged in banking business or post office, deduction under section 80TTB would not be available.]*		
			3,50,000
	Total Income		**14,07,500**

Question 2

(a) State with reasons whether income chargeable to tax in India for the A.Y. 2025-26 in the hands of recipients in following independent situations:

(i) Mr. Mahesh received dividend of ₹ 7 lakhs declared and paid by a foreign company outside India. Such dividend has been declared in respect of shares which derive their value substantially from assets situated in India. He is resident and not ordinarily resident in India.[3]

(ii) Mr. Shivansh is a non-resident in India and residing in China has deposited ₹ 16 lakhs with M/s ABC Ltd., an Indian company, on 01-09-2024. He has received interest @ 12% per annum in China during the previous year 2024-25.

(iii) Mr. Ramesh received royalty of ₹ 8,25,000 in consideration of providing patent rights to Mr. Sunil. Mr. Sunil has developed a new product in India by utilizing the patent rights. 30% of the royalty was received in India

[3] *Out of syllabus*

and 70% was received outside India. Mr. Ramesh and Sunil both have status of non-resident in India. ***(6 Marks)***

(b) *Discuss the relevant provisions of Income-tax Act, 1961 with respect to tax deduction at source (TDS) and calculate amount of TDS also for the A.Y. 2025-26 in the following independent situations:*

(i) *Marks Pictures Ltd. is a movie and short films production house having turnover of ₹ 15.22 crores during the previous year 2023-24. Solar Varanasi LLP also produces short films and clippings and it has already produced a short film namely 'Maha Kumbh'. On 16-10-2024, Marks Pictures Ltd. acquired television rights in consideration of ₹ 52 lakhs from Solar Varanasi LLP. (Both have valid PAN)*

(ii) *Mr. Mayank, a salaried individual, paid rent for his residential house at Mumbai to the house owner Mr. Nikhil in the following manner:*

From April, 2024 to September, 2024: ₹ 75,000 per month; and

From October, 2024 to March, 2025: ₹ 1,00,000 per month. ***(4 Marks)***

Answer

(a) (i) Dividend received by Mr. Mahesh from a foreign company outside India would not be deemed to accrue or arise in India even if shares of such company derive their value substantially from assets situated in India.

Hence, such dividend of ₹ 7 lakhs would not be taxable in the hands of Mr. Mahesh.

(ii) Interest on deposits with M/s ABC Ltd., an Indian Company, would be deemed to accrue or arise in India in the hands of Mr. Shivansh, being a non-resident since source of income is in India.

Thus, interest income of ₹ 1,12,000 (₹ 16 lakhs x 12% x 7/12) would be taxable in his hands.

(iii) Royalty received by Mr. Ramesh, a non-resident from Mr. Sunil, another non-resident would be deemed to accrue or arise in India, since such royalty is paid for patent rights used for a new product developed in India.

Thus, ₹ 8,25,000 would be taxable in the hands of Mr. Ramesh irrespective of the facts that only 30% such amount is received in India.

(b) (i) Acquisition of television rights

Payment made by Marks Pictures Ltd. for acquisition of television rights of the content already produced by the Solar Varanasi LLP, a production house would not be liable for tax deduction at source under section 194C, since there is no contract for ''carrying out any work", as required in section 194C.

However, consideration for acquiring television right in respect of film would fall within the definition of royalty as defined in *Explanation 2* to section 9(1)(vi). Accordingly, tax is required to be deducted u/s 194J @10% on ₹ 52 lakhs or ₹ 5,20,000.

(ii) Rent paid by a Salaried individual

Since Mr. Mayank pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source under section 194-IB @5% till 30.09.2024 and thereafter @2%.

The tax is to be deducted in the last month of the P.Y. 2024-25 i.e., March 2025 or in the last month of tenancy, if the property is vacated during the year.

Since property is not vacated during the year, ₹ 21,000 {₹ 10,50,000 [(₹ 75,000 x 6) + (₹ 1,00,000 x 6)] x 2%} has to be deducted from rent payable for March 2025.

Question 3

(a) Mr. Sandeep, manager in CTL Pvt. Ltd. at Mumbai, furnishes following information for the year ended 31st March, 2025:

Basic salary is ₹ 55,000 per month and entitled to a commission of ₹ 2,500 per month. A company owned accommodation is provided to him in Mumbai. Furniture costing ₹ 2,40,000 was also provided.

He took a personal loan of ₹ 3,00,000 on 1st September, 2024 on which the interest @7.75% per annum was charged by the company. The entire loan is still outstanding. SBI rate of interest on 1" April, 2024 is 12.75%.

Mr. Sandeep is the owner of a house property in Kolkata which he constructed during the financial year 2016-17. The property consists of four identical units.

He occupied one unit for his residence and three units were let out at a rent of ₹ 20,000 per month per unit. The municipal value is ₹ 9,00,000 and the municipal tax was paid @ 20% of municipal value. Fair rent and standard rent are ₹ 7,50,000 and ₹ 8,50,000, respectively. One of the let out units was vacant for six months during the year. Interest on loan taken for construction of the house is ₹ 2,00,000.

Compute total income of Mr. Sandeep for the A.Y. 2025-26 assuming he has opted out default tax regime u/s 115BAC(1A). ***(6 Marks)***

(b) *Discuss the taxability with reason in the hands of recipient for the assessment year 2025-26 in respect of following receipts or income:*

(i) Mr. Ram received a sum of ₹ 5,00,000 from his father on Ram's wedding anniversary.

(ii) Mr. Govind sold his house property to Mrs. Radha for ₹ 1,25,00,000, whereas value determined by stamp valuation authority was ₹ 1,75,00,000.

(iii) Ms. Agastha got a gift of car worth ₹ 7,00,000 from her friend on her wedding anniversary. ***(4 Marks)***

Answer

(a) Computation of total income of Mr. Sandeep for A.Y. 2025-26 as per the optional tax regime

	Particulars	₹	₹	₹
I	**Income from Salaries**			
	Basic Salary [₹ 55,000 x 12]		6,60,000	
	Commission [₹ 2,500 x 12]		30,000	
	Value of Rent-free accommodation			
	10% of salary [₹ 6,60,000 + ₹ 30,000]	69,000		
	Add: Value of furniture [₹ 2,40,000 × 10% p.a.]	<u>24,000</u>	93,000	

	Value of perquisite for interest on personal loan			
	Interest on loan as per SBI rate [₹ 3,00,000 x 12.75% x 7/12]	22,312.50		
	Less: Interest charged by the company [₹ 3,00,000 x 7.75% x 7/12]	13,562.50	8,750	
	Gross Salary		7,91,750	
	Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000	
	Net salary			7,41,750
II	**Income from house property**			
	Let out portion [three units]			
	Municipal value [₹ 9,00,000 x ¾]	6,75,000		
	Fair Rent [₹ 7,50,000 x ¾]	5,62,500		
	Higher of Municipal value or fair rent	6,75,000		
	Standard Rent [₹ 8,50,000 x ¾]	6,37,500		
	Expected Rent [Higher of Municipal value or fair rent but restricted to standard rent]	6,37,500		
	Actual rent received/ receivable [₹ 20,000 x 12 x 3 – ₹ 20,000 x 6]	6,00,000		
	Actual rent of ₹ 6,00,000 is lower than the expected rent of ₹ 6,37,500 owing to vacancy since, had the property not been vacant the actual rent would have been ₹ 7,20,000. Therefore, the actual rent is Gross Annual Value.			
	Gross Annual Value		6,00,000	
	Less: Municipal taxes (₹ 6,75,000 x 20%)		1,35,000	

	Net Annual Value		4,65,000	
	Less: Deduction under section 24			
	- 30% of net annual value	1,39,500		
	- Interest on loan [₹ 2,00,000 x ¾]	1,50,000	2,89,500	
			1,75,500	
	Self-occupied portion [One Unit]			
	Annual Value	Nil		
	Less: Deduction u/s 24			
	Interest on loan for construction [₹ 2,00,000 x ¼]	50,000	(50,000)	
				1,25,500
	Gross Total Income/ Total Income			**8,67,250**

(b)

	Taxable/ Non-taxable	Reason
(i)	Non-taxable	Sum of money exceeding ₹ 50,000 received without consideration by Mr. Ram from his father is not taxable under section 56(2)(x) since the sum is received from a relative i.e., father of Mr. Ram.
(ii)	Taxable	The difference of ₹ 50 lakhs between stamp duty value of ₹ 1,75,00,000 and actual consideration of ₹ 1,25,00,000 is taxable under section 56(2)(x) in the hands of Mrs. Radha since the difference exceeds ₹ 12,50,000, being the higher of ₹ 50,000 and 10% of consideration. ₹ 50 lakhs is taxable in the hands of Mrs. Radha. ₹ 175 lakhs is to be considered as deemed sale consideration for the purpose of computing capital gain in the hands of Mr. Govind.

(iii)	Non-taxable	Car is not included in the definition of property for the purpose of section 56(2)(x). Therefore, the car received by Ms. Agastha from her friend is not taxable.

Question 4

(a) *Mr. Sanju, an individual assessee, aged 32 years, furnishes the following details for the year ended on 31st March, 2025:*

(i) Loss from Future & Option: ₹ 75,000

(ii) Profit from restaurant business (computed): ₹ 2,21,000

(iii) Share of profit in partnership firm M/s XL & Co. (19% share): ₹ 38,000

(iv) Income from salary (computed): ₹ 3,15,000

(v) Interest on loan paid for self-occupied house property: ₹ 1,75,000

(Principal amount paid: ₹ 1,20,000)

(vi) Short-term capital gain: ₹ 82,000

(vii) Long-term capital gain u/s 112A: ₹ 1,10,000

(viii) Long-term capital loss u/s 112: ₹ 68,000

(ix) His wife received salary of ₹ 2,40,000 from a partnership firm XL & Co., where she is an accountant. She does not have any professional qualification related to accounting.

(x) He paid ₹ 21,000 for medical insurance premium and ₹ 9,000 for preventive health check-up.

Brought forward speculative business loss: ₹ 26,000 (this being 3rd year from the year of loss) and brought forward short-term capital loss: ₹ 52,000 (this being the 4th year from the year of loss).

Compute total income of Mr. Sanju for the A.Y. 2025-26 if he exercises the option to shift out of default tax regime u/s 115BAC(1A). Also state the losses eligible to carry-forward. ***(6 Marks)***

(b) *State persons who are required to apply for the allotment of PAN under section 139A(1) of the Income-tax Act, 1961. Mention the time limit for making such application also.* ***(4 Marks)***

OR

(b) *Specify all the documents in which quoting of Aadhaar Number is mandatory u/s 139AA of the Income-tax Act, 1961. Also explain to whom provisions of section 139AA does not apply.* ***(4 Marks)***

Answer

(a) Computation of Total Income of Mr. Sanju for the A.Y. 2025-26 as per the optional tax regime under the Income-tax Act, 1961

Particulars	₹	₹
Income from Salary		
Salary (computed)	3,15,000	
Add: Salary received by his wife from M/s XL & Co., partnership firm of ₹ 2,40,000 shall not to be clubbed in the income of Mr. Sanju even if his wife does not have any professional qualification since he does not have substantial interest in the firm as his share of profit in such firm is less than 20%	Nil	
	3,15,000	
Less: Loss from self-occupied house property	(1,75,000)	
		1,40,000
Income from House Property (Self-occupied Property)		
Annual Value		
Less: Deductions under section 24	-	
Interest on loan paid for self-occupied property	(1,75,000)	
	(1,75,000)	
Profit and gains of business or profession		
Profit from restaurant business	2,21,000	
Less: Loss from Future & Option	(75,000)	
	1,46,000	

Share of profit from M/s XL & Co., partnership firm [Exempt under section 10(2A)]	Nil	
		1,46,000
Capital Gain		
Short term capital gain	82,000	
Less: Brought forward short-term capital loss	(52,000)	
		30,000
Long-term capital gain u/s 112A	1,10,000	
Less: Long term capital loss u/s 112	(68,000)	
		42,000
Gross Total Income		3,58,000
Less: Deduction under Chapter VI-A		
- **Under section 80C** – Repayment of housing loan	1,20,000	
- **Under section 80D –** Medical premium for self of ₹ 21,000 and preventive health checkup fees of ₹ 9,000 restricted to ₹ 5,000 subject to overall limit of ₹ 25,000	25,000	1,45,000
Total Income		**2,13,000**
Losses to be carried forward to A.Y. 2026-27		
Loss from speculative business		26,000
As per section 73(4), brought forward loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business. Such loss can, however, be carried forward to A.Y. 2026-27 for set-off against income from speculation business of that year.		

(b) First Alternative

As per section 139A(1), following persons are required to apply for the allotment of PAN within the specified time limit

	Persons required to apply for PAN	Time limit for making such application
(1)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any previous year exceeds the maximum amount which is not chargeable to income-tax.	On or before 31st May of the assessment year for which such income is assessable
(2)	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any previous year.	Before the end of that financial year.
(3)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year.	On or before 31st May of the immediately following financial year.
(4)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of any person referred in (3) above or any person competent to act on behalf of such person referred in (3) above	On or before 31st May of the immediately following financial year in which the person referred in (3) enters into financial transaction specified therein.
Every person who has not been allotted a PAN and intends to enter into the following prescribed transaction is also required to apply for PAN:		

(5)	Every person, who intends to deposit cash in his one or more accounts with a banking company, co-operative bank or post office, if the cash deposit or the aggregate amount of cash deposit in such accounts during a financial year is ₹ 20 lakh or more.	At least 7 days before the date on which he intends to deposit cash over the specified limit, i.e., ₹ 20 lakh or more.
(6)	Every person, who intends to withdraw cash from his one or more accounts with a banking company, co-operative bank or post office, if the cash withdrawal or the aggregate amount of cash withdrawal from such accounts during a financial year is ₹ 20 lakh or more.	At least 7 days before the date on which he intends to withdraw cash over the specified limit, i.e., ₹ 20 lakh or more.
(7)	Any person, who intends to open a current account or cash credit account with a banking company or a co-operative bank, or a post Office.	At least 7 days before the date on which he intends to open such account.

(b) Second Alternative

Every person who is eligible to obtain Aadhaar number is required to mandatorily quote Aadhaar Number in the application form for allotment of Permanent Account Number and in the return of income.

The provisions of section 139AA relating to quoting of Aadhaar Number would not apply to an individual who does not possess the Aadhaar number or Enrolment ID and is:

(i) residing in Assam, Jammu & Kashmir and Meghalaya;

(ii) a non-resident as per the Income-tax Act, 1961;

(iii) of the age of 80 years or more at any time during the previous year;

(iv) not a citizen of India