LESSON - 13
COMPUTATION AND ASSESSMENT OF INDIVIDUALS AND FIRMS

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STRUCTURE

13.0 Introduction
13.1 Objective
13.2 Statement of taxable income and tax
13.3 Computation and Assessment of Individuals
13.4 Computation and Assessment of Firms
13.5 Let us Sum Up
13.6 Further and Suggested Readings

13.0 INTRODUCTION

Up to now you have read eleven lessons in which you have read in detail the various heads of income, residential status, setoff, clubbing, deductions etc. when it comes to practice/ practical life all these things jointly are applicable to all types of persons. When we say jointly, we mean to say that an individual may earn income from salary, house property, interest, dividend, business and so on. Thus, we have to make a computation of all these incomes jointly for a person. Now, in this chapter we are going to study some problems where all these will be applied together.

13.1OBJECTIVE

After going through this lesson you should be able to revise all the important provisions of the previous chapters. At the same time you should be able to solve the problems consisting of more than one head of income, find the gross total income, give deduction and compute taxable income and tax thereon.

13.2 SATEMENT OF TAXABLE INCOME AND TAX

Following is the statement of calculating the taxable income and tax.

Particulars	Amount
Income from Salary Add: Income from House Property Add: Profit and Gain from Business ad Profession Add: Capital Gains Add: Income from Other Sources **Gross Total Income** Less: Deductions **Taxable Income** **Tax on Taxable Income** Add: Surcharge Tax and Surcharge Add: Education Cess Total Tax Less: Advance Tax Less: T.D.S **Tax Payable at the time of submission of Income**	

13.3 COMPUTATION & ASSESSMENT – INDIVIDUAL

Q-1 Compute total income of X from the particulars given below:

Basic pay: Rs. 12,000 pm; education allowance for one child: Rs. 300 pm; bonus: Rs. 20,000 and salary in lieu of leave: Rs. 15,000; medical expenses of a private hospital reimbursed by the employer: Rs. 24,000; rent free unfurnished flat in Calcutta for his residence for which the employer paid a monthly rent of Rs. 8,000 pm. He contributed Rs. 18,400 to the recognized provident fund and an equal amount was contributed by his employer. Interest credited @ 14% in the provident fund account was Rs. 16,800.
He used employer's car of 1.6 liters cubic capacity for his personal and official purposes. All expenses including salary of driver was met by the employer.
He received Rs. 14,000 from bank as interest, dividend of Rs. 10,000 from a foreign company and winning from horse race of Rs. 42,500 (gross).
He paid Rs. 500 professional tax and donated Rs. 5,000 to the national defense fund.
B.Com (P) 1996

Q-2 X is a principal in a college of Delhi University. His details of income are:

Basic Pay: Rs. 10,000 pm; Dearness allowance (forming part of salary) Rs. 1,600 pm; City compensation allowance Rs. 400 pm; House rent allowance Rs. 2,400

pm; examination remuneration from various universities Rs. 8,000 pm; Annual dividend received from Indian Company Rs. 20,000;
Being principal of the college he has been given a free telephone at his residence, costing the college Rs. 13,200 in a year. The college has also provided him a domestic servant @ Rs. 400 pm. He spent Rs. 16,000 on the treatment of his wife in a private hospital in Delhi. The medical bill was fully reimbursed by the college. During the year, the college also reimbursed hi, Rs. 6,000 for his travel to Kashmir under leave travel concession scheme.

He is a member of statutory provident fund to which the colleges contribute 8 % of his salary. Interest on accumulated provident fund is Rs. 3,300 (the rate of interest being 13%). He pays rent of Rs. 2,600 pm in respect of accommodation occupied by him for his residence. He donated Rs. 9,000 during the year to the government for the promotion of family planning and Rs. 3,000 to the national defense fund. His own contribution to provident fund is 15% of basic salary and dearness allowance.

Compute his salary income and total income. B.Com (P) 1997

Q-3 X furnishes the following particulars of his income:

Basic salary Rs. 16,000 pm; bonus Rs. 20,000 pa; hostel allowance Rs. 800 pm for one child; medical allowance Rs. 1,000 pm and actual medical expenses being Rs. 6,000.

He and his employer both contributed Rs. 24,000 each to the recognized provident fund. Interest credited to the recognized provident fund @ 15% was Rs. 21,000. His s provided with an unfurnished residential house by his employer at Calcutta. The employer paid Rs. 8,000 pm as rent to the landlord and deducted Rs. 1,200 pm from the employer's salary. He is provided with a maruti 100 cc car for his personal and official purposes by the employer, who incurred all the expenses, including the salary of driver.

He received Rs. 8,000 as interest from banks and won Rs. 60,000 (gross) from horse races. He paid Rs. 2,000 as professional tax and donated Rs. 10,000 to the national defense fund. Compute total income of Mr. X. B.Com (P) 1998

Q-4 X is employed in Y Ltd. He gives the following particulars of income:
Basic salary Rs. 16,000 pm. D.A. Rs. 1,000 p.m. (40% form part of salary) Commission on sale @ 4% Sales during the year were Rs. 4,00,000. House Rent Allowance 25% of B.P. Rent paid for house in Delhi Rs. 9,000 p.m. Car from employer @ concessional rate, expenditure being Rs. 22,000, 50% of the expenditure were born by Mr. X. Company contributed 30% of his salary to recognized provident fund. A similar amount was contributed by X. Interest credit to PF during year @ 13% is Rs. 26,000. He got leaves encashment during the year Rs. 10,000.

He is the owner of the small house whose income is computed to Rs. 20,000.

He received during the year interest from UTI Rs. 6,000 and net interest from listed debenture of Z Ltd. Rs. 9,000.

His investments and savings, etc., are as follows:

1. He has paid LIC premium Rs. 4,000 (on own life policy). Rs. 6,000 (on Life policy of Married Major son) and Rs. 4,000 (on life policy of father in law).
2. He paid during the year health insurance premium Rs. 3,000 (on own health), Rs. 3,000 (on wife health), Rs. 4,000 (on mother in law health) and Rs. 2,000 (on his minor son's health).
3. During the year, he donated Rs. 6,000 to National Defense Fund, Rs. 8,000 to government for Family planning and Rs. 8,000 to the charitable trust covered by section 80 G.

Compute X's Total Income and Deduction available to him u/s 80.
B.Com (P) 1999

Q-5 X furnishes the following particulars of his income. Compute total income and deduction u/s 80.

Salary Rs. 15,000 p.m.; D.A Rs. 1,500 p.m. (50% forming part of salary); Commission @ 1 % of sale (sale during the year was Rs. 10, 00,000); HRA Rs. 3,000 p.m. (he paid Rs. 5,000 p.m. as rent for a rented house in Delhi).

He contributed 15% to recognize PF and his employer contributes the same amount.

Interest credited to RPF @ 15% p.a. was Rs. 30,000.

Net interest on listed debentures of Y Ltd. Rs. 8,100.

He paid Rs. 12,000 through a crossed cheque to the General Insurance Corporation as medical insurance premium for his own health.

He donated Rs. 5,000 to rime minister National Relief Fund and Rs. 20,000 to a charitable hospital (eligible for deduction). B.Com (P) 2000

Q-6 X has furnished the following details with regard to his income:

Basis Salary Rs. 10,000 p.m. D.A Rs. 4,000 p.m.; Transport Allowance Rs. 1,000 p.m.; Education allowance Rs. 90 p.m. for each of his three children; Personal medical bills for the treatment of X reimbursed by the employer Rs. 19,000 (The treatment has been done by a private doctor).

He has been provided with an unfurnished house by the employer @ Rs. 400 p.m. for which the employer is paying a monthly rent of Rs. 4,000 p.m. His contribution for the company recognized PF is Rs. 2,000 p.m. the employer contributes an equal amount and also paid X's Life insurance premium amounting Rs. 4,800.

Interest Credited to the PF @ 13% p.a. is Rs. 6,500. Interest on Govt. Securities Rs. 18,000.

Compute his total income and deduction assuming he is living in Lucknow.

B.Com (P) 2001

Q-7 The following are particulars of income of X:

Salary Rs. 15,000 p.m. contribution to PF @ 14% of salary, the employer also contributes a similar amount; interest credited to PF account @ 13% p.a. is Rs. 18,200; she is provided by her employer with a rent free unfurnished house (rent paid by employer for the house Rs. 20,000) and proceeds of life insurance policy on maturity Rs. 20,000.

She paid Rs. 600 as employment tax to the state government. She also gave Rs. 10,000 as donation to a poor boy.
Compute her taxable salary if:

i) The provident fund is recognized
ii) The provident fund is unrecognized. B.Com(P) 2002

Q-8 Compute total income of X:

Net Salary received after deduction of:	Rs. 1, 43,200
i) his own contribution in recognized PF Rs. 18,000	
ii) income tax Rs. 14,000	
iii) house rent Rs. 4,800	
Employer's contribution to recognized PF	Rs. 18,000
Dearness Allowance	Rs. 20,000
Education Allowance for two children	Rs. 12,000
Entertainment Allowance	Rs. 6,000
Provided unfurnished house for which rent was paid by employer	
Rs. 36,000, but charged from employee Rs. 4,800.	
Free use of gas, electricity and water, costing to employer	Rs. 4,000
Provided 1.6 Ltr. Cubic capacity motor cars for personal use of employee.	
All expenses borne by use of employee. All expenses borne by employer	
(Cost of car Rs. 3, 00,000)	Rs. 40,000

He earned taxable long term capital gain	Rs. 60,000
Interest earned on fixed deposit in scheduled banks	Rs. 8,000
Donation to Prime Minister Relief Fund	Rs. 5,000

B. Com (P) 2003

Q-9 X, who was an employee of Y Ltd. Delhi, furnishes the following particulars regarding his income:

Basic Salary	Rs. 5,000 p.m.
Dearness Allowance	Rs. 800 p.m.
House Rent Allowance	Rs. 1,000 p.m.
Rent Paid by X	Rs. 1,200 p.m.

He retired from service on 1st January of the previous year after completing 25 years of service with the company. The company paid him Rs. 84,000 as gratuity, Rs. 2,40,000 (including Rs. 80,000 as interest) from unrecognized provident fund, and pension @ Rs. 1,500 p.m. He got half the pension commuted on 1st February of Previous Year and received Rs. 75,000. The assessee's average monthly salary for the last ten months was Rs. 5,000. One half of the provident fund account balance represents employer's contribution and interest thereon. Salary and pension become due to the last day of each month.

During the year, he contributed Rs. 7,500 towards his provident fund. The employer also contributed similar amount. He also paid Rs. 5,000 as insurance premium on the policy of his wife and purchased infrastructure company bonds worth Rs. 20,000.

You are required to calculate gross salary, net salary and gross total income along with the qualifying amount for deduction u/s 80. B.Com (P) 2004 Correspondence

Q-10 Compute total income of X, who is working as executive in a company at Delhi, on the basis of the following information:

Basic Salary	Rs. 10,000 per month
Dearness allowance	Rs. 5,000 per month
Education allowance for one child	Rs. 300 per month
Entertainment allowance	Rs. 1,000 per month
House Rent allowance	Rs. 3,000 per month
Actual Rent paid by him	Rs. 3,500 per month

Bonus two month's basic salary. The company provides 1.6 Ltr. Car along with driver for official and personal use both. The company provides services of sweeper and cook, who are paid salary Rs. 500 per month and Rs. 1,000 per month respectively. Contribution in recognized provident fund @ 15% of basic salary by X and his employer, both. Interest from fixed deposit in bank Rs. 8,000 and interest from Government securities Rs. 6,000. He donated Rs. 5,000 in National Defence Fund. B.Com (P) 2004 Correspondence

Q- 11 Mrs. X is employed with Y Ltd. on a monthly salary of Rs. 15,000. She has been provided with the following perquisites:

Rent free accommodation at Delhi with fair rental value of Rs. 60,000. A mobile phone and a fixed line telephone at her residence. The bill reimbursed by the company during the previous year amounted to Rs. 25,000. on the eve of silver jubilee celebrations of the company, she got a gift worth Rs. 12,000 from the company. The company had purchased these assets for Rs. 75,000 and Rs. 1, 50,000 respectively. She was given a chauffeur driver car (1.6 cc) for private and official use. All expenses of running and maintenance including driver's salary were paid by the company. She also drew the following allowance:

Dearness allowance (50% forms the part of basic pay)	Rs. 5,600 per month
Education allowance for 2 children	Rs. 300 per child
Transport allowance	Rs. 1,000 per month

During the year, she got reimbursement from the company Rs. 20,000 spent on the medical treatment of her husband at a private nursing home. She made the following payments and contribution:
Life insurance premium paid Rs. 12,000 against a policy taken on the life of her husband and her married daughter. Paid Rs. 15,000 to Prime Minister National Fund to help Tsunami victims. Contributed Rs. 2,500 per month to Recognized provident fund. Employer contributing an equal sum. You are required to compute: Gross salary income; net salary; qualifying amount for deduction u/s 80.

B.Com (P) 2005 Correspondence

Q-12 X, the manager of a private company at Delhi, has furnished the following details of his income:

Basic Salary Rs. 16,000 per month; Dearness allowance Rs. 1,000 per month (40% forms part of salary); commission on sale at the rate of 4% (sale during the year were Rs. 4, 00,000); house rent allowance Rs. 4,000 per month (rent paid by him for the house Rs. 9,000 per month); entertainment allowance Rs. 500 per month; traveling allowance Rs. 1,000 per month spent fully in the performance official duties. He has taken a loan of Rs. 15,000 from the employer for purchasing a motorcycle. The company paid telephone bills of Rs. 10,000 for the telephone installed at his residence. The company contributes 13% of his salary to recognized provident fund, a similar amount is contributed by X. interest credited to provident fund during the year at the rate of 12% per annum was Rs. 24,000. Received Rs. 10,000 being half share from a firm. Dividend received from Indian company Rs. 5,000. Interest received on government securities Rs. 10,000. Donation paid to the Prime Minister's National Relief Fund Rs. 5,000. Donation paid to the Govt. for promotion of family planning Rs. 10,000. Compute the total income of X.

B. Com (P) 2005

Q-13 Mr. Rohit is a sales manager in Delhi. He furnishes the following particulars regarding his income:

Basic Salary	Rs. 96,000
Bonus	Rs. 6,000
Dearness allowance (Rs. 200 p.m. Enters into retirement benefit)	Rs. 1,000 per month
Traveling allowance for official duty	Rs. 25,000

He has been provided a big car for official and personal use. The maintenance and running expenses of the car (including driver) a re borne by the company.

He lived in a house belonging to company. Its fair rent is Rs. 2,500 p.m. the company has provided the facility of gardener who is being paid a salary of Rs. 300 p.m.

He has been given cloth worth Rs. 2,600 by the employer free of cost.

Rent recovered from Rohit Rs. 2,600.

The following amount was deposited in his provident Fund A/c:

i)	Own contribution	Rs. 9,400
ii)	Company's contribution	Rs. 13,000
iii)	Interest @ 12% p.a.	Rs. 12,000

Compute his taxable income from salary and deduction u/s 80.

B.Com (P) 2006

13.4 COMPUTATION & ASSESSMENT – FIRMS

Assessment of Firms is slightly different from assessment of individuals. The major point of difference is the rate of tax. In case of individuals the tax rate is based on slabs of income, which is nil if income is below Rs. 1,00,000, 10% for income between Rs. 1,00,000 and Rs. 1,50,000, 20% for income between Rs. 1,50,001 and Rs. 2,50,000, and thereafter 30%. However, in case of firms the rate of income tax is flat @ 30% plus surcharge plus education cess. There are various other assessments special provisions for assessment of firms, some of them are:

1. A partnership firm will be assessed as firm if there is a written partnership deed.
2. The partnership deed must specify the share of partners
3. A certified copy of the deed must be submitted in the income tax office.

Computation of firms is also slightly different from computation of individuals. The major point of difference is that first of all the taxable income of partnership firms is calculated, and the tax @ 30% plus surcharge plus education cess is applied on it. After this the after tax profit is distributed between partners. This share of profit distributed among individual partners from firm is exempt for partners in order to avid double taxation, as firm has already paid tax on it.

13.5 LET US SUM UP

Assessment and computation of individuals and firms require first of all head wise calculation of income, which is then summed up in the statement of income and tax. After adding all the five heads of income the gross total income is computed. Various deductions are allowed from the computed gross total income to find the total or taxable income. After applying the tax rates to the total or taxable income the tax on taxable income is arrived. This tax is added with surcharge and education cess. Finally the TDS and advance tax is subtracted from it to compute the balance tax payable.

13.6 FURTHER AND SUGGESTED READINGS

1. Dr. Vinod K. Singhania and Monica Singhania; *Students' Guide to Income Tax*; Taxmann Publications Pvt. Ltd.; latest edition.
2. Mahesh Chandra & D.C. Shukla; *Income-tax Law and Practice*; Pragati Publications; latest edition.
3. H.C.Mehrotra; *Income-tax Law and Accounts*; Sahitya Bhawan; latest edition.
4. Girish Ahuja and Ravi Gupta; *An Elementary Approach to Income Tax & Sales Tax*; Bharat Publications; latest edition.
5. Dinkar Pagare; *Law and Practice of Income Tax*; Sultan Chand & Sons; latest edition