DEDUCTIONS FROM GROSS TOTAL INCOME

1. Mr. N is employed at a gross salary of Rs 8,00,000. He gets Rs 15,000 interest on bank deposit. He has made the following in vestment/ deposit during the year 2007-2008.

	Rs
1. Life insurance premium:	
(i) Own life, insured for Rs 80,000	15,000
(ii) Brother's life, dependent on him	5,000
(iii) Major son, not dependent on him	4,000
2. Contribution to unrecognised provident fund	60,000
3. Contribution to public provident fund	20,000
4. Contribution to ULIP	5,000
5. Repayment of loan to SB1 to purchase a residential house: 50% repayment is towards interest.	1,20,000
6. Infrastucture bonds of an Indian public company under Sec. 80C(2)(xix)	10,000
He has paid education fees for his 3 children:	
A	12,000
B	9,000
C	6,000

Besides, interest of Rs. 1,632 on NSC-VIII, (purchased during the year 2005-2006) has been credited on them during the year 2006-2007.

Compute deduction u/s 80C for the assessment year 2008-2009

Computation of Deduction u/s 80C of Mr. N for the assessment year 2008-2009

Particulars	Rs	Rs
Deduction in respect of contribution to approved savings (Sec. 80C):		
1. Life insurance premium;		
(i) Own life-	15,000	
(ii) Brother's life	-	
(iii) Major son	4,000	
2. Contribution to unrecognised provident fund	-	
3. Contribution to ULIP	5,000	
4. Contribution to public provident fund	20,000	
5. Repayment of housing loan to SBI	60,000	
6. Infrastucture bonds of Indian public company [Sec. 80C(xix)]	10,000	
7. Accrued interest on NSC- VIII issue	1,632	
8. Education fees for two children:		
A	12,000	
B	9,000	
	1,33,632	
Deduction restricted upto Rs.1,00,000		**1,00,000**

2. Mr Jamal resident in India, has paid Rs 60,000 for medical expenses during the previous year 2007-2008 for his wife suffering from cancer. Mrs. Jamal is also resident in India and turns 65 years of age on 31 March 2008. The full treatment cost has been reimbursed by the General Insurance Corporation of India. Please determine if Mr. Jamal is entitled to any deduction under Sec. 80DDB and if the answer is yes, determine the quantum of deduction. Also, please work but the quantum of deduction in the following circumstances :

I. Mrs. Jamal turns 65 years of age on 1 April 2008 and the amount reimbursed by the insurer is Rs 25,000. Payment of medical treatment was made out of exempted income.

II. Jamal turns 65 years of age on 1 April 2007 but Mrs. Jamal is 64 years, 11 months and 30 days as on 31 March 2008 and the insurer has not reimbursed any expenditure.

III. Mrs. Jamal is 66 years of age, a non-residential in India and the insurer has reimbursed Rs. 35.000

IV. Mr. Jamal, though having assessable income in India, is actually resident in Sri Lanka and is getting his wife treated in India for sake of better and more advanced medical facilities Mrs. Jamal is residential in India and the insurer has reimbursed Rs 20,000.

V. The expenditure is incurred by the assessee on cancer treatment of his 25 year old grandson who is dependent on him and is resident in India. The insurer has not reimbursed the claim.

VI. Mr. Jamal is able to produce the receipt of the medical expenditure only to the extent of Rs. 10,000 as he misplaced other receipts and the certificate in Form 10-I regarding the treatment of his wife does not mention the total amount incurred by him during the previous year. The insurer has reimbursed only Rs. 5,000.

Amount of deduction under Sec. 80DDB: PY 2007-2008 / AY 2008-2009

Particulars	Existing	I	II	III	IV	V	VI
Gross deduction u/s 80DDB in respect of specified ailment of dependant wife.	60,000	40,000	40,000	40,000	Nil	Nil	10,000
Less : Insurance claim received	60,000	25,000	Nil	35,000	Nil	Nil	50,000
Net deduction allowable u/s 80DDB	**Nil**	**15,000**	**40,000**	**5,000**	**Nil**	**Nil**	**5,000**

Working Notes :

1. In order to be a senior citizen, a person should be a resident in India and be 65 years of age at any time during the previous year, be it one the last day of the previous year or at any time during the previous year. Therefore, except when Mrs. Jamal turns 65 after the end of the previous year or when she is a non-resident in India, the gross amount of deduction will be Rs. 40,000.
2. The assessee individual must be resident in India in order to be eligible to the deduction. A grandson is not covered by the definition of “dependant”.
3. Form No. 10-I does not require the doctor to certify the amount incurred.

3. Mr. C, manager of L Ltd., has paid Rs. 38,000 during the previous year 2007-2008 by way of medical insurance under GIC approved medical policies. The details are given as below:

(i) For himself. Rs.6,000
(ii) For Mrs C, a Canadian citizen resident in Toronto and not dependent on him Rs.5,000
(iii) For B, married son living with him and dependent on him Rs.3,000
(iv) For D, minor son resident in Toronto and not dependent on him Rs.3,000
(v) For Mrs B, daughter-in-law, dependent on him Rs.5,000
(vi) For E, a minor grandson dependent on him Rs.3,000
(vii) For K, father, 67 years, resident and dependent on him Rs.3,000
(viii) For M, mother, 66 years, resident in Toronto and dependent on him Rs.6,000
(ix) For Grandfather, dependent on him, 95 years of age and resident in India Rs.4,000.

C has earned gross salary of Rs 2,50,000 during the year and also earns Rs 95,000 as interest from 7% Capital Investment Bonds, purchased on 31 May 2002. Compute his eligible deduction u/s 80Dfor the previous year 2007-2008 assuming the following situations:

I. Premium is paid by cheque from his salary income.

II. Premium is paid in cash from his salary income. He holds a valid receipt for cash payment.

III. Premium is paid by cheque out of interest from 7% Capital Investment Bonds, acquired on 31-5-2002.

IV. Premium is paid in cash out of interest from 7% Capital Investment Bonds, acquired on 1-6-2002.

Computation of Deduction for Medical Insurance Premium u/s 80D

Particulars of Medical Insurance premium paid	I Rs	II Rs	III Rs	IV Rs
For himself	6,000	Nil	Nil	Nil
For Mrs. C, a Canadian citizen resident in Toronto and not dependent on him	3,000	Nil	Nil	Nil
For B, married son living with him and dependent on him	2,000	Nil	Nil	Nil
For D, minor son resident in Toronto and not dependent on him	Nil	Nil	Nil	Nil
For Mrs. B, daughter-in-law, dependent on him	Nil	Nil	Nil	Nil
For E a minor grandson, dependent on him	Nil	Nil	Nil	Nil
For K, father, 67 years, resident, a senior citizen and dependent on him	2,000	Nil	Nil	Nil
For M, mother, 66 years, resident in Toronto -not a senior citizen but dependent on him	6,000	Nil	Nil	Nil
For Grandfather, 95 years of age, dependent on him, resident in India, and senior citizen (not a parent, hence not eligible)	Nil	. Nil	Nil	Nil
Eligible premium for Deduction u/s 80 D	19,000	Nil	Nil	Nil

Working Notes:

1. Medical insurance premium on spouse's health is always eligible irrespective of whether the spouse is dependent on the assessee or not. The condition of dependency applies only in case of children and parents.
2. Medical premium on health of grandson, grandparents, daughter-in-law or son in-law are not eligible for deduction u/s 80D.
3. Only the premium on health of dependent father will qualify for relaxation as a senior citizen. Since dependent mother is non-resident and, therefore, outside the purview of being a "senior citizen". However, the premium for health of mother will qualify for the normal limit irrespective of the residential status.
4. Any premium paid in cash or by cheque out or exempted income does not quality for deduction u/s 80D.

4. Mr. Maity, a resident individual, furnishes the following particulars of his income/expenditure for the previous year 2007-2008:

		Rs
(i)	Gross salary	3,00,000
(ii)	Income from house property	1,70,000
(iii)	Share of profit from an AOP	25,000
(iv)	Long-term capital gain	50,000

He has paid medical insurance on his life, his wife and his dependent children. Total premium paid under GIC approved policies is Rs 10,000 but a sum of Rs 1,000 was paid in cash due to a prolonged bank clearing strike. He has spent Rs 20,000 on the treatment of his brother, a dependant with disability. He has also deposited Rs 25,000 with a specified company u/s 2(h) of Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 for maintenance of his brother.

He has paid the following donations during the year:

Particulars of donations made during the year	Rs
• Donation to P.M.'s National Relief Fund	10,000
• Donation to Jamia Milia University	5,000
• Donation to National Cultural Fund, set up by Central Government	5,000
• Donation to Delhi Municipal Corporation for Family Planning	12,000
• Donation to Birla Temple (notified)	
• for repair and renovation of the temple	2,000
• for religious ceremonies, prasad, etc. for the benefit of devotees in general	5,000
• Donation to a temple managed by the Residents Welfare Association for its much needed repair and maintenance. The Association is a non-profit entity registered with the Registrar of Societies.	5,000
• Following donations to Pt. Pyare Lai Charitable Trust recognised by the Commissioner u/s 80G(50(vi).	
(i) Donation in form of equity shares of blue chip companies: The shares were sold by the Trust at their market value of Rs 75,000 and used wholly towards its charitable	25,000

objectives. However, shares were transferred at cost,	
(ii) Donation paid in cash,	5,000
(iii) Donation made by cheque,	7,000
(iv) 50 blankets costing Rs 100 each.	5,000
• Donation made to Indian Olympic Association 80G(20(c) paid by a/c payee cheque,	7,500
• Donation for developing low cost homes for slum-dwellers, paid	
(i) Delhi Development Authority, and	3,000
(ii) Delhi Slum-dwellers Rehabilitation Society duly registered with the Registrar,	2,500
• The Rajiv Gandhi Foundation	6,000
• National Children's Fund	3,000

Mr Maity borrowed a sum of Rs 2,00,000 in 2002 @ 9% interest from Harsh Vardhan Charitable Trust (registered under Sec. 80G) to complete his B.Tech. degree from Nalanda University. In March 2008, he repaid a sum of Rs 75,000 (including Rs 20,000 interest) to the said trust.
Compute his total income for the assessment year 2008-2009.

Computation of Total Income of Mr. Maity for the Assessment Year 2008-2009

Particulars	Rs	Rs
1. Income from salary		3,00,000
2. Income from house property		1,70,000
3. Share of profits from an AOP : Exempt (Sec. 86)		Nil
4. Long-term capital gains		50,000
Gross total income		**5,20,000**
5. Deduction from gross total income :		
(i) Medical insurance premium (Sec. 80D)	9,000	
(ii) Expenditure on medical treatment and deposit for maintenance of a handicapped dependent relative (Sec. 80DD) :	50,000	
(iii) Repayment of interest on loan for higher studies (Sec. 80E)	20,000	
(No deduction is allowed for repayment of principal amount of educational loan w.e.f. A.Y. 2006-2007)		
	79,000	
(iv) Charitable donations Sec. 80G – [See Note below]	42,500	**1,21,500**
Total Income		**3,89,500**

Working Note:

	Rs	Rs
Gross Total Income		5,20,000
Less : Aggregate of:		
(i) Share of profit in AOP entitled to rebate u/s 86.	Nil	
(ii) Any amount qualifying for deduction from GTI exempt for deduction for donation u/s 80G itself.	79,000	
(iii) Long-term capital gain	50,000	
(iv) Any to a NRI from dividend and interest etc. on foreign currency investment referred to u/s 115A, 115AB, 115AC, 115ACA, 115AD.	Nil	
	1,29,000	1,29,000
Adjusted Gross Total Income		**3,91,000**

Computation of Deduction for Donations u/s 80G

	Rs	Rs
A. Donations not subject to qualifying amount, eligible for deduction @ 100% of the amount donated :		
(i) Donation to P.M.'s National Relief Fund	10,000	
(ii) Donation to National Cultural Fund, set up by Central Government	5,000	15,000
B. Donation not subject to qualifying amount, eligible for deduction @ 50% of the amount donated :		
(i) The Rajiv Gandhi Foundation	6,000	
(ii) National Children's Fund	3,000	
Only 50% of the amount of donation available as deduction	9,000	4,500
C. Donation subject to qualifying amount :		
(i) Donation to Delhi Municipal Corporation for Family Planning	12,000	
(ii) Donation made to Indian Olympic Association 80G (2)(C) (available only to a company assessee)	Nil	
(iii) Donation to Jamia Milia University	5,000	
(iv) Donation to Birla Temple (notified) for repair and renovation of the temple.	2,000	

(v) Monetary donation to Pt. Pyare Lal Charitable Trust recognised by the Commissioner u/s 80G (5) (vi).	12,000	
(vi) Donation to Delhi Development Authority	3,000	
Aggregate of donations subject to qualifying amount	**34,000**	
Qualifying amount :		
Lower of the following :		
(a) 10% of Adjusted Gross Total Income, i.e. 39,100, or		
(b) Aggregate of donations, 34,000		
Whichever is less, is qualifying amount = 34,000		
100% of Rs 12,000 out of the QA of 34,000	12,000	
50% of the balance of the QA i.e. 50% of (34,000-12,000)	11,000	23,000
Total deduction for donations u/s 80G		**42,500**

1. Medical Insurance Premium paid in cash is not allowable as a deduction.
2. Donation to a notified temple is allowed only if it is towards its repairs or maintenance and not otherwise.
3. Only donations paid in monetary terms that is, either in cash or by cheque are eligible for deduction. Conversion of donations in kind into cash by the donee or mere possibility of their conversion is immaterial.

5. Mr Jamal, a resident assessee, runs a manufacturing business in Delhi. For the previous year 2007-2008, he disclosed his taxable income as below:

	Rs
Business profits	2,55,000
Long-term capital gains	25,000
Short-term capital gain	15,000

He has hired furnished accommodation for his own use and pays Rs 4,000 p.m. He has paid donation amounting to Rs.10,000 to National Defence Fund. He has deposited Rs 50,000 under a scheme framed by the Life Insurance Corporation for maintenance of his dependant brother with a disability. The disability is certified by the medical authority. Compute his total income for the assessment year 2008-2009.

Computation of total income of Mr Jamal — Assessment Year 2008-2009

Particulars	Rs.	Rs.
Income from business (computed)		2,55,000
Long-term capital gain (computed)		25,000
Short-term capital gain (computed)		15,000
Gross Total Income		**2,95,000**
Deductions from gross total income:		
(i) Deposit for maintenance of a dependent with disability [Sec. 80DD]:	50,000	
(ii) Charitable donations to National Defence Fund [Sec. 80G]:	10,000	
Amount of Deduction @ 100% of Rs 10,000		
	60,000	
(iii) Expenditure incurred on rent [Sec. 80GG] [W.N.1]	17,000	77,000
Total income		**2,18,000**

Workings Note 1:

Particulars	Rs	Rs
Expenditure incurred on rent [Sec. 80GG]:		
• [Rent paid -10% of ATI], i.e. 48,000 -21,000 = 17,000, or		
• 25% of AGTI, i.e. 25% of 2,10,000 = 52,500, or		
• Rs 2,000 p.m. = Rs 24,000		
whichever is less, is to be deducted, i.e. Rs 17,000		
Adjusted Total Income for Sec. 80GG:		
Gross total income		
Less: Aggregate of		2,95,000
(i) All permissible deduction from GTI except for deduction for u/s 80GG	60,000	
(ii) Any long-term capital gain	25,000	85,000
Adjusted Gross Total Income [AGTI] for Sec. 80GG		**2,10,000**

6. M, resident in India, furnishes the following particulars of his receipts and outgoings during the previous year 2007-2008.

	Rs.
Receipts:	
(i) Income from salary	2,00,000
(ii) Income from house property	3,00,000
(iii) Gross winning from crossword puzzle	3,50,000
Outgoing:	
(i) Contribution to LIC annuity plan	15,000
(ii) Medical insurance premium:	
(a) For himself	4,000
(b) His wife, not dependent	3,000
(c) Mother, non-resident, 67 years, dependent	5,000
(d) Nephew, wholly dependent with disability	3,000
(e) Grandson, dependent	2,000
(iii) Expenditure on medical treatment and maintenance of the nephew referred to	30,000
(iv) Medical treatment for grandson, suffering from a disease specified under income-tax rules(v)	50,000
(v) Donation to Gujarat government for family planning	50,000
(vi) Scholarship to a poor but meritorious student	20,000
(vii) Contribution to approved scientific research association	30,000
viii) Contribution to Delhi Municipal Corporation for sewage scheme for slum-dwellers, approved by National Committee	50,000
(ix) Donation to Congress party paid during November 2007 assembly elections	20,000

Compute his total income for the assessment year 2008-2009. Make necessary assumptions and clarify them.

Computation of total income for AY 2008-2009

Particulars		**Rs**	**Rs**
Income from salary			2,00,000
Income from house property			3,00,000
Gross winnings from crossword puzzle			3,50,000
Gross Total Income			**8,50,000**
Less: Deductions under Chapter VIA :			
Contribution to LIC annuity plan [Sec. 80CCC]		10,000	
Medical insurance premium [Sec, 80D]			
Assessee	4,000		
His wife	3,000		
Mother, 67 years old	5,000		
Nephew dependent with disability	x		
Grand son	x		
	12,000	12,000	
Maintenance and medical treatment of a dependent with disability [Sec. 80DD]		Nil	
Expenditure for medical treatment of grandson [Sec. 80DDB]		Nil	
Donations for scientific research or rural development [Sec. 80-GGA]			
(a) Donation to approved scientific research association		30,000	-
(b) Contribution to MCD for slum-dwellers scheme, approved by National Committee		50,000	-
Donations to political party [Sec. 80GGC w.e.f. 22.9.2003]		20,000	
Charitable donations [Sec. 80G]			
(a) Scholarship to a poor meritorious student		xxx	
(b) Gujarat government for family planning: 100% of qualifying amount			
1. Actual donation = 50,000, or			
2. 10% of specified GT1 = 37,800			
8,50,000 - (3,50,000 + 10,000 + 12,000 + 30,000 + 50,000 + 20,000)= Rs.3,78,000			
whichever is less, is QA 37,800= 100% of 37,800		37,800	1,59,800
Total income			**6,90,200**

7. Following are the particulars of the two undertakings X and Y of C Ltd., an Indian company. Undertaking A commences its business on 1 January 2005 and is eligible to claim deduction u/s 80-IA.

Previous year	Particulars	X	Y
2004-2005	Business profits or loss before depreciation	*(-)* 6,00,000	14,00,000
	Depreciation	4,00,000	2,00,000
2005-2006	Business profits or loss before depreciation	5,00,000	2,00,000
	Depreciation	4,00,000	1,00,000
2006-2007	Business profits or loss before depreciation	8,00,000	10,00,000
	Depreciation	4,00,000	2,00,000
2007-2008	Business profits or loss before depreciation	28,00,000	12,00,000
	Depreciation	4,00,000	6,00,000

Compute the amount of deduction for X u/s 80-IA and total income of C Ltd. for all four previous years.

Computation of deduction u/s 80-IA for undertaking X

Particulars	2004-2005	2005-2006	2006-2007	2007-2008
Profits or loss before depreciation	(-) 6,00,000	5,00,000	8,00,000	28,00,000
Less: Depreciation	xxx	(-) 4,00,000	(-) 4,00,000	(-) 4,00,000
		1,00,000	4,00,000	24,00,000
Set-off of carry forward business loss		(-) 1,00,000	(-) 400,000	(-) 1,00,000
Set-off of carry forward depreciation		xxx	xxx	(-) 4,00,000
Profits eligible for deduction u/s 80-IA	Nil	Nil	Nil	19,00,000
Amount of deduction @ 100% of profits	**Nil**	**Nil**	**Nil**	**19,00,000**

Computation of profits of undertaking Y and total income of C Ltd.

Particulars	2004-2005	2005-2006	2006-2007	2007-2008
Profits or loss before depreciation:	14,00,000	2,00,000	10,00,000	12,00,000
Less: Depreciation of Y	(-) 2,00,000	(-) 1,00,000	(-) 2,00,000	(-) 6,00,000
	12,00,000	1,00,000	8,00,000	6,00,000
Profits of X after depreciation	Nil	1,00,000	4,00,000	24,00,000
Set-off of business loss of X	(-) 6,00,000			
Set-off of unabsorbed depreciation of X	(-) 4,00,000			
Gross Total Income	**2,00,000**	**2,00,000**	**12,00,000**	**30,00,000**
Less: Deduction u/s80-IA	Nil	Nil	Nil	19,00,000
Total income of C Ltd.	**2,00,000**	**2,00,000**	**12,00,000**	**11,00,000**

Note: 1. Even though the business loss and unabsorbed depreciation of X were set-off during the PY 2005-2006 itself in computation of total income of C Ltd., for the purpose of deduction u/s 80-IA, they will still be carried forward on notional basis and set-off only against the profits of business eligible u/s 80-IA.

2. The deduction is available for a period of 10 consecutive assessment years out of 15 years from the commencement of business by the undertaking. Therefore, since all the carry forward losses and allowances have been set off by PY 2007-2008 and if profits are anticipated to be higher from PY 2008-2009 onwards, it will be to assesssee's benefit t o forego the deduction of Rs. 19,00,000 for the AY 2008-2009 and claim it for 10 years commencing AY 2009-2010.

8. SK Industries, a diversified group, discloses profit from the following sources for the previous year 2007-2008.

		(Rs. in lakhs)
(i)	Profits from small-scale unit, started in 1999-2000	6.00
(ii)	Profit from industrial undertaking 2001-2002, in Vidisha, a B-class industrially backward district.	10.00
(iii)	Profit from multiplex theatre, started in 2005-2006	
	(a) Delhi	4.00
	(b) Allahabad	2.00
(iv)	Profits form convention centre, started in 2006-2007	
	(a) Delhi	5.00
	(b) Allahabad	3.00
(v)	Profits from Hill View, a hotel started in 2001-2002 at Manali in Himachal Pradesh. Hotel is approved by prescribed authority	10.00
(vi)	Profits from undertakings engaged in refining of mineral oil since 1 January 2003 in Uttar Pradesh, not listed in backward state in Eighth Schedule.	10.00

Compute the total income for the assessment year 2008-2009

Computation of Total Income

Particulars	(Rs. lakhs)	(Rs. lakhs)
(i) Profits from SSI		6.00
(ii) Profits from undertaking located in industrially backward B-class district		10.00
(iii) Profits from multiplex theatre: 4 + 2 =		6.00
(iv) Profits from convention centre : 5+3 =		3.00
(v) Profits from Hill View Hotel		10.00
(vi) Profits from refining undertaking		10.00
Gross Total Income		**50.00**
Less : Deduction in respect of profits and gains from certain industrial undertaking, other than infrastructure undertakings (Sec. 80-IB) :		
1. Profits from SSI [Sec. 80-IB (3)] : 25% of Rs 6 Lakh :	1.50	
2. Profits from undertaking in B-class industrially backward district [Sec. 80-IB (4)] 25% of Rs 10 lakh	2.50	
3. Profits from multiplex theatre [Sec. 80-IB(7A) 50% of Rs 2 lakh (No deduction for Delhi)	1.00	
4. Profits from convention centre [Sec. 80-IB(7B)] 50% of Rs. 8 lakh	4.00	
5. Profits from Hill View Hotel [Sec. 80-IB(7)] Allowed only for Indian company	Nil	
6. Profits from refining undertaking [Sec. 80-IB(9)]-100% of profits for 7 assessment years	10.00	**19.00**
Total Income		**31.00**

9. Evergreen Construction (P) Ltd. has earned profits during the PY 2007-2008 from construction and sale of f lats under three housing projects, developed at Rajarhat, Kolkata, details of which are given below:

		(Rs in lakhs.)
(a)	Profits from construction and sale of flats, built up on a plot of 1.5 acres, built up area of the flat 1400 sq feet, located 30 km from Kolkata.	80.00
(b)	Profits from construction and sale of flats, built up on a plot of 1 acre, built up area 1050 sq feet,	60.00
(c)	Profits from construction and sale of flats, built on a plot of 0.90 acre, built up area 1000 sq feet, located 35 km from Kolkata.	40.00

The housing projects have been approved by the Kolkata Industrial Development Authority in the year 1 April 2005. Compute its total income for the previous year 2007-2008 relevant for the AY 2008-2009. Would your answer be different in the following cases:

(i) The housing projects were not approved.

(ii) The housing project is carried out in accordance with a scheme approved by West Bengal Government for redevelopment of buildings in slum areas.

(iii) The company was engaged only in the sale of flats and not developing and building the housing project.

Computation of Total Income for the AY 2008-2009

Particulars	(Rs in lakh)	(Rs in lakh)
Profits from Project (a)		80.00
Profits from Project (b)		60.00
Profits from Project (c)		40.00
		180.00
Deductions from profits and gains from certain industrial undertaking other than infrastructure undertaking (Sec. 80-IB):		
(i) Profits from Housing Project (a) are fully deductible as the size of flat not exceeding the prescribed area 1500 sq feet.	80.00	
(ii) Profits from Housing Project (b) not deductible as the area of the flat exceeds the prescribed area of 1000 sq feet.	x	
(iii) Profits from Housing Project (c) not deductible as the size of the Housing plot is less than 1 acre.	x	(-) 80.00
Total income		**100.00**

10. Mekon Ltd., an Indian company, starts an industrial undertaking on 1 April 2007. During the previous year, it earns profits of Rs 80 lakh before allowing any deduction for wages. Compute its total income for the previous year 2007-2008 taking into account the following employment schedules of workers:

Date of employment	Number of workers	Status of workers	Rate of wages
1-5-2007	90	Casual	300 p.m.
1-6-2007	20	Regular	4000 p.m.
1-7-2007	10	Regular	4000 p.m.

omputation of total income for the AY 2008-2009

Particulars	Rs	Rs
Profits before allowing deduction for wages		80,00,000
Less: Wages paid to workers [Sec. 37(1)]:		
(i) 90 x Rs 3000 x 11	29,70,000	
(ii) 20 x Rs 4000 x 10	8,00,000	
(iii) 10x Rs4000 x 9	3,60,000	(-) 41,30,000
Business Profits and Gross Total Income		**38,70,000**
Less: Deduction in respect of employment of new workmen [Sec. 80 JJAA] 30% (Rs .4000 x 10 x 10)		(-) 1,20,000
Total Income		**37,50,000**

11. Mr. R has developed an improved economical model of a motor cycle and got it patented on 31-3-2007 under the Patent Act, 1970. He allowed Z Ltd. to use his patent rights and licenses has been granted to it under the Patent Act, 1970. He has received royalty of Rs 8,00,000 during the previous year 2007-2008. However, the royalty in accordance with the terms and conditions of the license settled by the Controllers under the said Act is Rs. 2,80,000.

He has incurred Rs 1,00,000 expenses in developing his invention and getting it patented.
Compute his total income for the assessment year 2008-2009 (i) if he is resident in India, (ii) non-resident India.

Computation of Total Income for the Assessment Year 2008-2009

Particulars	(i) Rs	(ii) Rs
Income from other sources	8,00,000	8,00,000
Less : Expenses	1,00,000	1,00,000
Gross Total Income (GTI)		
Less : Deduction for respect of royalty on patent (Sec. 80-RRB)		
Least of the followings:		
(a) Income from royalty 5,00,000; or		
(b) Royalty under the terms of license settled by the Controller 2,80,000;		
(c) Maximum limit Rs. 3,00,000		
Whichever is less, is to be deducted	2,80,000	xxx
Total Income	**2,20,000**	**7,00,000**

12. Mr. J is suffering with 60% locomotor disability which is certified by medical authority. He is employed as Technical Supervisor with Air Tel at a salary of Rs. 20,000 p.m.

	Particulars	Rs
(i)	Income from government securities	20,000
(ii)	Long-term capital loss	(-) 40,000
(iii)	Short-term capital gain (Sec. 111A)	1,00,000
(iv)	Insurance commission (gross)	1,00,000
(v)	Interest on Saving Fund a/c from bank	10,000
He has incurred the following expenses:		
(i)	Medical insurance paid by cheque for his father, resident in India and 70 years	18,000
(ii)	Deposit with LIC for maintenance of father, mainly dependant on him for support and maintenance and suffering from low-vision with a severe disability of 80%, as per certificate of the medical authority	30,000
(iii)	Rent paid for the year 2007-2008 for accommodation hired by him.	40,000

Compute his total income for the assessment year 2008-2009.

Computation of Total Income for the assessment year 2008-2009

Particulars	**Rs.**	**Rs.**
1. Income from salaries		2,40,000
2. Income from capital gains :		
(a)Short-term capital gains (Sec. 111A)		1,00,000
(b)Long-term capital loss to be carried forward		Nil
3. Income from others sources :		
(a)Interest government securities	20,000	
(b)Interest on savings fund a/c with Bank	10,000	
(c)Insurance commission	1,00,000	1,30,000
Gross Total income		**4,70,000**
Less : Deductions under Chapter VIA:		
Medical insurance (Sec. 80D)	18,000	
Deduction in respect of maintenance including medical treatment of a department, a person with severe disability (Sec. 80DD)	75,000	
Deduction in case of a person with disability (Sec. 80U) :	50,000	
Deduction u/s 80GG :(Least of the followings) (i) Rent paid less 10% of Adjusted Gross Total Income 40,000-23,300 = 16,700, (ii) 25% of 2,33,000 Adjusted Gross Total Income = 58,250, (iii) 2,000 p.m. x 12 = 24,000 Whichever is less, is or be deducted	16,700	**1,59,700**
Total income		**3,10,300**