

Under section 80D			
Contribution to Central Government Health Scheme Rs. 28,000 is also allowable as deduction u/s 80D. Since she is a resident senior citizen, the deduction is allowable to a maximum of Rs. 30,000.		28,000	
Medical insurance premium of Rs. 26,000 paid for father aged 84 years. Since the father is a non-resident in India, he will not be entitled for the higher deduction of Rs. 30,000 eligible for a senior citizen, who is resident in India. Hence, the deduction will be restricted to maximum of Rs. 25,000.		25,000	2,03,000
Total Income			5,17,000
Tax on Total Income			
Income-tax		13,400	
Less: Rebate u/s 87A		Nil	
		13,400	
Add : Health and Education cess @ 4%		536	13,936
Average rate of tax in India (i.e. Rs. 13,936/ Rs. 5,17,000 × 100) 2.696%			
Average rate of tax in foreign country (i.e. Rs. 11,000/ Rs. 1,10,000 × 100) 10%			
Deduction under section 91 on Rs. 1,10,000 @ 2.696% (lower of average Indian-tax rate or average foreign tax rate)			(2,966)
Tax payable in India			10,970

Readers Note:

Practical 9

Mr. Kamesh, an individual resident in India aged 52 years, furnishes you the following particulars of income earned in India, Country "X" and Country "Y" for the previous year **2019-20**. India has not entered into double taxation avoidance agreement with these two countries.

Particulars	Rs.
Income from profession carried on in India	7,50,000
Agricultural income in Country "X" (gross)	50,000
Dividend received from a company incorporated in Country "Y" (gross)	1,50,000
Royalty income from a literary book from Country "X" (gross)	6,00,000
Expenses incurred for earning royalty	50,000
Business loss in Country "Y" (Proprietary business)	65,000
Rent from a house situated in Country "Y" (gross)	2,40,000
Municipal tax in respect of the above house (not allowed as deduction in country "Y")	10,000

Note: Business loss in Country "Y" not eligible for set off against other incomes as per law of that country.

The rates of tax in Country "X" and Country "Y" are 10% and 20%, respectively.

Compute total income and tax payable by Mr. Kamesh in India for Assessment Year 2020-21.

Solution**Computation of total income of Mr. Kamesh for A.Y.2020-21**

Particulars	Rs.	Rs.
Income from House Property [House situated in country Y]		

Gross Annual Value	2,40,000	
Less: Municipal taxes (assumed as paid in that country)	10,000	
Net Annual Value	2,30,000	
Less: Deduction under section 24 – 30% of NAV	69,000	
Income from House Property [A]		1,61,000
Profits and Gains of Business or Profession		
Income from profession carried on in India	7,50,000	
Royalty income from a literary book from Country X (after deducting expenses of Rs. 50,000)	5,50,000	
Less: Business loss in country Y set-off	65,000	
Profits and Gains of Business or Profession [B]		12,35,000
Income from Other Sources		
Agricultural income in country X	50,000	
Dividend received from a company in country Y	1,50,000	
Income from Other Sources [C]		2,00,000
Gross Total Income [A + B + C]		15,96,000
Less: Deduction under Chapter VIA		
Under section 80QQB – Royalty income of a resident from literary work		3,00,000
Total Income		12,96,000

Computation of tax liability of Mr. Kamesh for A.Y.2020-21

Particulars	Rs.
Tax on total income [30% of Rs. 2,96,000 + Rs.1,12,000]	2,01,300
Health and Education cess @ 4%	8,052
	2,09,352
Less: Rebate under section 91 (See Working Note below)	69,739
Tax Payable	1,39,613
Tax payable (rounded off)	1,39,610

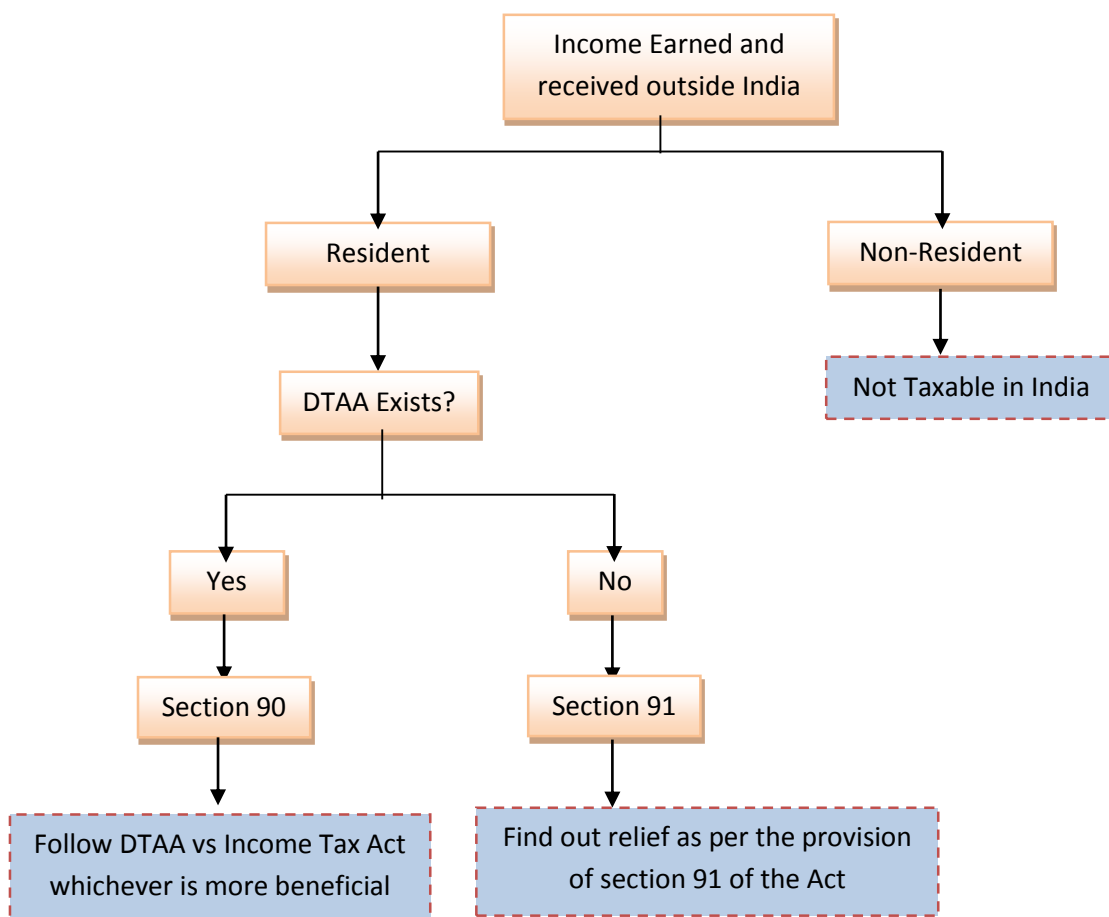
Working Note: Calculation of Rebate under section 91

Particulars	Rs.	Rs.
Average rate of tax in India [i.e., Rs. 2,09,352 / Rs. 12,96,000 x 100]	16.15%	
Average rate of tax in country X	10%	
Doubly taxed income pertaining to country X		
Agricultural Income	50,000	
Royalty Income [Rs. 6,00,000 – Rs. 50,000 (Expenses) – Rs. 3,00,000 (deduction under section 80QQB)]	2,50,000	
	3,00,000	
Rebate under section 91 on Rs. 3,00,000 @10% [being the lower of average Indian tax rate (16.15%) and foreign tax rate (10%)]		30,000
Average rate of tax in country Y	20%	
Doubly taxed income pertaining to country Y		
Income from house property	1,61,000	
Dividend	1,50,000	
	3,11,000	

Less: Business loss set-off	65,000	
	2,46,000	
Rebate under section 91 on Rs. 2,46,000 @16.154% (being the lower of average Indian tax rate (16.15%) and foreign tax rate (25%))		39,739
Total rebate under section 91 (Country X + Country Y)		69,739

Notes:

- (1) Rental Income has been taken as GAV in the absence of other information relating to fair rent, municipal value etc.
- (2) Doubly taxed income includes only that part of income which is included in the assessee's total income.– CIT v. Dr. R.N. Jhanji (1990) 185 ITR 586 (Raj.).
- (3) Average foreign tax rate shall be worked out for each foreign country separately and not on aggregate basis, if more than one foreign country's income is involved. [CIT vs. Bombay Burmah Trading Corporation Ltd. 259 ITR 423 (Bom.)]

Readers Note:**Summary – Taxability of income earned and received outside India**

55.4 ADOPTION BY CENTRAL GOVERNMENT OF AGREEMENTS BETWEEN SPECIFIED ASSOCIATION FOR DOUBLE TAXATION RELIEF

Section:- 90A

Section 90A provides for the following:-

1. There is a specified association in India
2. It enters into an agreement with any specified association in a specified territory outside India