ASSESSMENT OF INDIVIDUALS

1. Piyush furnishes the particulars of his income/outgoings for the previous year 2007-2008 as follows:

		Rs
(i)	Gross salary	360,000
(ii)	Income from house property	45,000
(iii)	Taxable business profits	90,000
(iv)	Capital gains: (a) long-term	50,000
(v)	(b) short-term	20,000
(vi)	Gross dividends from Indian companies	60,000
(vii)	Interest from government securities	27,000
(viii)	Net winnings from lottery (TDS Rs.12,000)	28,000
	He has made the following contribution/payments:	
(i)	Insurance premium on self and wife	10,000
(ii)	Contribution to unrecognised provident fund	8,000
(iii)	Public provident fund	30,000
(iv)	NSC VIII Issue	25,000
(v)	Medical insurance premium under GICApproved policy. Payment was made by Credit Card (w.e.f.A.Y.2008-09, payment made by any mode other than cash is allowed)	11,000

He has carried forward business loss amounting Rs 1,20,000 from the assessment year 2004-2005. Compute his total income and tax liability. He has paid Rs 10,000 as advance tax and the employer has deducted Rs 30,000 tax from salaries.

(a) Computation of Total Income for the Assessment Year 2008-2009

Particulars	Rs	Rs
(i) Income from salary: Gross salary		3,60,000
(ii) Income from house property		45,000
(iii) Business profits		90,000
(iv) Capital gains: long-term	50,000	
: short-term	20,000	
	70,000	70,000
(v) Income from other sources:		
(a) Dividends from Indian companies: Exempt [Sec. 10(34)]	(Nil)	
(b) Interest from government securities	27,000	
(c) Winnings from lotteries (28,000 + 12,000)	40,000	67,000
Aggregated Income		**6,32,000**
Less*:* Carried forward business loss to be set-off against business profits (Sec. 72)		90,000
Gross Total Income		**5,42,000**
Less:		
1. Contributions paid under Sec. 80C:		
(i) Insurance premium on self and wife	10,000	
(ii) Contribution to unrecognised fund	-	
(iii) Public provident fund	30,000	
(iv) NSC -VIII Issue	25,000	65,000
2. Medical insurance premium (Sec. 80 D)		11,000
Total Income		**4,66,000**

(b) **Computation of Tax Liability :**

Particulars of total income	Rs.	Rate of tax	Rs
(i) Long-term capital gains	50.000	20%	10,000
(ii) Lottery winnings:	40,000	30%	12,000
(iii) Balance of total income Rs .3,76,000			
First	1,10,000	Nil	-
Next	40,000	10%	4,000
Next	1,00,000	20%	20,000
On the balance	1,26,000	30%	37,800
Gross tax			**83,800**
Add: Surcharge as income tax			Nil
Add: Education cess @ 2% on income and surcharge			1676
Add : SHEC @ 1%			838
Less: (a) Tax deducted at source:			86314
(i) Salary		30,000	
(ii) Lottery		12,000	
(b) Advance tax		10,000	
		52,000	(-) 52,000
Tax payable			**34,314**
Tax payable rounded off to the nearest multiple of Rs 10 (Sec. 288B)			**34,310**

2. Miss Shristi, resident in India, is employed at a salary of Rs 30,000 p.m. She has sold shares of a company in July 2007 for Rs 29,600. The shares were purchased in 1975 for Rs 20,000. Their fair market value on 1 April 1981 was Rs 40,000. She paid Rs 5,000 as brokerage on the sale of shares. During the year 2007-2008 she has received (i) gross interest on bank deposits, Rs 19,000; (ii) interest on Government Securities 75,000; (iii) gross dividends from cooperative society, Rs 40,000. Compute her total income and determine her tax liability, making necessary assumptions, for assessment year 2008-2009 if her outgoings during this period are given below:

		Rs
(i)	Contribution under Equity Linked Saving Scheme-2005	20,000
(ii)	Contribution for New Jeevan Akshay-I annuity plan of LIC	12,000
(iii)	Her contribution to Recognised Provident Fund	24,000
(iv)	NSC VIII Issue	8,000
(v)	Medical insurance for her life under GIC scheme by cheque	3,000
(vi)	Contribution to approved LIC pension fund	15,00
(vii)	Donation to National Blood Transfusion Council	12,000
(viii)	Medical expenditure for the treatment of her disease, Specified under the rules	50,000

Particulars	Rs	Rs
1. Income from salary: Gross salary		3,60,000
2. Long-term capital gain: Sale price of shares	1,29,600	
Less: 1. Selling expenses:	(-) 5,000	
2. Indexed cost of acquisition:40,000 x (551/100)	(-) 2,20,400	
Long-term capital loss to be carried forward for future set-off	**(-) 95,800**	

Particulars	Rs	Rs
3. Income from other sources:		
(a) Interest on bank to deposit	19,000	
(b) Interest from government Securities	75,000	
(c) Gross dividend from cooperative society	40,000	1,34,000
Gross Total Income		**4,94,000**
Less: 1. Deductions u/s 80C		
(i) Contribution to Equity Linked Savings Scheme-2005	20,000	
(ii) Contribution to New Jeevan Akshay-I	12,000	
(iii) Contribution to recognised fund	24,000	
(iv) NSC-VIII Issue	8,000	64,000
2. Medical insurance premium (Sec. 80 D)		3,000
3. Contribution to LIC pension fund (Sec. 80CCC)		15,000
4. Donation to National Blood Transfusion Council (Sec. 80G) Rate of deduction 100%		12,000
5. Medical expenditure for specified diseases (Sec. 80DDB): 40,000		
Less: Insurance money 31,000		
Amount of deduction 9,000		9,000
Total income		**3,91,000**

Computation of tax liability:

Particulars of total income	Rs	Rate of tax	Rs
First	1,45,000	Nil	-
Next	5,000	10%	500
Next	1,00,000	20%	20,000
On the balance	141,000	30%	42,300
	3,91,000		62,800
Add : 1. Surcharge on income tax			Nil
2. Education cess @ 2% on the aggregate of income tax and surcharge			1,256
Add : SHEC @ 1%			628
Tax payable			**64,684**
Tax payable rounded off the nearest multiple of Rs 10 (Sec. 288B)			**64,680**

Note: Long-term capital loss cannot be set-off against the income of any other head. It is carried forward for next eight assessment years for future set off.

3. Divya, a resident assessee during 2007-2008 is getting pension of Rs. 18,650 p.m. since she retired in December 1999 after completing 58 years. She has received gross dividends from cooperative society, Rs 16,000. She has also received interest of Rs 5,000 on deposits made with Housing Urban Development Corporation, engaged in providing long-term finance for house construction/purchase during 2007-2008. Besides, she has earned long-term capital gain of Rs 2,00,000 on the sale of gold. She has paid Rs 20,000 medical insurance premium on his life by cheque. She has also purchased infrastructure bonds of Rs 80,000 specified under Sec 80C(2)(xix): She has purchased NSC VIII issue on 1-3-2008 for Rs 14,000. Interest of Rs 1000 has accrued on NSC VIII issue purchased in 2004-2005. Compute her total income and tax liability. She has also deposited Rs. 10,000 under annuity plan of LIC to secure pension from fund referred to under Sec. 23AAB.

Computation of Total Income for the AY 2008-2009

Particulars	Rs	Rs
(i) Income from salary: Pension 18,650 x 12		2,23,800
(ii) Long-term capital gains		2,00,000
(iii) Income from other sources:		
(a) Interest on deposits with HUDCO	5,000	
(b) Interest accrued on NSC VIII Issue	620	
(c) Dividend from cooperative society	16,000	21,620
Gross Total Income		**4,45,420**
Less: Deduction in computing total income		
1. Contributions paid for approved savings [Sec. 80C]:		
(i) Infrastructure bonds [Sec. 80C(2)(xix)]	80,000	
(ii) NSC VIII Issue	14,000	
(iii) Accrued interest on NSC VIII Issue	1000	
	95,000	
2. Deposit under annuity plan of LIC [Sec. 80CCC]	10,000	
	1,05,000	
However, deduction is restricted u/s 80CCE:		1,00,000
3. Medical insurance premium (Sec. 80D):		20,000
Total income		**3,25,420**

Computation of Tax Liability for the AY 2008-2009

	Rs	Tax Rate	Rs
Tax on long-term capital gains [Sec. 112(1)]— [see Note below]	1,30,420	20%	26,084
Add: Surcharge on income tax			Nil
Add: Education cess @ 2% on income tax + surcharge			522
Add *:* SHEC @ 1%			261
Tax payable			**26,867**
Tax payable rounded off to the nearest multiple of Rs 10 (Sec. 288B)			**26,870**

Note: (1) Divya, is a senior citizen. [Age on retirement + No.of years since retirement till date= 58 + 8=66 years]. Deduction from GTI is Rs 120,000 which has to the allowed against income, other than long-term capital gain [Sec.112(3)]. Thus, the amount of other incomes included in total income Rs1,25,420 (=2,23,800 + 21,620-1,20,000). Senior citizen is not required to pay any tax up to Rs 1,95,000. Exemption limit is first adjusted against incomes other that long-term capital gain provided the individual is resident in india. The unavailed basic exemption limit is Rs.69,580 (Rs.1,95,000 – 1,25,420).Thus, the taxable amount of long-term capital gain is Rs. 1,30,420 [=2,00,000-69,580]

4. Mr P. Nandy, resident in India, discloses the following particular of his income/outgoing during the previous year 2007-2008

		Rs
(i)	Short-term capital gain from sale of equity shares chargeable to securities transaction tax: Securities transaction tax paid:	3,00,000 Nil
(ii)	Loss from the activity of maintaining and owning race horses on which wagering is lawfully made	(-) 1,40,000
(iii)	Gross income from Bank of India Mutual Fund [Sec. 10(23D)]	2,50,000
(iv)	Annual rent (fair rent Rs 3,50,000) receivable from house property. It remained vacant for one month and municipal taxes, Rs 30,000, were paid in two instalments, September 2007 Rs 30,000 and April 2008 Rs 20,000	2,64,000
(v)	Repayment of loan (including interest of Rs 1,00,000): Loan was taken from LIC to purchase house property.	1,50,000
(vi)	He has paid school fees for his son (including building fund Rs 15,000)	40,000
(vii)	Fixed Deposit for 6 years with Scheduled Bank.	50,000
(viii)	He has incurred expenditure on medical treatment and rehabilitation of his sister, suffering with 40% disability.	40,000

Compute his total income and tax liability for the assessment year 2008-2009

Solution: Computation of Total Income for the AY 2008-2009

Particulars	Rs	Rs
(a) Income from house property:		
Gross annual value		
(i) ALV:	3,50,000	
(ii) Actual rent received	2,42,000	
Actual rent is lower than ALV even without vacancy. Therefore, ALV be reduced to adjust the loss on account of vacancy 3,50,000 - 22,000 = 3,28,000 GAV	3,28,000	
Less: Municipal taxes paid during the previous year	30,000	
Net Annual Value(NAV)	**2,98,000**	
Less: 1. Statutory deduction—30% of annual value	(-) 84,000	
2. Interest on loan	(-) 1,00,000	
Income from House Property		**1,08,600**
Short-term capital gain (Sec. 111A)		**3,00,000**
Income from other sources:		-
(i) Loss from owning and maintaining race horses, -1,40,000: it is to be carried forward for next 4 assessment years.		-
(ii)Income from units of mutual fund — Exempt [Sec. 10(35)]		
Gross Total Income		**4,08,600**
Less: **(1) Deduction u/s 80C**		
(i) Deposit in CTDS—10-year account not allowed	Nil	
(ii) Tuition fees for his son (40,000 - 15,000) (only tuition fees allowed)	25,000	
(iii) Repayment of loan, taken for house constriction	50,000	
	75,000	

(2) Expenditure incurred on medical treatment (Sec, 80DD) As deduction under Chapter VI A can be allowed against short-term capital gain under Sec. 111A, total deduction including sections 80C and 80 DD is restricted upto the other income of Rs.1,08,600 **Total income**	50,000 1,25,000	 1,08,600 **3,00,000**
Tax Liability Tax on short-term capital gain @ 10% of Rs 1,90,000 Add: Surcharge on income tax Add: Education Cess @ 2% Add : SHEC @ 1%	 19,000 Nil 19,000 380 190	
Tax payable	**19,570**	

Note :

1. Sec. 88E rebate is allowed if total income includes any income, chargeable under the head 'business or profession", arising from taxable securities transactions and the securities transaction tax is paid.
2. No tax is payable by an individual if total income does not exceed Rs 1,10,000. The exemption limit is first adjusted against income, other than short-term capital gain and thereafter aginst short- term capital gain provided the assessee individual is resident in India.

5. Mr. Ashis furnishes the following particulars for the assessment year 2008-2009.

		Rs
(i)	Income from salary	4,80,000
(ii)	Income from house property	90,000
(iii)	Short-term capital gains	2,00,000
(iv)	Dividends from Indian companies	40,000
(v)	Income from stage performance—song and dance shows	6,00,000

He has deposited in Public Provident Fund Rs. 30,000 in the name of his widow sister, dependent on him and Rs. 60,000 in the name of his wife, granted judicial separation. He has repaid Rs 1,00,000 to State Bank of India against loan taken to complete his master degree in mathematics. 50% repayment is against interest. He has paid medical insurance premium on his life for Rs 8,000 and on the life of his children Rs 7,000. The payment was made by cheque. He has made donation (i) Rs 60,000 to Delhi University, and (ii) Rs 70,000 to Municipal Corporation of Delhi (MCD) for family planning.

His two minor children, Vijay and Sanjay, have earned income of Rs 2,20,000 and Rs 3,50,000 during 2007-2008 from different sources. However income of Sanjay includes a sum of Rs 1,30,000, which he has earned by TV quiz programme, Vijay is permanently physically handicapped which has reduced gainful employment opportunities. The physical disability is certified by a doctor of a Government hospital.

Compute his total income for the previous year 2007-2008 and determine his tax liability.

Computation of total income for the AY 2008-2009

Particulars	Rs	Rs
(i) Income from salary		4,80,000
(ii) Income from house property		90,000
(iii) Income from profession: Stage performance		6,00,000
(iv) Short-term capital gains		2,00,000
(v) Income from other sources:		
(a)Dividends from Indian companies: Exempt [Sec. 10(34)]		Nil
(b) Income of minor child [Sec. 64(1A)]		
Sanjay: 3,50,000 - 1,30,000 =	2,20,000	
Less: Exemption [Sec. 10(32)]	1,500	2,18,500

Gross Total Income		**15,88,500**
Less: Deductions under Chapter VI A:		
1. Contributions paid for approved savings (Sec. 80C)		
(i) Deposit in PPF in the name of wife	60,000	
(ii) Deposit in PPF in the name dependant sister not allowed	-	
2. Medical Insurance u/s 80D	15,000	
3. Repayment of interest on loan, taken for higher education [Sec. 80E]	50,000	
4. Charitable donations:		
(a) 1. Delhi University 70,000		
2. MCD for family planning 80,000		
Actual donations **1,50,000**		
Or,		
(b) 10% x Adjusted Gross Total Income		
= 10% [15,88,500 – (60,000 + 50,000 + 15000)] = 146,350		
whichever is less, is qualifying amount. It is Rs. 1,46,350.		
(i)Rs. 80,000 donation to MCD for family planning 100%	80,000	
(ii) (146350-8000) to Delhli University = 66,350 50%	33125	2,38,125
Total Income		**13,50,325**
Total income rounded off to the multiple of Rs 10 (Sec. 288A)		**13,50,330**

Note: From the assessment year 1995-1996, income of a minor child, suffering from a permanent physical disability cannot be clubbed with the income of parents [Sec. 64(1 A)]. Accordingly, income of Vijay has been excluded from clubbing operation.

Mr Chopra is required to furnish the return of income on behalf of minor children. P 18.6 Mr J, a noted lawyer of Jaipur High court, furnishes his receipt and Payment a/c for the year 2006-2007 as follows.

6. Mr. Goutam, a lawyer of Kolkata High Court, furnished his Receipt and Payment a/c for the year 2007-2008:

Particulars	Rs	Particulars	Rs
To balance b/d	5,00,000	Purchase of law books	50,000
Fees from clients	30,00,000	Rent of chamber	2,50,000
Salary from law college as part-time lecture	4,00,000	Municipal taxes for house property	90,000
Interest on bank deposits	60,000	Membership fees paid to bar council	20,000
Dividends from cooperate society	20,000	Office expenses	8,00,000
Dividends from UTI	20,000	Salaries to staff	6,00,000
Sale proceeds from house property, used for residence	10,50,000	Motor car purchased in December 2007	8,00,000
Rent from house property (Municipal value Rs 5,00,000)	6,00,000	Electricity and telephone expenses	2,00,000
		Advance income tax paid Donation to	2,00,000
		PM's Tsunami relief fund	40,000
		Life insurance premium paid	40,000
		Infrastructure bond purchased	1,00,000
		By balance c/d	24,60,000
	56,50,000		**56,50,000**

Additional information:

		Rs
(i)	Outstanding legal fees	1,50,000
(ii)	Fees from clients include retainer fees for financial year 2008-2009	1,00,000
(iii)	Rent of chamber outstanding	30,000
(iv)	Law books include subscription for annual law periodical Rs 5,000 and other laws books purchased in December 2007.	
(v)	House property remained vacant for one month and tenant and did not pay one month rent. Conditions of Rule 4 were satisfied in respect of unrealised rent.	
(vi)	The house property, used for residence, was purchased in 1996-1997 for 2,00,0000.	
	Compute his total income for the previous year 2007-2008 and his tax liability for the assessment year 2008-2009.	

Computation of Total Income for the 2008-2009

Particulars	Rs	Rs
Income from Salary		**4,00,000**
Income from House Property:		
Gross annual value:		
(i) ALV 5,00,000 6,00,000		
(ii) Rent received for 10 months (assuming conditions of Rule 4 have been 4,00,000 satisfied). Since rent received even without vacancy is lower than ALV, only loss due to vacancy is allowed to be deducted from ALV.		
Gross Annual Value (GAV)	**6,00,000**	
Less: Municipal taxes paid	(-) 90,000	
Net annual value	**5,10,000**	
Less: Statutory deduction - 30% of AV	1,53,000	
Income from house property	**3,57,000**	**3,57,000**
Income from profession		
Receipts from profession		
Outstanding fees from clients and retainership fees received in advance for PY 2008-20089 have not to be adjusted as the assesses is following cash system of accounting	30,00,000	
Less: Allowable expenses:		
(i) Rent (outstanding rent not to be deducted)	(-) 2,50,000	
(ii) Membership fees paid to bar council	(-) 20,000	
(iii) Office expenses	(-) 8,00,000	
(iv) Salaries paid to staff	(-) 6,00,000	
(v) Electricity and telephone expenses	(-) 2,00,000	
(vi) Depreciation on law books		
(a) Periodicals -100% of 5,000 =	(-) 5,000	
(b) Books – 45,000 x 60% x 50%	(-) 13,500	
(vii) Depreciation on motor car : 8,00,000 x 15% x 50%	(-) 60,000	
Income from Profession	**10,51,500**	**10,51,500**
Income from Capital Gains		
Sale consideration of the house	10,50,000	
Less : indexed cost of acquisition : $\frac{2,00,000}{305}$ x 55%	3,61,311	
	6,88,689	
Long-term capital gain		**6,88,689**

Income from other sources	60,000	
(I) Interest on bank deposits	nil	
(II) Dividends from UTI – Exempt [Sec. 10(35)]	20,000	**80,000**
(III) Dividends from cooperative society		
Gross Total Income		**25,77,189**
Less : 1. Contributions paid for approved savings (Sec. 80C) :		
(I) LIP	40,000	
(ii) Infrastructure bonds [Sec. 80C(2) (xix)]	1,00,000	
	1,40,000	
Maximum deduction restricted upto Rs.1,00,000		**1,00,000**
Less: Deductions u/s 80G		
Donation to Charitable Trust @ 100% of Rs.40,000		**40,000**
		24,37,189
Total Income		
Total Income rounded off u/s 288A		**24,37,190**

Computation of Tax Liability

				Rs	Rs
Tax on long-term capital gains 20% of Rs 6,88,690				1,37,738	
Tax on balance of total income at slab rates= Rs 17,48,500					
First	1,10,000	Nil	Nil		
Next	40,000	10%	4,000		
Next	1,00,000	20%	20,000		
Balance	14,98,500	30%	4,49,550	4,73,550	
Gross income tax					6,11,288
Add : Surcharge 10% on income tax					61,129
					6,72,417
Add : Education fees – 2% on income tax and surcharge					13,448
Add : SHEC @ 1%					6,724
Tax payable					**6,92,589**
Less : Advance income tax					2,00,000
Net Tax Liability					**4,92,589**
Tax payable rounded off u/s 288B					**4,92,590**