**COMPUTATION OF TOTAL INCOME AND TAX LIABILITY**

**BASIS OF CHARGE AND RATES OF TAXES**

Charge of Income-Tax

Section 4 of the Income-tax Act is the **charging section** which provides that:

(i) Tax shall be charged at the rates prescribed for the year by the annual Finance Act.
(ii) The charge is on every person specified under section 2(31);
(iii) Tax is chargeable on the total income earned during the previous year and not the assessment year.
(There are certain exceptions provided by sections 172, 174, 174A, 175 and 176);
(iv) Tax shall be levied in accordance with and subject to the various provisions contained in the Act.

This section is the back bone of the law of income-tax in so far as it serves as the most operative provision of the Act. The tax liability of a person springs from this section.

Rates of Tax

Income-tax is to be charged at the rates fixed for the year by the annual Finance Act. First Schedule to the Finance Act is divided into three parts.

Part I of the First Schedule to the Finance Act, 2013 specifies the rates at which income-tax is to be levied on income chargeable to tax for the A.Y. 2013-14. (i.e. for the earlier year)

Part II of the First Schedule lays down the rate at which tax is to be deducted at source during the financial year 2013-14 i.e. A.Y. 2014-15 from income subject to such deduction under the Act;

Part III of the First Schedule lays down the rates for charging income-tax in certain cases, rates for deducting income-tax from income chargeable under the head "salaries" and the rates for computing advance tax for the financial year 2013-14 i.e. A.Y.2014-15.

Part IV contains rules for computation of Net Agricultural Income.

(Par III of the First Schedule to the Finance Act, 2013 will become Part I of the First Schedule to the Finance Act, 2014 and so on.)

**Question 1: Write a note on Computation of Total Income.**

**Answer:**

**Computation of Total Income**

Whether a particular income shall be taxed or not shall depend on the residential status and the type of income. Residential status in fact explains connection of the person with the country and types of income explains the connection of the income with the country. If the person donot have any connection and also the incomes do not have any connection with the country, the income shall not be taxable but if either the person or the income has any connection, the income is taxable.

If the income is taxable, it will be further divided into five different categories of income which are called heads of income i.e. if the income is received from the employer, it will be considered to be income under the head salary; if the income is in connection with letting out of house property, income is taxable under the head house property; if the income is from any business or profession, it is taxable under the head profits and gains of business/profession; if any capital asset (gold, land, house etc) has been transferred, income is taxable under the head capital gains; if there is any other income like interest or winnings from a lottery etc, it is covered under the head other sources.
Income shall be computed under each head i.e. expenses incurred shall be deducted from the gross receipt as per the provisions of the relevant head.

Income computed under each head shall be added up to compute the gross total income.

Certain concessions are allowed from the gross total income which are called deduction from gross total income under section 80C to 80U.

After permitting the deductions, remaining income is called total income.

Computation of total income can be shown mathematically in the manner given below:

**Total Income of an assessee shall be computed in the following steps:**

Compute the income of the assessee under all the five heads, permitting exemption/deductions of each head.

- (i) Income from Salaries (Section 15 to 17)  
- (ii) Income from House Property (Section 22 to 27)  
- (iii) Profits and gains of Business or Profession (Section 28 to 44DB)  
- (iv) Capital Gains (Section 45 to 55A)  
- (v) Income from Other Sources (Section 56 to 59)  

Gross Total Income

Deductions from gross total income [Section 80C to 80U]

Total Income

Total Income shall be rounded off u/s 288A in the multiples of 10 and for this purpose, any paisa shall be ignored and if the last digit is 5 or more, it will be rounded off to the higher multiple otherwise it will be rounded off to the lower multiple.

**Question 2: Write a note on Computation of Tax Liability.**

**Answer:**

**Computation of Tax Liability**

Tax liability of an individual, Hindu Undivided Family, association of persons, body of individual shall be computed in the manner given below:

1. Divide Total Income into four parts –

   (i) **Long term capital gains**  
   Section 112  
   Long term capital gains shall be taxed @ 20%

   (ii) **Short term capital gains on the transfer of equity shares or units of an equity oriented fund**  
   Section 111A  
   Such capital gains shall be taxable @ 15%

   (iii) **Casual Income**  
   As per section 115BB, casual income shall be taxable @ 30%. As per section 2(24)(ix), casual income means any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever.

   **Lottery** includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner whatsoever, under any scheme or arrangement by whatever name called.
Card game and other game of any sort includes any game show, an entertainment programme on television or electronic mode, in which people compete to win prizes or any other similar game.

(iv) Any other income
Any other income is taxable at slab rates as per the relevant Finance Act (Finance Act 2013) and are as given below:

- **Resident individual of the age of 60 years or more at any time upto the end of relevant previous year but less than eighty years**
  - If total income is up to `2,50,000: NIL
  - On next `2,50,000: 10%
  - On next `5,00,000: 20%
  - On Balance amount: 30%

- **Resident individual of the age of 80 years or more at any time upto the end of relevant previous year**
  - If total income is up to `5,00,000: NIL
  - On next `5,00,000: 20%
  - On Balance amount: 30%

- **Any Individual, Hindu Undivided Family, Association of Persons, Body of Individual or artificial Juridical Person**
  - Income shall be taxable at the slab rates given below:
    - If total income up to `2,00,000: NIL
    - On next `3,00,000: 10%
    - On next `5,00,000: 20%
    - On Balance amount: 30%
  - (The purpose of slab rates is to tax the income of poor person at lower rate)

Surcharge shall be applicable @ 10% provided total income is exceeding `1 crore.

Rebate of income-tax in case of certain individuals **Section 87A**
In order to provide tax relief to the individual tax payers who are in the 10% tax slab, section 87A has been inserted to provide a rebate from the tax payable by an assessee, being an individual resident in India, whose total income does not exceed `5,00,000.

(i) The rebate shall be equal to the amount of income-tax payable on the total income for any assessment year or an amount of `2,000, whichever is less.

(ii) Consequently, any individual having total income up to `2,20,000 will not be required to pay any tax. Further, every individual having total income above `2,20,000 but not exceeding `5,00,000 shall get a tax relief of `2,000. In effect, the rebate would be the tax payable or `2,000, whichever is less.

(iii) Further, the aggregate amount of rebate under section 87A shall not exceed the amount of income-tax (as computed before allowing such rebate) on the total income of the assessee with which he is chargeable for any assessment year.

Primary Education Cess and Secondary and Higher Education Cess shall be applied only after permitting rebate under section 87A.

Rebate shall be allowed even from tax on LTCG or STCG under section 111A or Casual Income.
2. **Primary Education Cess and Secondary and Higher Education Cess**
Primary Education Cess (PEC) shall be charged @ 2% and Secondary and Higher Education Cess (SHEC) @ 1% of income tax.

**Rounding off of Tax**  
**Section 288B**
Any amount payable, and the amount of refund due, shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paisa shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five the amount shall be reduced to the next lower amount which is a multiple of ten.

**Marginal Relief**
Provided that in the case of persons mentioned above having total income exceeding one crore rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

A person shall be eligible for marginal relief up to total income of `104,22,380 and afterwards he will not be eligible for marginal relief when slab of `2,00,000 shall be applicable.

e.g. If Mr. X has total income of `102,80,000, his tax liability shall be computed in the manner given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>102,80,000</td>
</tr>
<tr>
<td>Tax on `102,80,000 at slab rate</td>
<td>29,14,000</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,91,400</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>32,05,400</td>
</tr>
<tr>
<td>Increase in income <code>2,80,000 over </code>100,00,000 and increase in tax in comparison to income of <code>100,00,000, </code>3,75,400 (32,05,400 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be <code>3,75,400 – </code>2,80,000</td>
<td>95,400</td>
</tr>
<tr>
<td>Tax after marginal relief</td>
<td>31,10,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>62,200</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>31,100</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>32,03,300</td>
</tr>
</tbody>
</table>

**Capital Gains**
If any capital asset has been transferred like land, building, gold, shares etc. profit shall be called capital gains and if the asset has been transferred within a period of three years, capital gains shall be short term and shall be taxable at the normal rate otherwise it will be long term capital gain and shall be taxable @ 20%.

In case of shares or units of mutual fund etc., period of three years shall be taken as one year.

If any person has transferred equity shares or units of equity oriented mutual funds and has paid securities transaction tax, in such cases long term capital gain shall be exempt from income tax under section 10(38) but short term capital gains shall be covered under section 111A and shall be taxable @ 15%.

Equity oriented mutual fund means such mutual funds in which more than 65% of the total proceeds have been invested in the equity shares of the domestic company.

**Illustration 1:**
Compute tax liability in the following cases for the assessment year 2014-15.

(i) Mr. X (resident) has total income of `5,00,000
(ii) Mr. X (non-resident) has total income of `5,00,000
(iii) Mrs. X (resident) has total income of `5,00,000
(iv) Mrs. X (non-resident) has total income of `5,00,000
(v) Mr. X (resident), aged 60 years has total income of `5,00,000
(vi) Mrs. X (resident), aged 60 years has total income of `5,00,000
(vii) Mr. X (non-resident), aged 60 years has total income of `5,00,000
(viii) Mrs. X (non-resident), aged 60 years has total income of `5,00,000
(ix) Mr. X (resident), aged 80 years has total income of `5,00,000
(x) Mrs. X (resident), aged 80 years has total income of `5,00,000
(xi) Mr. X (non-resident), aged 80 years has total income of `5,00,000
(xii) Mrs. X (non-resident), aged 80 years has total income of `5,00,000

Solution:
(i) Computation of Tax Liability
Total Income                  5,00,000
Tax on `5,00,000 at slab rate  30,000
Less: Rebate u/s 87A (30,000 or 2,000 whichever is less)  2,000
Tax before education cess     28,000
Add: Education cess @ 2%     560
Add: SHEC @ 1%                280
Tax Liability                28,840

(ii) Computation of Tax Liability
Total Income                  5,00,000
Tax on `5,00,000 at slab rate  30,000
Add: Education cess @ 2%     600
Add: SHEC @ 1%                300
Tax Liability                30,900

Note: Rebate under section 87A is not allowed to non-resident.

(iii) Computation of Tax Liability
Total Income                  5,00,000
Tax on `5,00,000 at slab rate  25,000
Less: Rebate u/s 87A (25,000 or 2,000 whichever is less)  2,000
Tax before education cess     23,000
Add: Education cess @ 2%     560
Add: SHEC @ 1%                280
Tax Liability                23,000

Note: Rebate under section 87A is not allowed to non-resident.

(v) Computation of Tax Liability
Total Income                  5,00,000
Tax on `5,00,000 at slab rate  25,000
Less: Rebate u/s 87A (25,000 or 2,000 whichever is less)  2,000
Tax before education cess     23,000
Add: Education cess @ 2% 460
Add: SHEC @ 1% 230
Tax Liability 23,690

(vi) Computation of Tax Liability
Total Income 5,00,000
Tax on ₹5,00,000 at slab rate 25,000
Less: Rebate u/s 87A (25,000 or 2,000 whichever is less) 2,000
Tax before education cess 23,000
Add: Education cess @ 2% 460
Add: SHEC @ 1% 230
Tax Liability 23,690

Note: Rebate under section 87A is not allowed to non-resident.

(vii) Computation of Tax Liability
Total Income 5,00,000
Tax on ₹5,00,000 at slab rate 30,000
Add: Education cess @ 2% 600
Add: SHEC @ 1% 300
Tax Liability 30,900

(viii) Computation of Tax Liability
Total Income 5,00,000
Tax Liability Nil

Note: Rebate under section 87A is not allowed to non-resident.

(ix) Computation of Tax Liability
Total Income 5,00,000
Tax Liability Nil

(x) Computation of Tax Liability
Total Income 5,00,000
Tax Liability Nil

(xi) Computation of Tax Liability
Total Income 5,00,000
Tax on ₹5,00,000 at slab rate 30,000
Add: Education cess @ 2% 600
Add: SHEC @ 1% 300
Tax Liability 30,900

Note: Rebate under section 87A is not allowed to non-resident.

(xii) Computation of Tax Liability
Total Income 5,00,000
Tax on ₹5,00,000 at slab rate 30,000
Add: Education cess @ 2% 600
Add: SHEC @ 1% 300
Computation Of Total Income And Tax Liability

Tax Liability 30,900

**Note:** Rebate under section 87A is not allowed to non-resident.

**Illustration 2:**
Compute tax liability in the following cases for the assessment year 2014-15.

(i) Mr. X (resident) has total income of `5,05,000
(ii) Mr. X (non-resident) has total income of `5,20,000
(iii) Mrs. X (resident) has total income of `5,08,000
(iv) Mrs. X (non-resident) has total income of `12,00,000
(v) Mr. X (resident), aged 60 years has total income of `22,00,000
(vi) Mrs. X (resident), aged 60 years has total income of `105,00,000
(vii) Mr. X (non-resident), aged 60 years has total income of `70,00,000
(viii) Mrs. X (non-resident), aged 60 years has total income of `4,00,000
(ix) Mr. X (resident), aged 80 years has total income of `4,99,000
(x) Mrs. X (resident), aged 80 years has total income of `103,00,000
(xi) Mr. X (non-resident), aged 80 years has total income of `12,00,000
(xii) Mrs. X (non-resident), aged 80 years has total income of `9,00,000

**Solution:**

(i) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Total Income</th>
<th>5,05,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `5,05,000 at slab rate</td>
<td>31,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>620</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>310</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>31,930</td>
</tr>
</tbody>
</table>

(ii) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Total Income</th>
<th>5,20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `5,20,000 at slab rate</td>
<td>34,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>680</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>340</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>35,020</td>
</tr>
</tbody>
</table>

(iii) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Total Income</th>
<th>5,08,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `5,08,000 at slab rate</td>
<td>31,600</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>632</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>316</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>32,548</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>32,550</td>
</tr>
</tbody>
</table>

(iv) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Total Income</th>
<th>12,00,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `12,00,000 at slab rate</td>
<td>1,90,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>3,800</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>1,900</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>1,95,700</td>
</tr>
</tbody>
</table>

(v) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Total Income</th>
<th>22,00,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `22,00,000 at slab rate</td>
<td>31,930</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>620</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>310</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>32,860</td>
</tr>
</tbody>
</table>
Tax on `22,00,000 at slab rate 4,85,000
Add: Education cess @ 2% 9,700
Add: SHEC @ 1% 4,850
Tax Liability 4,99,550

(vi) Computation of Tax Liability
Total Income 105,00,000
Tax on `105,00,000 at slab rate 29,75,000
Add: Surcharge @ 10% 2,97,500
Tax before education cess 32,72,500
Add: Education cess @ 2% 65,450
Add: SHEC @ 1% 32,725
Tax Liability 33,70,675
Rounded off u/s 288B 33,70,680

(vii) Computation of Tax Liability
Total Income 70,00,000
Tax on `70,00,000 at slab rate 19,30,000
Add: Education cess @ 2% 38,600
Add: SHEC @ 1% 19,300
Tax Liability 19,87,900

Note: Rebate under section 87A is not allowed for non-resident.

(ix) Computation of Tax Liability
Total Income 4,99,000
Tax on `4,99,000 at slab rate Nil
Add: Education cess @ 2% Nil
Add: SHEC @ 1% Nil
Tax Liability Nil

(x) Computation of Tax Liability
Total Income 103,00,000
Tax on `103,00,000 at slab rate 28,90,000
Add: Surcharge @ 10% 2,89,000
Tax before education cess 31,79,000
Increase in income `3,00,000 over `100,00,000 and increase in tax in comparison to income of `100,00,000, `3,79,000 (31,79,000 – 28,90,000), but increase in tax cannot be more than increase in income hence marginal relief shall be `3,79,000 – `3,00,000 79,000
Tax after marginal relief 31,00,000
Add: Education cess @ 2% 62,000
Add: SHEC @ 1% 31,000
Tax Liability 31,93,000

(xi) Computation of Tax Liability
Total Income 12,00,000
Computation Of Total Income And Tax Liability

(iii) Mr. X (resident) has total income of `12,00,000
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(xii) Computation of Tax Liability
Total Income
Tax on `9,00,000 at slab rate
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

Illustration 3:
Compute tax liability in the following cases for the assessment year 2014-15.

(i) Mr. X (resident) has total income of `100,05,000
(ii) Mr. X (non-resident) has total income of `103,00,000
(iii) Mrs. X (resident) has total income of `104,00,000
(iv) Mrs. X (non-resident) has total income of `105,00,000
(v) Mr. X (resident), aged 60 years has total income of `106,00,000
(vi) Mrs. X (resident), aged 60 years has total income of `107,00,000
(vii) Mr. X (non-resident), aged 60 years has total income of `108,00,000
(viii) Mrs. X (non-resident), aged 60 years has total income of `104,50,000
(ix) Mr. X (resident), aged 80 years has total income of `104,25,000
(x) Mrs. X (resident), aged 80 years has total income of `104,10,000
(xi) Mr. X (non-resident), aged 80 years has total income of `104,22,380
(xii) Mrs. X (non-resident), aged 80 years has total income of `104,22,390

Solution:
(i) Computation of Tax Liability
Total Income
Tax on `100,05,000 at slab rate
Add: Surcharge @ 10%
Tax before education cess
Increase in income `5,000 over `100,00,000 and increase in tax in comparison to income of `100,00,000, `2,84,650 (31,14,650 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be `2,84,650 – `5,000
Tax after marginal relief
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(ii) Computation of Tax Liability
Total Income
Tax on `103,00,000 at slab rate
Add: Surcharge @ 10%
Tax before education cess
Increase in income `3,00,000 over `100,00,000 and increase in tax in comparison to income of `100,00,000, `3,82,000 (32,12,000 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be `3,82,000 – `3,00,000
Tax after marginal relief
Add: Education cess @ 2%
Add: SHEC @ 1%
(iii) Computation of Tax Liability
Total Income: \(104,00,000\)
Tax on \(104,00,000\) at slab rate: \(29,50,000\)
Add: Surcharge @ 10%: \(2,95,000\)
Tax before education cess: \(32,45,000\)
Increase in income \(4,00,000\) over \(100,00,000\) and increase in tax in comparison to income of \(100,00,000\), \(4,15,000\) \((32,45,000 – 28,30,000)\), but increase in tax cannot be more than increase in income hence marginal relief shall be \(4,15,000 – 4,00,000\): \(15,000\)
Tax after marginal relief: \(32,30,000\)
Add: Education cess @ 2%: \(64,600\)
Add: SHEC @ 1%: \(32,300\)
Tax Liability: \(33,26,900\)

(iv) Computation of Tax Liability
Total Income: \(105,00,000\)
Tax on \(105,00,000\) at slab rate: \(29,80,000\)
Add: Surcharge @ 10%: \(2,98,000\)
Tax before education cess: \(32,78,000\)
Add: Education cess @ 2%: \(65,560\)
Add: SHEC @ 1%: \(32,780\)
Tax Liability: \(33,76,340\)

(v) Computation of Tax Liability
Total Income: \(106,00,000\)
Tax on \(106,00,000\) at slab rate: \(30,05,000\)
Add: Surcharge @ 10%: \(3,00,500\)
Tax before education cess: \(33,05,500\)
Add: Education cess @ 2%: \(66,110\)
Add: SHEC @ 1%: \(33,055\)
Tax Liability: \(34,04,665\)
Rounded off u/s 288B: \(34,04,660\)

(vi) Computation of Tax Liability
Total Income: \(107,00,000\)
Tax on \(107,00,000\) at slab rate: \(30,35,000\)
Add: Surcharge @ 10%: \(3,03,500\)
Tax before education cess: \(33,38,500\)
Add: Education cess @ 2%: \(66,770\)
Add: SHEC @ 1%: \(33,385\)
Tax Liability: \(34,38,655\)
Rounded off u/s 288B: \(34,38,660\)

(vii) Computation of Tax Liability
Total Income: \(108,00,000\)
Tax on \(108,00,000\) at slab rate: \(30,70,000\)
Add: Surcharge @ 10%: \(3,07,000\)
Tax before education cess: \(33,77,000\)
Add: Education cess @ 2%: \(67,540\)
Add: SHEC @ 1%: \(33,770\)
Tax Liability: \(34,78,310\)
(viii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>104,50,000</td>
</tr>
<tr>
<td>Tax on `104,50,000 at slab rate</td>
<td>29,65,000</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,96,500</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>32,61,500</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>65,230</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>32,615</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>33,59,345</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>33,59,350</td>
</tr>
</tbody>
</table>

(ix) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>104,25,000.00</td>
</tr>
<tr>
<td>Tax on `104,25,000 at slab rate</td>
<td>29,27,500.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,92,750.00</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>32,20,250.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>64,405.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>32,202.50</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>33,16,857.50</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>33,16,860.00</td>
</tr>
</tbody>
</table>

(x) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>104,10,000</td>
</tr>
<tr>
<td>Tax on `104,10,000 at slab rate</td>
<td>29,23,000</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,92,300</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>32,15,300</td>
</tr>
<tr>
<td>Increase in income <code>4,10,000 over </code>100,00,000 and increase in tax in comparison to income of <code>100,00,000, </code>4,15,300 (32,15,300 – 28,00,000), but increase in tax cannot be more than increase in income hence marginal relief shall be <code>4,15,300 – </code>4,10,000</td>
<td>5,300</td>
</tr>
<tr>
<td>Tax after marginal relief</td>
<td>32,10,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>64,200</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>32,100</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>33,06,300</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>33,06,300</td>
</tr>
</tbody>
</table>

(xi) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>104,22,380.00</td>
</tr>
<tr>
<td>Tax on `104,22,380 at slab rate</td>
<td>29,56,714.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,95,671.40</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>32,52,385.40</td>
</tr>
<tr>
<td>Increase in income <code>4,22,380 over </code>100,00,000 and increase in tax in comparison to income of <code>100,00,000, </code>4,22,385.40 (32,52,385.4 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be <code>4,22,385.40 – </code>4,22,380</td>
<td>5.40</td>
</tr>
<tr>
<td>Tax after marginal relief</td>
<td>32,52,380.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>65,047.60</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>32,523.80</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>33,49,951.40</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>33,49,950.00</td>
</tr>
</tbody>
</table>

(xii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>104,22,390.00</td>
</tr>
<tr>
<td>Tax on `104,22,390 at slab rate</td>
<td>29,56,717.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,95,671.70</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>32,52,388.70</td>
</tr>
<tr>
<td>Increase in income <code>4,22,390 over </code>100,00,000 and increase in tax in comparison to income</td>
<td>5.70</td>
</tr>
<tr>
<td>Tax after marginal relief</td>
<td>32,52,380.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>65,047.60</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>32,523.80</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>33,49,951.40</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>33,49,950.00</td>
</tr>
</tbody>
</table>
of `100,00,000, `4,22,388.70 (32,52,388.70 – 28,30,000), but increase in tax cannot be more
than increase in income hence marginal relief shall be `4,22,388.70 – `4,22,390) Nil
Tax after marginal relief 32,52,388.70
Add: Education cess @ 2% 65,047.77
Add: SHEC @ 1% 32,523.88
Tax Liability 33,49,960.35
Rounded off u/s 288B 33,49,960.00

**Illustration 4(A):** Mr. X has income asunder:
- Income under the head salary 5,35,000
- Income under the head house property 2,45,000
- Income under the head business/profession 30,000
- Long term capital gains 1,10,000
- Short term capital gains 25,000
- Casual Income (winnings of lottery) 55,000

Deductions allowed under section 80C to 80U 25,000

Compute his tax liability for the assessment year 2014-15.

**Solution:**

**Computation of Total Income**
- Income under the head Salary 5,35,000
- Income under the head House Property 2,45,000
- Income under the head Business/Profession 30,000
- Income under the head Capital gains
  - Long term capital gains 1,10,000
  - Short term capital gains 25,000
- Income under the head Other Sources (Casual income) 55,000

**Gross Total Income** 10,00,000
**Less: Deductions u/s 80C to 80U** 25,000
**Total Income** 9,75,000

**Computation of Tax Liability**
- Tax on Long term capital gains `1,10,000 @ 20% u/s 112 22,000
- Tax on Casual Income `55,000 @ 30% u/s 115BB 16,500
- Tax on Normal income `8,10,000 at slab rate 92,000
- Tax before education cess 1,30,500
- Add: Education cess @ 2% 2,610
- Add: SHEC @ 1% 1,305
- Tax Liability 1,34,415
- Rounded off u/s 288B 1,34,420

**Illustration 4 (B):** Presume the assessee is Mrs. X.

**Solution:**

**Total Income** 9,75,000

**Computation of Tax Liability**
- Tax on Long term capital gains `1,10,000 @ 20% u/s 112 22,000
- Tax on Casual Income `55,000 @ 30% u/s 115BB 16,500
- Tax on Normal income `8,10,000 at slab rate 92,000
- Tax before education cess 1,30,500
- Add: Education cess @ 2% 2,610
Illustration 4 (C): Presume the assessee is Mr. X, aged 60 years.

Solution:

Total Income 9,75,000

Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on Long term capital gains</td>
<td>1,10,000 @ 20% u/s 112</td>
</tr>
<tr>
<td>Tax on Casual Income</td>
<td>55,000 @ 30% u/s 115BB</td>
</tr>
<tr>
<td>Tax on Normal income</td>
<td>8,10,000 at slab rate</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td></td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td></td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td></td>
</tr>
<tr>
<td>Tax Liability</td>
<td></td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td></td>
</tr>
</tbody>
</table>

Illustration 4 (D): Presume the assessee is Mr. X, aged 80 years.

Solution:

Total Income 9,75,000

Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on Long term capital gains</td>
<td>1,10,000 @ 20% u/s 112</td>
</tr>
<tr>
<td>Tax on Casual Income</td>
<td>55,000 @ 30% u/s 115BB</td>
</tr>
<tr>
<td>Tax on Normal income</td>
<td>8,10,000 at slab rate</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td></td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td></td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td></td>
</tr>
<tr>
<td>Tax Liability</td>
<td></td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td></td>
</tr>
</tbody>
</table>

Illustration 4 (E): Presume the assessee is Mrs. X (non-resident).

Solution:

Total Income 9,75,000

Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on Long term capital gains</td>
<td>1,10,000 @ 20% u/s 112</td>
</tr>
<tr>
<td>Tax on Casual Income</td>
<td>55,000 @ 30% u/s 115BB</td>
</tr>
<tr>
<td>Tax on Normal income</td>
<td>8,10,000 at slab rate</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td></td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td></td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td></td>
</tr>
<tr>
<td>Tax Liability</td>
<td></td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td></td>
</tr>
</tbody>
</table>

Illustration 4 (F): Presume the assessee is Mr. X (non-resident) aged 60 years.

Solution:

Total Income 9,75,000

Computation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on Long term capital gains</td>
<td>1,10,000 @ 20% u/s 112</td>
</tr>
<tr>
<td>Tax on Casual Income</td>
<td>55,000 @ 30% u/s 115BB</td>
</tr>
</tbody>
</table>
Computation Of Total Income And Tax Liability

Tax on Normal income `8,10,000 at slab rate 92,000
Tax before education cess 1,30,500
Add: Education cess @ 2% 2,610
Add: SHEC @ 1% 1,305
Tax Liability 1,34,415
Rounded off u/s 288B 1,34,420

Illustration 4 (G): Presume the assessee is Mr. X (non-resident) aged 80 years.

Solution:

Total Income 9,75,000

Computation of Tax Liability

Tax on Long term capital gains `1,10,000 @ 20% u/s 112 22,000
Tax on Casual Income `55,000 @ 30% u/s 115BB 16,500
Tax on Normal income `8,10,000 at slab rate 92,000
Tax before education cess 1,30,500
Add: Education cess @ 2% 2,610
Add: SHEC @ 1% 1,305
Tax Liability 1,34,415
Rounded off u/s 288B 1,34,420

Special provision in case of Resident Individual and resident Hindu Undivided Family

In case of a resident individual or resident Hindu Undivided Family if total income excluding long term capital gains and short term capital gain covered under section 111A and casual income is below the amount which is exempt from income tax (i.e. 2,00,000/2,50,000/5,00,000), in such cases deficiency in the exemption shall be allowed from long term capital gains or short term capital gain under section 111A as the case may be.

Example

Mr. X has long term capital gains of `1,40,000 and his income from house property is `70,000. In this case, his tax liability shall be Nil [(1,40,000 – 1,30,000) x 20%]

Tax on `1,00,000 @ 20% 2,000
Less: Rebate u/s 87A (`2,000 or `2,000 whichever is less) 2,000
Tax Liability Nil

Since in the given case normal income (house property) is less than `2,00,000, the deficiency of `1,30,000 has been deducted from long term capital gains and remaining amount of `10,000 has been taxed @ 20%.

The purpose is to give exemption of `2,00,000 / 2,50,000 / 5,00,000 to the persons who have normal income less than `2,00,000 / 2,50,000 / 5,00,000.

If the assessee is non-resident individual or non-resident Hindu Undivided Family, the above provisions shall not apply i.e. if the normal income is less than `2,00,000, deficiency shall not be allowed from long term capital gains or short term capital gain under section 111A.

Example

If in the above case the assessee is non-resident, his tax liability shall be 1,40,000 x 20% + (1,40,000 x 20%) x 3% = `28,840 i.e. deficiency has not been allowed from long term capital gain.

Example

Similarly, if Mr. X is resident individual has short term capital gains covered under section 111A amounting to `6,00,000, in this case, his tax liability shall be (6,00,000 – 2,00,000) x 15% + (4,00,000 x 15%) x 3% = `61,800.
If the assessee is non-resident individual or HUF, in that case, no such deficiency shall be allowed and accordingly tax liability shall be 6,00,000 x 15% + (6,00,000 x 15%) x 3% = `92,700.

**Illustration 5:** Compute tax liability for the assessment year 2014-15 in the following situations:

(i) Mr. X is resident in India and has income under the head house property `40,000 and income under the head salary `30,000 and long term capital gains `4,80,000.
(ii) Presume in the above situation the assessee is Mrs. X.
(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.
(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.
(v) Presume in the above situation the assessee is Mrs. X and she is aged about 85 years.
(vi) Presume in the above situation the assessee is Mr. X and he is aged about 85 years.
(vii) Presume in all the above situations, the assessee is non-resident in India.

**Solution:**

(i)

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>30,000</td>
</tr>
<tr>
<td>House Property</td>
<td>40,000</td>
</tr>
<tr>
<td>Capital Gains (LTCG)</td>
<td>4,80,000</td>
</tr>
<tr>
<td><strong>Gross Total Income</strong></td>
<td><strong>5,50,000</strong></td>
</tr>
</tbody>
</table>

Less: Deduction u/s 80C to 80U Nil

**Total Income** 5,50,000

**Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on LTCG `3,50,000 (4,80,000 – 1,30,000) @ 20% u/s 112</td>
<td>70,000</td>
</tr>
<tr>
<td>Tax on `70,000 at slab rate</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>70,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>1,400</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>700</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>72,100</td>
</tr>
</tbody>
</table>

(ii)

**Total Income** 5,50,000

**Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on LTCG `3,50,000 (4,80,000 – 1,30,000) @ 20% u/s 112</td>
<td>70,000</td>
</tr>
<tr>
<td>Tax on `70,000 at slab rate</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>70,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>1,400</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>700</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>72,100</td>
</tr>
</tbody>
</table>

(iii)

**Total Income** 5,50,000

**Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on LTCG `3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112</td>
<td>60,000</td>
</tr>
<tr>
<td>Tax on `70,000 at slab rate</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>60,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>1,200</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>600</td>
</tr>
</tbody>
</table>

(iv)

**Total Income** 5,50,000

**Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on LTCG `3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112</td>
<td>60,000</td>
</tr>
<tr>
<td>Tax on `70,000 at slab rate</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>60,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>1,200</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>600</td>
</tr>
</tbody>
</table>
Computation Of Total Income And Tax Liability

(iv)
Total Income                                               5,50,000

Computation of Tax Liability
Tax on LTCG `3,00,000 (4,80,000 – 1,80,000) @ 20% u/s 112   60,000
Tax on `70,000 at slab rate                                Nil
Tax before education cess                                 60,000
Add: Education cess @ 2%                                   1,200
Add: SHEC @ 1%                                             600
Tax Liability                                               61,800

(v)
Total Income                                               5,50,000

Computation of Tax Liability
Tax on LTCG `50,000 (4,80,000 – 4,30,000) @ 20% u/s 112    10,000
Tax on `70,000 at slab rate                                Nil
Tax before education cess                                 10,000
Add: Education cess @ 2%                                   200
Add: SHEC @ 1%                                             100
Tax Liability                                               10,300

(vi)
Total Income                                               5,50,000

Computation of Tax Liability
Tax on LTCG `50,000 (4,80,000 – 4,30,000) @ 20% u/s 112    10,000
Tax on `70,000 at slab rate                                Nil
Tax before education cess                                 10,000
Add: Education cess @ 2%                                   200
Add: SHEC @ 1%                                             100
Tax Liability                                               10,300

(vii)
In situation (i)
Total Income                                               5,50,000

Computation of Tax Liability
Tax on LTCG `4,80,000 @ 20% u/s 112                       96,000
Tax on `70,000 at slab rate                                Nil
Tax before education cess                                 96,000
Add: Education cess @ 2%                                   1,920
Add: SHEC @ 1%                                             960
Tax Liability                                               98,880

In situation (ii)
Total Income                                               5,50,000

Computation of Tax Liability
Tax on LTCG `4,80,000 @ 20% u/s 112                       96,000
Tax on `70,000 at slab rate                                Nil
Computation Of Total Income And Tax Liability

Tax before education cess 96,000
Add: Education cess @ 2% 1,920
Add: SHEC @ 1% 960
Tax Liability 98,880

In situation (iii)
Total Income 5,50,000

Computation of Tax Liability
Tax on LTCG `4,80,000 @ 20% u/s 112 96,000
Tax on `70,000 at slab rate Nil
Tax before education cess 96,000
Add: Education cess @ 2% 1,920
Add: SHEC @ 1% 960
Tax Liability 98,880

In situation (iv)
Total Income 5,50,000

Computation of Tax Liability
Tax on LTCG `4,80,000 @ 20% u/s 112 96,000
Tax on `70,000 at slab rate Nil
Tax before education cess 96,000
Add: Education cess @ 2% 1,920
Add: SHEC @ 1% 960
Tax Liability 98,880

In situation (v)
Total Income 5,50,000

Computation of Tax Liability
Tax on LTCG `4,80,000 @ 20% u/s 112 96,000
Tax on `70,000 at slab rate Nil
Tax before education cess 96,000
Add: Education cess @ 2% 1,920
Add: SHEC @ 1% 960
Tax Liability 98,880

In situation (vi)
Total Income 5,50,000

Computation of Tax Liability
Tax on LTCG `4,80,000 @ 20% u/s 112 96,000
Tax on `70,000 at slab rate Nil
Tax before education cess 96,000
Add: Education cess @ 2% 1,920
Add: SHEC @ 1% 960
Tax Liability 98,880
Deductions under section 80C to 80U shall not be allowed from Long Term Capital Gain, Short Term Capital Gains covered under Section 111A or Casual Income

Example
Mr. X has income under the head house property `25,000 and long term capital gains `2,20,000 and deductions allowed under section 80C to 80U are `2,62,000. In this case, tax liability shall be `2,060.

In the given case normal income is `25,000 hence deduction allowed under section 80C to 80U is `25,000 because deduction under section 80C to 80U cannot exceed the amount of the normal income. Accordingly normal income shall be nil and deficiency of `2,00,000 shall be allowed from the long term capital gains and remaining long term capital gains of `20,000 shall be taxed @ 20% less rebate u/s 87A plus education cess @ 2% plus SHEC @1% and tax liability shall be `2,060.

Illustration 6: Compute tax liability for the assessment year 2014-15 in the following situations:

(i) Mr. X is resident in India and his incomes are as follows:
   (a) Income under the head Salary `1,20,000
   (b) Income under the head House Property `60,000
   (c) Long term capital gains `2,20,000
   (d) Short term capital gain under section 111A `1,10,000
   (e) Casual Income `90,000
   (f) Deduction under section 80C to 80U `2,00,000.

(ii) Presume in the above situation the assessee is Mrs. X.

(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.

(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.

(v) Presume in the above situation the assessee is Mrs. X and she is aged about 83 years.

(vi) Presume in the above situation the assessee is Mr. X and he is aged about 83 years.

(vii) Presume in the above situation the assessee is Mr. X and he is aged about 70 years and he is non-resident.

(viii) Presume in the above situation the assessee is Mr. X and he is aged about 83 years old and he is non-resident.

Solution:

(i) Computation of Total Income

<table>
<thead>
<tr>
<th>Income under the head Salary</th>
<th>1,20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head House Property</td>
<td>60,000</td>
</tr>
<tr>
<td>Income under the head Capital Gains</td>
<td></td>
</tr>
<tr>
<td>Long term capital gains</td>
<td>2,20,000</td>
</tr>
<tr>
<td>Short term capital gains u/s 111A</td>
<td>1,10,000</td>
</tr>
<tr>
<td>Income under the head Other Sources (Casual Income)</td>
<td>90,000</td>
</tr>
<tr>
<td>Gross Total Income</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80C to 80U</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>4,20,000</td>
</tr>
</tbody>
</table>

Computation of Tax Liability

| Tax on LTCG `20,000 (2,20,000 – 2,00,000) @ 20% u/s 112 | 4,000 |
| Tax on STCG `1,10,000 @ 15% u/s 111A                   | 16,500 |
| Tax on Casual income `90,000 @ 30% u/s 115BB           | 27,000 |
| Tax on normal income at slab rate                      | Nil    |
| Less: Rebate u/s 87A (47,500 or 2,000 whichever is less) | 2,000 |
| Tax before education cess                             | 45,500 |
| Add: Education cess @ 2%                              | 910    |
| Add: SHEC @ 1%                                        | 455    |
Computation Of Total Income And Tax Liability

Tax Liability
Rounded off u/s 288B

(ii)
Total Income

Computation of Tax Liability
Tax on LTCG \(20,000 \times (2,20,000 – 2,00,000) @ 20\%\) u/s 112 4,000
Tax on STCG \(1,10,000 \times 15\%\) u/s 111A 16,500
Tax on Casual income \(90,000 \times 30\%\) u/s 115BB 27,000
Tax on normal income at slab rate Nil
Less: Rebate u/s 87A (47,500 or 2,000 whichever is less) 2,000
Tax before education cess 45,500
Add: Education cess @ 2% 910
Add: SHEC @ 1% 455
Tax Liability 46,865
Rounded off u/s 288B 46,870

(iii)
Total Income

Computation of Tax Liability
Tax on LTCG \(2,20,000 – 2,20,000\) @ 20\%\) u/s 112 Nil
Tax on STCG \(1,10,000 – 30,000\) @ 15\%\) u/s 111A 12,000
Tax on Casual Income \(90,000 \times 30\%\) u/s 115BB 27,000
Tax on normal income at slab rate Nil
Less: Rebate u/s 87A (39,000 or 2,000 whichever is less) 2,000
Tax before education cess 37,000
Add: Education cess @ 2% 740
Add: SHEC @ 1% 370
Tax Liability 38,110

(iv)
Total Income

Computation of Tax Liability
Tax on LTCG \(2,20,000 – 2,20,000\) @ 20\%\) u/s 112 Nil
Tax on STCG \(1,10,000 – 1,10,000\) @ 15\%\) u/s 111A Nil
Tax on Casual Income \(90,000 \times 30\%\) u/s 115BB 27,000
Tax on normal income at slab rate Nil
Less: Rebate u/s 87A (39,000 or 2,000 whichever is less) 2,000
Tax before education cess 37,000
Add: Education cess @ 2% 740
Add: SHEC @ 1% 370
Tax Liability 38,110

(v)
Total Income

Computation of Tax Liability
Tax on LTCG \(2,20,000 – 2,20,000\) @ 20\%\) u/s 112 Nil
Tax on STCG \(1,10,000 – 1,10,000\) @ 15\%\) u/s 111A Nil
Tax on Casual Income \(90,000 \times 30\%\) u/s 115BB 27,000
Computation Of Total Income And Tax Liability

Tax on normal income at slab rate
Less: Rebate u/s 87A (27,000 or 2,000 whichever is less)
Tax before education cess
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(vi)

Total Income

Computation of Tax Liability

Tax on LTCG (2,20,000 – 2,20,000) @ 20% u/s 112
Tax on STCG (1,10,000 – 1,10,000) @ 15% u/s 111A
Tax on Casual Income 90,000 @ 30% u/s 115BB
Tax on normal income at slab rate
Less: Rebate u/s 87A (27,000 or 2,000 whichever is less)
Tax before education cess
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(vii)

Total Income

Computation of Tax Liability

Tax on LTCG 2,20,000 @ 20% u/s 112
Tax on STCG 1,10,000 @ 15% u/s 111A
Tax on Casual income 90,000 @ 30% u/s 115BB
Tax on normal income at slab rate
Less: Rebate u/s 87A (27,000 or 2,000 whichever is less)
Tax before education cess
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability
Rounded off u/s 288B

Note: Rebate under section 87A is not allowed to non-resident.

(viii)

Total Income

Computation of Tax Liability

Tax on LTCG 2,20,000 @ 20% u/s 112
Tax on STCG 1,10,000 @ 15% u/s 111A
Tax on Casual income 90,000 @ 30% u/s 115BB
Tax on normal income at slab rate
Tax before education cess
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability
Rounded off u/s 288B

Note: Rebate under section 87A is not allowed to non-resident.
Question 4: Write a note on taxability of income of Partnership Firm/Limited Liability Partnership Firm and Domestic Company/Foreign Company.

Answer:

1. Partnership firm/LLP

Long term capital gains are taxable @ 20%, STCG u/s 111A shall be taxable @ 15% and casual income @ 30% and other incomes are also taxable @ 30%.

Surcharge shall be applicable @ 10% provided total income is exceeding `1 crore.

Marginal Relief

Provided that in the case of partnership firm/ LLP having total income exceeding one crore rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

Education cess is applicable @ 2% and SHEC is applicable @ 1%

2. Domestic Company

Long term capital gains are taxable @ 20%, STCG u/s 111A shall be taxable @ 15% and casual income @ 30% and other incomes are also taxable @ 30%.

Surcharge shall be applicable
- @ 5% provided total income is exceeding `100 lakhs but it is upto `1000 lakhs
- @ 10% provided total income is exceeding `1000 lakhs.

Provided that in the case of Domestic Company having total income exceeding one crore rupees/10 crores, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of one crore / 10 crores rupees by more than the amount of income that exceeds one crore rupees / 10 crores.

Education cess is applicable @ 2% and SHEC is applicable @ 1%

Example

Compute the tax liability of X Ltd., a domestic company, assuming that the total income of X Ltd. is `1,01,00,000 and the total income does not include any income in the nature of capital gains.

Answer

The tax payable on total income of `1,01,00,000 of X Ltd. computed@ 31.5% (including surcharge @ 5%) is `31,81,500. However, the tax cannot exceed the tax of `30,00,000 payable on total income of `1 crore by more than `1,00,000, being the amount of total income exceeding `1 crore. Therefore, the tax payable on `1,01,00,000 would be `31,00,000 ( `30,00,000 + `1,00,000). The marginal relief is `81,500 (i.e., `31,81,500 – `31,00,000).

Example

Compute the tax liability of X Ltd., a domestic company, assuming that the total income of X Ltd. is `10,01,00,000 and the total income does not include any income in the nature of capital gains.

Answer

The tax payable on total income of `10,01,00,000 of X Ltd. computed@ 33% (including surcharge @ 10%) is `3,30,33,000. However, the tax cannot exceed the tax of `3,15,00,000 (31.5% of `10 crore) payable on total income of `10 crore by more than `1,00,000, being the amount of total income exceeding `10 crore. Therefore, the tax payable on `10,01,00,000 would be `3,16,00,000 ( `3,15,00,000 + `1,00,000). The marginal relief is `14,33,000 (i.e., `3,30,33,000 – `3,16,00,000).
3. Foreign Company

Long term capital gains are taxable @ 20%, STCG u/s 111A shall be taxable @ 15% and casual income @ 30% and other incomes are taxable @ 40%.

Surcharge shall be applicable
- @ 2% provided total income is exceeding `100 lakhs but it is upto `1000 lakhs.
- @ 5% provided total income is exceeding `1000 lakhs

Provided that in the case of Foreign Company having total income exceeding one crore rupees/10 crores, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of one crore / 10 crores rupees by more than the amount of income that exceeds one crore rupees / 10 crores.

Education cess is applicable @ 2% and SHEC is applicable @ 1%

Illustration 7 (A): Compute tax liability of ABC Ltd. a domestic company in the following situations:

(i) The company has income under the head Business/Profession `50,000.
(ii) The company has income under the head Business/Profession `1,00,000.
(iii) The company has income under the head Business/Profession `500,00,000.
(iv) The company has income under the head Business/Profession `100,00,000.
(v) The company has long term capital gains of `50,000.
(vi) The company has long term capital gains of `200,00,000.
(vii) The company has long term capital gains of `5,00,000.
(viii) The company has long term capital gains of `10,20,000.
(ix) The company has income under the head Business/Profession `11 crore.

Solution:

(i) Computation of Tax Liability

Income under the head Business/Profession 50,000
Total Income 50,000
Tax on `50,000 @ 30% 15,000
Add: Education cess @ 2% 300
Add: SHEC @ 1% 150
Tax Liability 15,450

(ii) Computation of Tax Liability

Income under the head Business/Profession 1,00,000
Total Income 1,00,000
Tax on `1,00,000 @ 30% 30,000
Add: Education cess @ 2% 600
Add: SHEC @ 1% 300
Tax Liability 30,900

(iii) Computation of Tax Liability

Income under the head Business/Profession 500,00,000
Total Income 500,00,000
Tax on `500,00,000 @ 30% 150,00,000
Add: Surcharge @ 5% 7,50,000
Add: Education cess @ 2% 3,15,000
Add: SHEC @ 1% 1,57,500
Tax Liability 162,22,500
(iv) Computation of Tax Liability
Income under the head Business/Profession 100,00,000
Total Income 100,00,000
Tax on `100,00,000 @ 30% 30,00,000
Add: Education cess @ 2% 60,000
Add: SHEC @ 1% 30,000
Tax Liability 30,90,000

(v) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 50,000
Total Income 50,000
Tax on `50,000 @ 20% 10,000
Add: Education cess @ 2% 200
Add: SHEC @ 1% 100
Tax Liability 10,300

(vi) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 200,00,000
Total Income 200,00,000
Tax on `200,00,000 @ 20% 40,00,000
Add: Surcharge @ 5% 2,00,000
Add: Education cess @ 2% 84,000
Add: SHEC @ 1% 42,000
Tax Liability 43,26,000

(vii) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 5,00,000
Total Income 5,00,000
Tax on `5,00,000 @ 20% 1,00,000
Add: Education cess @ 2% 2,000
Add: SHEC @ 1% 1,000
Tax Liability 1,03,000

(viii) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 10,20,000
Total Income 10,20,000
Tax on `10,20,000 @ 20% 2,04,000
Add: Education cess @ 2% 4,080
Add: SHEC @ 1% 2,040
Tax Liability 2,10,120

(ix) Computation of Tax Liability
Income under the head Business/profession 11,00,00,000
Total Income 11,00,00,000
Tax on `11,00,00,000 @ 30% 330,00,000
Add: Surcharge @ 10% 33,00,000
Tax before education cess 363,00,000
Add: Education cess @ 2% 7,26,000
Add: SHEC @ 1% 3,63,000
Tax Liability 373,89,000
**Illustration 7(B):** Presume in all the above situations the assessee is a partnership firm.

**Solution:**

(i) **Computation of Tax Liability**

| Income under the head Business/Profession | 50,000 |
| Total Income                              | 50,000 |
| Tax on `50,000 @ 30%                      | 15,000 |
| Add: Education cess @ 2%                 | 300    |
| Add: SHEC @ 1%                            | 150    |
| Tax Liability                             | 15,450 |

(ii) **Computation of Tax Liability**

| Income under the head Business/Profession | 1,00,000 |
| Total Income                              | 1,00,000 |
| Tax on `1,00,000 @ 30%                    | 30,000  |
| Add: Education cess @ 2%                 | 600     |
| Add: SHEC @ 1%                            | 300     |
| Tax Liability                             | 30,900  |

(iii) **Computation of Tax Liability**

| Income under the head Business/Profession | 500,00,000 |
| Total Income                              | 500,00,000 |
| Tax on `500,00,000 @ 30%                  | 150,00,000 |
| Add: Surcharge @ 10%                      | 15,00,000  |
| Tax before education cess                  | 165,00,000 |
| Add: Education cess @ 2%                  | 3,30,000   |
| Add: SHEC @ 1%                            | 1,65,000   |
| Tax Liability                             | 169,95,000 |

(iv) **Computation of Tax Liability**

| Income under the head Business/Profession | 100,00,000 |
| Total Income                              | 100,00,000 |
| Tax on `100,00,000 @ 30%                  | 30,00,000  |
| Add: Education cess @ 2%                 | 60,000     |
| Add: SHEC @ 1%                            | 30,000     |
| Tax Liability                             | 30,90,000  |

(v) **Computation of Tax Liability**

| Income under the head Capital Gains (long term capital gains) | 50,000 |
| Total Income                                                 | 50,000 |
| Tax on `50,000 @ 20%                                         | 10,000 |
| Add: Education cess @ 2%                                     | 200    |
| Add: SHEC @ 1%                                               | 100    |
| Tax Liability                                                | 10,300 |

(vi) **Computation of Tax Liability**

| Income under the head Capital Gains (long term capital gains) | 200,00,000 |
| Total Income                                                 | 200,00,000 |
| Tax on `200,00,000 @ 20%                                     | 40,00,000  |
| Add: Surcharge @ 10%                                         | 4,00,000   |
| Tax before education cess                                     | 44,00,000  |
| Add: Education cess @ 2%                                     | 88,000    |
| Add: SHEC @ 1%                                               | 44,000    |
| Tax Liability                                                | 45,32,000  |
(vii) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Capital Gains (long term capital gains)</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Tax on `5,00,000 @ 20%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>2,000</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>1,000</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>1,03,000</td>
</tr>
</tbody>
</table>

(viii) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Capital Gains (long term capital gains)</td>
<td>10,20,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>10,20,000</td>
</tr>
<tr>
<td>Tax on `10,20,000 @ 20%</td>
<td>2,04,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>4,080</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>2,040</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>2,10,120</td>
</tr>
</tbody>
</table>

(ix) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Business/profession</td>
<td>11,00,00,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>11,00,00,000</td>
</tr>
<tr>
<td>Tax on `11,00,00,000 @ 30%</td>
<td>330,00,000</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>33,00,000</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>363,00,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>7,26,000</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>3,63,000</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>373,89,000</td>
</tr>
</tbody>
</table>

**Illustration 7(C):** Presume in all the above situations the assessee is a foreign company.

**Solution:**

(i) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Business/Profession</td>
<td>50,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>50,000</td>
</tr>
<tr>
<td>Tax on `50,000 @ 40%</td>
<td>20,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>400</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>200</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>20,600</td>
</tr>
</tbody>
</table>

(ii) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Business/Profession</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Tax on `1,00,000 @ 40%</td>
<td>40,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>800</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>400</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>41,200</td>
</tr>
</tbody>
</table>

(iii) **Computation of Tax Liability**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Business/Profession</td>
<td>500,00,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>500,00,000</td>
</tr>
<tr>
<td>Tax on `500,00,000 @ 40%</td>
<td>200,00,000</td>
</tr>
<tr>
<td>Add: Surcharge @ 2%</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>4,08,000</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>2,04,000</td>
</tr>
</tbody>
</table>
(iv) Computation of Tax Liability
Income under the head Business/Profession
Total Income
Tax on `100,00,000 @ 40%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(v) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains)
Total Income
Tax on `50,000 @ 20%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(vi) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains)
Total Income
Tax on `200,00,000 @ 20%
Add: Surcharge @ 2%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(vii) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains)
Total Income
Tax on `5,00,000 @ 20%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(viii) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains)
Total Income
Tax on `10,20,000 @ 20%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(ix) Computation of Tax Liability
Income under the head Business/profession
Total Income
Tax on `11,00,00,000 @ 40%
Add: Surcharge @ 5%
Tax before education cess
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

Tax Liability: 210,12,000
Illustration 8: Surender Nath (HUF) has incomes as given below:

1. Income under the head Business/Profession ₹5,00,000
2. Income under the head House Property ₹3,00,000
3. Long term capital gains ₹4,00,000
4. Short term capital gains under section 111A ₹3,00,000
5. Casual Income ₹2,00,000
6. Deductions allowed under section 80C to 80U ₹35,000

Compute tax liability of HUF for the assessment year 2014-15.

Solution:

Computation of Total Income

| Income under the head Business/Profession | 5,00,000.00 |
| Income under the head House Property | 3,00,000.00 |
| Income under the head Capital Gains | |
| Long term capital gains | 4,00,000 |
| Short term capital gains u/s 111A | 3,00,000 | 7,00,000.00 |
| Income under the head Other Sources (Casual Income) | 2,00,000.00 |
| Gross Total Income | 17,00,000.00 |
| Less: Deduction u/s 80C to 80U | 35,000.00 |
| Total Income | 16,65,000.00 |

Computation of Tax Liability

| Tax on LTCG `4,00,000 @ 20% u/s 112 | 80,000.00 |
| Tax on STCG `3,00,000 @ 15% u/s 111A | 45,000.00 |
| Tax on Casual income `2,00,000 @ 30% u/s 115BB | 60,000.00 |
| Tax on `7,65,000 at slab rate | 83,000.00 |
| Tax before education cess | 2,68,000.00 |
| Add: Education cess @ 2% | 5,360.00 |
| Add: SHEC @ 1% | 2,680.00 |
| Tax Liability | 2,76,040.00 |

Local authority

| On the whole of the total income | 30% |

Surcharge shall be applicable @ 10% provided total income is exceeding 1 crore. Marginal relief shall also be allowed.

Co-operative Society

| (i) Where the total income does not exceed `10,000 | 10% of the total income |
| (ii) Where the total income exceeds `10,000 but does not exceed `20,000 | `1,000 plus 20% of the amount by which the total income exceeds `10,000 |
| (iii) Where the total income exceeds `20,000 | `3,000 plus 30% of the amount by which the total income exceeds `20,000 |

Surcharge shall be applicable @ 10% provided total income is exceeding 1 crore. Marginal relief shall also be allowed.

Meaning of Person Section 2(31)

“Person” includes—

(i) an individual,
(ii) a Hindu undivided family,
(iii) a company,
(iv) a firm,
(v) an association of persons or a body of individuals, whether incorporated or not,
(vi) a local authority, and
(vii) every artificial juridical person, not falling within any of the preceding sub-clauses.

Explanation.—For the purposes of this clause, an association of persons or a body of individuals or a local authority or an artificial juridical person shall be deemed to be a person, whether or not such person or body or authority or juridical person was formed or established or incorporated with the object of deriving income, profits or gains.

Question [V. Imp.]: Discuss Partial Integration of Agricultural Income?

Or

Discuss Indirect Taxing of Agricultural Income?

Or

Under the Constitution, the power to levy a tax on agricultural income vests in the States. However, Parliament has also levied a tax on such income. Explain how this has been achieved?

Answer:

**Agricultural Income Section 10(1)**

Under section 10(1), any agricultural income in India is fully exempt from income tax but if the agricultural income is from outside India, it is chargeable to tax.

**Indirect taxing of agricultural income or partial integration of agricultural income (Under the constitution, the power to levy a tax on agricultural income vests in the States. However, parliament has also levied a tax on such income. Explain how this has been achieved?)**

If any person has agricultural income as well as non-agricultural income, his tax liability shall be computed in the manner given below:

1. Compute tax on the total of agricultural income and non-agricultural income considering it to be total income of the assessee.
2. Compute tax on exemption limit (\(2,00,000 / 2,50,000 / 5,00,000\)) and agricultural income considering it to be total income.
3. Deduct tax computed under Step 2 from Step 1 and apply education cess.
4. Long term capital gain, casual income and short term capital gain u/s 111A shall not be taken into consideration for the purpose of partial integration.
5. If Agricultural income is upto \(5,00,000\), or non-agricultural income is upto the limit not chargeable to tax (\(2,00,000 / 2,50,000 / 5,00,000\)), partial integration is not applicable.
6. Partial integration is not applicable in case of a partnership firm or a company.

**Illustration 9: (a)** Mr. X, aged 68 years, has income under the head House Property \(3,25,000\), agricultural income of \(1,00,000\), Long term capital gain amounting to \(45,000\) and casual income \(35,000\). He is eligible for deduction under section 80C \(20,000\).

Compute tax liability of Mr. X for assessment year 2014-15.
Solution:

**Computation of Total Income**

| Income under the head House Property | 3,25,000 |
| Income under the head Capital Gains (Long term capital gain) | 45,000 |
| Income under the head Other Sources (Casual Income) | 35,000 |
| Gross Total Income | 4,05,000 |
| Less: Deduction u/s 80C | 20,000 |
| Total Income | 3,85,000 |
| Agricultural Income | 1,00,000 |

**Computation of Tax Liability**

Step 1. Tax on (agricultural + non-agricultural income)
i.e. Tax on 4,05,000/- at slab rates | 15,500 |
Step 2. Tax on (`2,50,000 + agricultural income) at slab rates | 10,000 |
Step 3. Deduct Tax at Step 2 from Tax at Step 1 | 5,500 |
Tax on long term capital gain `45,000 @ 20% u/s 112 | 9,000 |
Tax on casual income `35,000 @ 30% u/s 115BB | 10,500 |
Less: Rebate u/s 87A (25,000 or 2,000) whichever is less | 2,000 |
Tax before education cess | 23,000 |
Add: Education cess @ 2% | 460 |
Add: SHEC @ 1% | 230 |
Tax Liability | 23,690 |

(b) Presume in the above question, Mr. X is Non Resident.

Solution:

**Computation of Total Income**

| Income under the head House Property | 3,25,000 |
| Income under the head Capital Gains (LTCG) | 45,000 |
| Income under the head Other Sources (Casual Income) | 35,000 |
| Gross Total Income | 4,05,000 |
| Less: Deduction u/s 80C | 20,000 |
| Total Income | 3,85,000 |
| Agricultural Income | 1,00,000 |

**Computation of Tax Liability**

Step 1. Tax on (agricultural + non-agricultural income)
i.e. Tax on 4,05,000/- at slab rates | 20,500 |
Step 2. Tax on (`2,00,000 + agricultural income) at slab rates | 10,000 |
Step 3. Deduct Tax at Step 2 from Tax at Step 1 | 10,500 |
Tax on long term capital gain `45,000 @ 20% u/s 112 | 9,000 |
Tax on casual income `35,000 @ 30% u/s 115BB | 10,500 |
Tax before education cess | 30,000 |
Add: Education cess @ 2% | 600 |
Add: SHEC @ 1% | 300 |
Tax Liability | 30,900 |

Note: Rebate under section 87A is not allowed to non-resident.

(c) Presume in the above question, Mr. X is resident and do not have any income from house property.

Solution:

There will be no partial integration.
**Computation of Total Income**

Income under the head Capital Gains (LTCG) 45,000
Income under the head Other Sources (casual income) 35,000
Gross Total Income 80,000
Less: Deduction u/s 80C to 80U NIL
Total Income 80,000
Agricultural Income 1,00,000

**Computation of Tax Liability**

Tax on long term capital gain (45,000 - 45,000) NIL
Tax on casual income 35,000 @ 30% u/s 115BB 10,500
Less: Rebate u/s 87A (10,500 or 2,000) whichever is less 2,000
Tax before education cess 8,500
Add: Education cess @ 2% 170
Add: SHEC @ 1% 85
Tax Liability 8,755
Rounded off u/s 288B 8,760

**Illustration 10:** Mrs. X has income asunder –

Income under the head Salary 1,55,000
Income under the head Capital Gains
   Long term capital gain 27,000
   Short term capital gain 59,000
Income under the head Other Sources (lottery) 7,000
Agricultural income 1,05,000
Deduction allowed under section 80C to 80U 7,000

Compute her tax liability for the assessment year 2014-15 in two situations –
(i) She is resident
(ii) She is non-resident.

**Solution:**

(i) She is resident

**Computation of Total Income**

Income under the head Salary 1,55,000
Income under the head Capital Gains
   Long term capital gain 27,000
   Short term capital gain 59,000
Income under the head Other Sources (lottery) 7,000
Gross Total Income 2,48,000
Less: Deduction u/s 80C to 80U 7,000
Total Income 2,41,000
Agricultural income 1,05,000

**Computation of Tax Liability**

Step 1. Tax on (agricultural + non agricultural income) i.e. Tax on ` 3,12,000/- at slab rates 11,200
Step 2. Tax on (`2,00,000 + agricultural income) at slab rates 10,500
Step 3. Deduct Tax at Step 2 from tax at Step 1 700
Tax on long term capital gain `27,000 @ 20% u/s 112 5,400
Tax on casual income `7,000 @ 30% u/s 115BB 2,100
Less: Rebate u/s 87A (8,200 or 2,000) whichever is less 2,000
(ii) She is non-resident

Computation of Total Income

Income under the head Salary 1,55,000
Income under the head Capital Gains
  Long term capital gain 27,000
  Short term capital gain 59,000
Income under the head Other Sources (Casual Income) 7,000
Gross Total Income 2,48,000
Less: Deduction u/s 80C to 80U 7,000
Total Income 2,41,000
Agricultural income 1,05,000

Computation of Tax Liability

Step 1. Tax on (agricultural + non agricultural income)
i.e. Tax on `3,12,000/- at slab rates 11,200
Step 2. Tax on (`2,00,000 + agricultural income) at slab rates 10,500
Step 3. Deduct Tax at Step 2 from tax at Step 1 700
Tax on long term capital gain `27,000 @ 20% u/s 112 5,400
Tax on casual income `7,000 @ 30% u/s 115BB 2,100
Tax before education cess 8,200
Add: Education cess @ 2% 164
Add: SHEC @ 1% 82
Tax Liability 8,446
Rounded off u/s 288B 8,450

Note: Rebate under section 87A is not allowed to non-resident.

Illustration 11: Mr. X has agricultural income of `4,900 and non-agricultural income of `2,15,000.
Compute his tax liability for the assessment year 2014-15.

Solution:

  `  
Agricultural Income 4,900
Non Agricultural income 2,15,000

In this case, Agricultural income is upto `5000/-, thereby, partial integration shall not be applicable.

Computation of Tax Liability

Tax on `2,15,000 at slab rate 1,500
Less: Rebate u/s 87A (1,500 or 2,000) whichever is less 1,500
Tax Liability Nil

Illustration 12: Mr. X has agricultural income of `5,00,000 and non-agricultural income of `2,00,000.

Compute his tax liability for the assessment year 2014-15.

Solution:

  `  
His tax liability shall be nil, since his non-agricultural income is `2,00,000 and partial integration is not
applicable.

**Illustration 13:** Mr. X (aged 70 years) has agricultural income of `3,80,000 and non-agricultural income of `2,40,000.

Compute his tax liability for the assessment year 2014-15.

**Solution:**
His tax liability shall be nil, since his non-agricultural income is `2,40,000 and partial integration is not applicable.

**Illustration 14: (a)** Mrs. X has agricultural income of `1,00,000, income under the head salary amounting to `2,55,000, long term capital gain of `10,00,000 and casual income of `1,00,000 (winnings of a game show on TV).

Compute her tax liability for the assessment year 2014-15. Her date of birth is 02.04.1953.

**Solution:**

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>2,55,000.00</td>
</tr>
<tr>
<td>Capital Gains (LTCG)</td>
<td>10,00,000.00</td>
</tr>
<tr>
<td>Other Sources (Casual Income)</td>
<td>1,00,000.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>13,55,000.00</td>
</tr>
<tr>
<td>Agricultural Income</td>
<td>1,00,000.00</td>
</tr>
</tbody>
</table>

**Computation of Tax Liability**

1. **Step 1.** Tax on (agricultural + non agricultural income) at slab rates
   - i.e. Tax on `3,55,000/- at slab rates: 10,500.00
   - Tax on `2,55,000 + agricultural income) at slab rates: 10,000.00
   - Tax on long term capital gain of `10,00,000 @ 20% u/s 112: 2,00,000.00
   - Tax on casual income `1,00,000 @ 30% u/s 115BB: 30,000.00
   - Tax before education cess: 2,30,500.00
   - Add: Education cess @ 2%: 4,610.00
   - Add: SHEC @ 1%: 2,305.00
   - Tax Liability: 2,37,415.00

2. Rounded off u/s 288B: 2,37,420.00

**Note:** 1. Casual income shall include all the activities as per section 2(24)(ix).

(b) Presume in the above question, her date of birth is 01.04.1954.

**Solution:**

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>2,55,000</td>
</tr>
<tr>
<td>Capital Gains (LTCG)</td>
<td>10,00,000.00</td>
</tr>
<tr>
<td>Other Sources (Casual Income)</td>
<td>1,00,000.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>13,55,000.00</td>
</tr>
<tr>
<td>Agricultural Income</td>
<td>1,00,000.00</td>
</tr>
</tbody>
</table>
Computation of Tax Liability

Step 1. Tax on (agricultural + non agricultural income)
i.e. Tax on \( \text{3,55,000/- at slab rates} \) 15,500

Step 2. Tax on \( \text{2,00,000 + agricultural income} \) at slab rates 10,000

Step 3. Deduct Tax at Step 2 from Tax at Step 1 5,500

Tax on long term capital gain \( \text{10,00,000 @ 20% u/s 112} \) 2,00,000

Tax on casual income \( \text{1,00,000 @ 30% u/s 115BB} \) 30,000

Tax before education cess 2,35,500

Add: Education cess @ 2% 4,710

Add: SHEC @ 1% 2,355

Tax Liability 2,42,565

Rounded off u/s 288B 2,42,570

Taxability of Dividends

Dividend income from the domestic company shall be exempt from tax in the hands of the shareholder as per section 10(34). (However dividends from a foreign company shall continue to be taxed in the hands of the shareholder.)

As per section 115O, 115P, 115Q, the domestic company has to pay additional income tax @ 15% + surcharge @ 10% + education cess @ 2% + SHEC @ 1% and such additional income tax has to be paid maximum within 14 days from the date of declaration or distribution of dividend whichever is earlier.

Example

ABC Ltd. is a domestic company and has total income `80,00,000. It has declared the dividends of `10,00,000 and one of the shareholders Mr. Mohit Bhatia gets dividends of `25,000. In this case, tax liability of the company and Mr. Mohit Bhatia shall be:

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>80,00,000.00</td>
</tr>
<tr>
<td>Income tax @ 30%</td>
<td>24,00,000.00</td>
</tr>
<tr>
<td>Add: EC @ 3%</td>
<td>72,000.00</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>24,72,000.00</td>
</tr>
<tr>
<td>Amount of Dividend</td>
<td>10,00,000.00</td>
</tr>
<tr>
<td>Additional Income Tax @ 15%</td>
<td>1,50,000.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>15,000.00</td>
</tr>
<tr>
<td>Add: EC @ 3%</td>
<td>4,950.00</td>
</tr>
<tr>
<td>Additional Income Tax</td>
<td>1,69,950.00</td>
</tr>
<tr>
<td>Tax liability of Mr. Mohit Bhatia</td>
<td>nil</td>
</tr>
</tbody>
</table>

The company has to pay surcharge on additional income tax in every case even if total income is less than `100,00,000

Meaning of domestic company

As per section 2(22A), Domestic Company means an Indian company, or any other company which, has made the prescribed arrangements for the declaration and payment, within India, of the Dividend income.

Meaning of prescribed arrangements for declaration and payment of dividends within India

Rule 27

A company shall be considered to have made prescribed arrangements if it has complied with the following conditions:

1) The share-register of the company for the shareholders shall be regularly maintained at its principal place of business within India in respect of any assessment year from a date not later than 1st April of such year.
2) The AGM for passing the accounts and for declaring the dividends shall be held only at a place within India.
3) The dividends declared, shall be payable only within India to all shareholders.
**Illustration 15(A):** ABC Ltd., a domestic company has current profits of `150 lakhs and the company has distributed dividends of `55 lakhs. Mr. X, one of the shareholder has received dividend of `7,00,000.
Compute income tax liability of the company and that of shareholder.
Calculate additional income tax payable by the company also.

**Solution:**

Tax liability and additional tax liability of the company shall be as given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>150,00,000.00</td>
</tr>
<tr>
<td>Income tax on `150,00,000 @ 30%</td>
<td>45,00,000.00</td>
</tr>
<tr>
<td>Surcharge @ 5%</td>
<td>2,25,000.00</td>
</tr>
<tr>
<td>Education cess @ 2%</td>
<td>47,250.00</td>
</tr>
<tr>
<td>SHEC @ 1%</td>
<td>94,500.00</td>
</tr>
<tr>
<td>Income tax liability</td>
<td>48,66,750.00</td>
</tr>
<tr>
<td>Dividend</td>
<td>55,00,000.00</td>
</tr>
<tr>
<td>Additional income tax @ 15% of `55 lakhs</td>
<td>8,25,000.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>82,500.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>18,150.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>9,34,725.00</td>
</tr>
<tr>
<td>Additional income tax</td>
<td>9,34,730.00</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td></td>
</tr>
</tbody>
</table>

Tax liability of the shareholder shall be nil.

**Illustration 15(B):** Presume in the above case the company is the foreign company.

**Solution:**

Tax liability and additional tax liability of the company shall be as given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>150,00,000.00</td>
</tr>
<tr>
<td>Income tax on `150,00,000 @ 40%</td>
<td>60,00,000.00</td>
</tr>
<tr>
<td>Surcharge @ 2%</td>
<td>1,20,000.00</td>
</tr>
<tr>
<td>Education cess @ 2%</td>
<td>1,22,400.00</td>
</tr>
<tr>
<td>SHEC @ 1%</td>
<td>61,200.00</td>
</tr>
<tr>
<td>Income tax liability</td>
<td>63,03,600.00</td>
</tr>
</tbody>
</table>

Additional income tax of the foreign company shall be nil.

**Tax liability of the shareholder shall be as given below:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend from foreign company</td>
<td>7,00,000.00</td>
</tr>
<tr>
<td>Tax on `7,00,000 at slab rate</td>
<td>70,000.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>1,400.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>700.00</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>72,100.00</td>
</tr>
</tbody>
</table>

**Interest or dividend income from UTI or Mutual funds**  
**Section 10(35)**

If any person has received any interest or dividend from the UTI or Mutual Fund notified under section 10(23D), such income is exempt from income tax.

If UTI or Mutual Funds have distributed any interest or dividend, as per section 115R, 115S, 115T UTI or Mutual Funds, have to pay additional income tax (Corporate dividend tax) at the rate of 25% plus surcharge @ 10% plus education cess @ 2% plus SHEC @ 1%, if the amount is distributed to individual or Hindu Undivided Family.

If amount is distributed to any other person, rate shall be 30% plus surcharge @ 10% plus education cess @ 2% plus SHEC @ 1%.
PRACTICE PROBLEMS
TOTAL PROBLEMS 15

Problem 1.
Compute tax liability in the following cases for the assessment year 2014-15.

(i) Mr. X (resident) has total income of `4,70,000
(ii) Mr. X (non-resident) has total income of `4,70,000
(iii) Mrs. X (resident) has total income of `4,70,000
(iv) Mrs. X (non-resident) has total income of `4,70,000
(v) Mr. X (resident), aged 60 years has total income of `4,70,000
(vi) Mrs. X (resident), aged 60 years has total income of `4,70,000
(vii) Mr. X (non-resident), aged 60 years has total income of `4,70,000
(viii) Mrs. X (non-resident), aged 60 years has total income of `4,70,000
(ix) Mr. X (resident), aged 80 years has total income of `4,70,000
(x) Mrs. X (resident), aged 80 years has total income of `4,70,000
(xi) Mr. X (non-resident), aged 80 years has total income of `4,70,000
(xii) Mrs. X (non-resident), aged 80 years has total income of `4,70,000

Answer = (i) Tax Liability: `25,750; (ii) `27,810; (iii) `25,750; (iv) `27,810; (v) `20,600; (vi) `20,600; (vii) `27,810; (viii) `27,810; (ix) Nil; (x) Nil; (xi) `27,810; (xii) `27,810

Problem 2.
Compute tax liability in the following cases for the assessment year 2014-15.

(i) Mr. X (resident) has total income of `100,05,000
(ii) Mr. X (non-resident) has total income of `102,00,000
(iii) Mrs. X (resident) has total income of `90,00,000
(iv) Mrs. X (non-resident) has total income of `4,98,000
(v) Mr. X (resident), aged 60 years has total income of `4,05,000
(vi) Mrs. X (resident), aged 60 years has total income of `102,05,000
(vii) Mr. X (non-resident), aged 60 years has total income of `25,00,000
(viii) Mrs. X (non-resident), aged 60 years has total income of `4,50,000
(ix) Mr. X (resident), aged 80 years has total income of `3,80,000
(x) Mrs. X (resident), aged 80 years has total income of `110,00,000
(xi) Mr. X (non-resident), aged 80 years has total income of `99,99,000
(xii) Mrs. X (non-resident), aged 80 years has total income of `12,00,000

Answer = (i) Tax Liability: `29,20,050; (ii) `31,20,900; (iii) `26,05,900; (iv) `30,690; (v) `13,910; (vi) `31,20,900; (vii) `5,97,400; (viii) `25,750; (ix) Nil; (x) `35,12,300; (xi) `29,14,590; (xii) `1,95,700

Problem 3.
Mr. X has income asunder:

- Income under the head salary 2,40,000
- Income under the head house property 1,55,000
- Income under the head business/profession 3,30,000
- Long term capital gains 1,20,000
- Short term capital gains 35,000
- Casual income (winnings of lottery) 65,000

Deductions allowed under section 80C to 80U 45,000

Compute his tax liability for the assessment year 2014-15.
Answer = Tax Liability: `1,20,000

(b) Presume the assessee is Mrs. X.

Answer = Tax Liability: `1,20,000

(c) Presume the assessee is Mr. X, aged 65 years.

Answer = Tax Liability: `1,14,850

(d) Presume the assessee is Mrs. X (non-resident).

Answer = Tax Liability: `1,20,000

(e) Presume the assessee is Mr. X (non-resident) aged 65 years.

Answer = Tax Liability: `1,20,000

(f) Presume the assessee is Mr. X, aged 85 years.

Answer = Tax Liability: `89,100

(g) Presume the assessee is Mr. X (non-resident) aged 85 years.

Problem 4.
Compute tax liability for the assessment year 2014-15 in the following situations:

(i) Mr. X is resident in India and has income under the head house property `50,000 and income under the head salary `30,000 and long term capital gains `8,00,000.

(ii) Presume in the above situation the assessee is Mrs. X.

(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.

(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.

(v) Presume in the above situation the assessee is Mrs. X and she is aged about 87 years.

(vi) Presume in the above situation the assessee is Mr. X and he is aged about 87 years.

(vii) Presume in all the above situations, the assessee is non-resident in India.

Answer = (i) `1,40,080; (ii) `1,40,080; (iii) `1,29,780; (iv) `1,29,780; (v) `78,280; (vi) `78,280; (vii) Situation (i): `1,64,800; Situation (ii): `1,64,800; Situation (iii): `1,64,800; Situation (iv): `1,64,800; (v) `1,64,800; Situation (vi): `1,64,800

Problem 5.
Compute tax liability for the assessment year 2014-15 in the following situations:

(i) Mr. X is resident in India and his incomes are as follows:
(a) Income under the head Salary `90,000  
(b) Income under the head House Property `60,000  
(c) Long term capital gains `2,30,000  
(d) Short term capital gain under section 111A `2,40,000  
(e) Casual Income `70,000  
(f) Deduction under section 80C to 80U `2,00,000  

(ii) Presume in the above situation the assessee is Mrs. X.  
(iii) Presume in the above situation the assessee is Mrs. X and she is aged about 70 years.  
(iv) Presume in the above situation the assessee is Mr. X and he is aged about 70 years.  
(v) Presume in the above situation the assessee is Mr. X and he is aged about 70 years old and he is non-resident.  
(vi) Presume in the above situation the assessee is Mrs. X and she is aged about 82 years.  
(vii) Presume in the above situation the assessee is Mr. X and he is aged about 82 years.  
(viii) Presume in the above situation the assessee is Mr. X and he is aged about 82 years old and he is non-resident.  

Answer = (i) `64,890; (ii) `64,890; (iii) `55,620; (iv) `55,620; (v) `1,06,090; (vi) `21,630; (vii) `21,630; (viii) `1,06,090  

Problem 6.  
Compute tax liability of ABC Ltd. a domestic company in the following situations for assessment year 2014-15:  

(i) The company has income under the head Business/Profession `70,000.  
(ii) The company has income under the head Business/Profession `150,00,000.  
(iii) The company has income under the head Business/Profession `6,00,000.  
(iv) The company has income under the head Business/Profession `10,30,000.  
(v) The company has long term capital gains of `700,00,000.  
(vi) The company has long term capital gains of `1,50,000.  
(vii) The company has long term capital gains of `6,00,000.  
(viii) The company has long term capital gains of `10,30,000.  
(ix) The company has casual income `400,00,000.  

Answer = (i) Tax Liability: `21,630; (ii) `48,66,750; (iii) `1,85,400; (iv) `3,18,270; (v) `151,41,000; (vi) `30,900; (vii) `1,23,600; (viii) `2,12,180; (ix) `129,78,000  

(b) Presume all the above situations the company is a foreign company.
Answer = (i) Tax Liability: ₹28,840; (ii) ₹63,03,600; (iii) ₹2,47,200; (iv) ₹4,24,360; (v) ₹147,08,400; (vi) ₹30,900; (vii) ₹1,23,600; (viii) ₹2,12,180; (ix) ₹126,07,200

Problem 7.
Gagan Das (HUF) has incomes as given below:

1. Income under the head Business/Profession ₹6,00,000
2. Income under the head House Property ₹4,00,000
3. Long term capital gains ₹4,50,000
4. Short term capital gains under section 111A ₹3,50,000
5. Casual Income ₹3,50,000
6. Deductions allowed under section 80C to 80U ₹1,25,000

Compute tax liability of HUF for the assessment year 2014-15.

Answer = Tax Liability: ₹3,63,080

Problem 8.
Compute tax liability in the following situations:

(i) Mrs. X has income under the head House Property ₹8,42,324.
(ii) Mr. X has income under the head Business Profession ₹14,42,336.
(iii) Mr. X aged 66 years has long term capital gains ₹11,35,335.
(iv) Mr. X has long term capital gains of ₹13,35,334.90.
(v) Mrs. X has short term capital gains under section 111A ₹10,20,335.
(vi) Mrs. X, non-resident, has long term capital gains ₹5,40,337.
(vii) Mr. X, non-resident, aged about 66 years has winning of a lottery ₹7,20,000.
(viii) Mr. X aged 86 years has long term capital gains ₹15,65,385.
(ix) Mr. X, non-resident, aged about 90 years has winning of a lottery ₹10,20,000.

Answer = (i) ₹1,01,420; (ii) ₹2,70,580; (iii) ₹1,82,380; (iv) ₹2,33,880; (v) ₹1,26,740; (vi) ₹1,11,310; (vii) ₹2,22,480; (viii) ₹2,19,470; (ix) ₹3,15,180

Problem 9.
Mr. X has income under the head salary ₹3,00,000 and income under the head house property ₹16,00,000 and long term capital gain ₹1,00,000 and agricultural income ₹4,00,000. Deductions allowed under section 80C to 80U ₹60,000.

Compute his income and tax liability for Assessment Year 2014-15.

Answer = Total Income: ₹19,40,000; Tax Liability: ₹4,86,160

(b) Presume assessee is Mrs. X and is aged 64 years.

Answer = Total Income: ₹19,40,000; Tax Liability: ₹4,75,860

Problem 10.
Mr. X has income under the head house property ₹3,00,000 and long term capital gain ₹5,00,000 and agricultural income ₹3,00,000. Deductions under section 80C to 80U ₹1,00,000.
Compute his income and tax liability for Assessment Year 2014-15.

**Answer** = Total Income: `7,00,000; Tax Liability: `1,03,000

(b) Presume Mr. X is aged 82 years

**Answer** = Total Income: `7,00,000; Tax Liability: `41,200

**Problem 11.**
Mrs. X has casual income `5,00,000 and short term capital gain under section 111A `7,00,000 and agricultural income `3,00,000.

Compute her tax liability for Assessment Year 2014-15.

**Answer** = Tax Liability: `2,31,750

(b) Presume she is non-resident and is aged 63 years.

**Answer** = Tax Liability: `2,62,650

**Problem 12.**
Mr. X has agricultural income `10,00,000 and income from business `12,00,000 and casual income `5,00,000 and he has completed the age of 80 years on 31.03.2014. Compute his tax liability Assessment Year 2014-15.

**Answer** = Tax Liability: `3,70,800

(b) Presume he has completed 80 years on 01.04.2014.

**Answer** = Tax Liability: `4,48,050

**Problem 13.**
Mrs. X has income as given below:

<table>
<thead>
<tr>
<th>Income</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under the head Salary</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Income under the head House Property</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Short Term Capital Gain</td>
<td>50,000</td>
</tr>
<tr>
<td>Short Term Capital Gain111A</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Long Term Capital Gain</td>
<td>1,50,000</td>
</tr>
<tr>
<td>Casual Income</td>
<td>70,000</td>
</tr>
<tr>
<td>Deduction u/s 80C to 80U</td>
<td>1,10,000</td>
</tr>
<tr>
<td>Agricultural Income</td>
<td>5,00,000</td>
</tr>
</tbody>
</table>

Compute her Tax Liability for the A.Y.2014-15

**Answer** = Tax Liability: `91,670

(b) Presume in above she is aged 81 years.

**Answer** = Tax Liability: `35,540
(c) Presume in (a) above she is Non Resident and deduction u/s 80C-80U is `3,00,000.

**Answer** = Tax Liability: `83,430

**Problem 14.**
Mrs. X has income under the head house property `2,00,000 and long term capital gain `10,00,000 and agricultural income `7,00,000. Deduction under section 80C to 80U `60,000.

Compute her income and tax liability for Assessment Year 2014-15.

**Answer** = Total Income: `11,40,000; Tax Liability: `1,93,640

(b) Presume Mrs. X is aged 79 years and income under the head house property is `10,00,000

**Answer** = Total Income: `19,40,000; Tax Liability: `4,14,060

**Problem 15.**
ABC Ltd., a domestic company has total income of `500,00,000 and company has distributed dividend of `65,00,000 and one of the shareholder Mr. X has received dividend of `5,00,000. Compute tax liability and additional tax liability of the company and also that of the shareholder.

**Answer** = Income tax liability `162,22,500 and additional income tax liability `11,04,680. Tax liability of shareholder is Nil.

(b) Presume that ABC Ltd. is a foreign company.

**Answer** = Income tax liability `210,12,000 and additional income tax liability is nil. Tax liability of shareholder `28,840.
SOLUTIONS
TO
PRACTICE PROBLEMS

Solution 1:
(i) Computation of Tax Liability
Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Less: Rebate u/s 87A (27,000 or 2,000 whichever is less) 2,000
Tax before education cess 25,000
Add: Education cess @ 2% 500
Add: SHEC @ 1% 250
Tax Liability 25,750

(ii) Computation of Tax Liability
Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Add: Education cess @ 2% 540
Add: SHEC @ 1% 270
Tax Liability 27,810

Note: Rebate under section 87A is not allowed to non-resident.

(iii) Computation of Tax Liability
Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Less: Rebate u/s 87A (27,000 or 2,000 whichever is less) 2,000
Tax before education cess 25,000
Add: Education cess @ 2% 500
Add: SHEC @ 1% 250
Tax Liability 25,750

(iv) Computation of Tax Liability
Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Add: Education cess @ 2% 540
Add: SHEC @ 1% 270
Tax Liability 27,810

Note: Rebate under section 87A is not allowed to non-resident.

(v) Computation of Tax Liability
Total Income 4,70,000
Tax on `4,70,000 at slab rate 22,000
Less: Rebate u/s 87A (22,000 or 2,000 whichever is less) 2,000
Tax before education cess 20,000
Add: Education cess @ 2% 400
Add: SHEC @ 1% 200
(vi) **Computation of Tax Liability**

Total Income 4,70,000
Tax on `4,70,000 at slab rate 22,000
Less: Rebate u/s 87A (22,000 or 2,000 whichever is less) 2,000
Tax before education cess 20,000
Add: Education cess @ 2% 400
Add: SHEC @ 1% 200
Tax Liability 20,600

**Note:** Rebate under section 87A is not allowed to non-resident.

(vii) **Computation of Tax Liability**

Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Add: Education cess @ 2% 540
Add: SHEC @ 1% 270
Tax Liability 27,810

**Note:** Rebate under section 87A is not allowed to non-resident.

(ix) **Computation of Tax Liability**

Total Income 4,70,000
Tax Liability Nil

(x) **Computation of Tax Liability**

Total Income 4,70,000
Tax Liability Nil

(xi) **Computation of Tax Liability**

Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Add: Education cess @ 2% 540
Add: SHEC @ 1% 270
Tax Liability 27,810

**Note:** Rebate under section 87A is not allowed to non-resident.

(xii) **Computation of Tax Liability**

Total Income 4,70,000
Tax on `4,70,000 at slab rate 27,000
Add: Education cess @ 2% 540
Add: SHEC @ 1% 270
Tax Liability 27,810
Note: Rebate under section 87A is not allowed to non-resident.

Solution 2:

(i) Computation of Tax Liability

Total Income 100,05,000.00
Tax on `100,05,000 at slab rate 28,31,500.00
Add: Surcharge @ 10% 2,83,150.00
Tax before education cess 31,14,650.00
Increase in income `5,000 over `100,00,000 and increase in tax in comparison to income of `100,00,000 `2,84,650 (31,14,650 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be `2,84,650 – `5,000 2,79,650.00
Tax after marginal relief 28,35,000.00
Add: Education cess @ 2% 56,700.00
Add: SHEC @ 1% 28,350.00
Tax Liability 29,20,050.00

(ii) Computation of Tax Liability

Total Income 102,00,000.00
Tax on `102,00,000 at slab rate 28,90,000.00
Add: Surcharge @ 10% 2,89,000.00
Tax before education cess 31,79,000.00
Increase in income `2,00,000 over `100,00,000 and increase in tax in comparison to income of `100,00,000 `3,49,000 (31,79,000 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be `3,49,000 – `2,00,000 1,49,000.00
Tax after marginal relief 30,30,000.00
Add: Education cess @ 2% 60,600.00
Add: SHEC @ 1% 30,300.00
Tax Liability 31,20,900.00

(iii) Computation of Tax Liability

Total Income 90,00,000.00
Tax on `90,00,000 at slab rate 25,30,000.00
Add: Education cess @ 2% 50,600.00
Add: SHEC @ 1% 25,300.00
Tax Liability 26,05,900.00

(iv) Computation of Tax Liability

Total Income 4,98,000.00
Tax on `4,98,000 at slab rate 29,800.00
Add: Education cess @ 2% 596.00
Add: SHEC @ 1% 298.00
Tax Liability 30,694.00
Rounded off u/s 288B 30,690.00

(v) Computation of Tax Liability

Total Income 4,05,000.00
Tax on `4,05,000 at slab rate 15,500.00
Less: Rebate u/s 87A (15,500 or 2,000 whichever is less) 2,000.00
Tax before education cess 13,500.00
Add: Education cess @ 2% 270.00
Add: SHEC @ 1% 135.00
Tax Liability 13,905.00
Rounded off u/s 288B 13,910.00
(vi) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Total Income</th>
<th>102,05,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `102,05,000 at slab rate</td>
<td>28,86,500.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>2,88,650.00</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>31,75,150.00</td>
</tr>
</tbody>
</table>

Increase in income `2,05,000 over `100,00,000 and increase in tax in comparison to income of `100,00,000, `3,50,150 (31,75,150 – 28,25,000), but increase in tax cannot be more than increase in income hence marginal relief shall be `3,50,150 – `2,05,000

| Tax after marginal relief | 30,30,000.00 |
| Add: Education cess @ 2% | 60,600.00   |
| Add: SHEC @ 1% | 30,300.00   |
| Tax Liability | 31,20,900.00 |

(vii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Total Income</th>
<th>25,00,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `25,00,000 at slab rate</td>
<td>5,80,000.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>11,600.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>5,800.00</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>5,97,400.00</td>
</tr>
</tbody>
</table>

(viii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Total Income</th>
<th>4,50,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `4,50,000 at slab rate</td>
<td>25,000.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>500.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>250.00</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>25,750.00</td>
</tr>
</tbody>
</table>

(ix) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Total Income</th>
<th>3,80,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `3,80,000 at slab rate</td>
<td>Nil</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>Nil</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(x) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Total Income</th>
<th>110,00,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `110,00,000 at slab rate</td>
<td>31,00,000.00</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>3,10,000.00</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>34,10,000.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>68,200.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>34,100.00</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>35,12,300.00</td>
</tr>
</tbody>
</table>

(xi) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Total Income</th>
<th>99,99,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on `99,99,000 at slab rate</td>
<td>28,29,700.00</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>56,594.00</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>28,297.00</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>29,14,591.00</td>
</tr>
<tr>
<td>Rounded off u/s 288B</td>
<td>29,14,590.00</td>
</tr>
</tbody>
</table>

Rounded off u/s 288B
(xii) Computation of Tax Liability

Total Income 12,00,000.00
Tax on `12,00,000 at slab rate 1,90,000.00
Add: Education cess @ 2% 3,800.00
Add: SHEC @ 1% 1,900.00
Tax Liability 1,95,700.00

Solution 3:

Computation of Total Income

Income under the head Salary 2,40,000
Income under the head House Property 1,55,000
Income under the head Business/Profession 3,30,000
Income under the head Capital gains
  Long term capital gains 1,20,000
  Short term capital gains 35,000
Income under the head Other Sources (Casual Income) 65,000
Gross Total Income 9,45,000
Less: Deductions u/s 80C to 80U 45,000
Total Income 9,00,000

Computation of Tax Liability

Tax on Long term capital gains `1,20,000 @ 20% u/s 112 24,000
Tax on Casual Income `65,000 @ 30% u/s 115BB 19,500
Tax on Normal income `7,15,000 at slab rate 73,000
Tax before education cess 1,16,500
Add: Education cess @ 2% 2,330
Add: SHEC @ 1% 1,165
Tax Liability 1,19,995
Rounded off u/s 288B 1,20,000

Solution 3(b):

Total Income 9,00,000

Computation of Tax Liability

Tax on Long term capital gains `1,20,000 @ 20% u/s 112 24,000
Tax on Casual Income `65,000 @ 30% u/s 115BB 19,500
Tax on Normal income `7,15,000 at slab rate 68,000
Tax before education cess 1,11,500
Add: Education cess @ 2% 2,230
Add: SHEC @ 1% 1,115
Tax Liability 1,14,845
Rounded off u/s 288B 1,14,850

Solution 3(c):

Total Income 9,00,000

Computation of Tax Liability

Tax on Long term capital gains `1,20,000 @ 20% u/s 112 24,000
Tax on Casual Income `65,000 @ 30% u/s 115BB 19,500
Tax on Normal income `7,15,000 at slab rate 68,000
Tax before education cess 1,11,500
Add: Education cess @ 2% 2,230
Add: SHEC @ 1% 1,115
Tax Liability 1,14,845
Rounded off u/s 288B 1,14,850
Solution 3(d):

Total Income: 9,00,000

Computation of Tax Liability

- Tax on Long term capital gains \( `1,20,000 \times 20\% \) u/s 112: 24,000
- Tax on Casual Income \( `65,000 \times 30\% \) u/s 115BB: 19,500
- Tax on Normal income \( `7,15,000 \) at slab rate: 73,000
- Tax before education cess: 1,16,500
- Add: Education cess @ 2%: 2,330
- Add: SHEC @ 1%: 1,165
- Tax Liability: 1,19,995
- Rounded off u/s 288B: 1,20,000

Solution 3(e):

Total Income: 9,00,000

Computation of Tax Liability

- Tax on Long term capital gains \( `1,20,000 \times 20\% \) u/s 112: 24,000
- Tax on Casual Income \( `65,000 \times 30\% \) u/s 115BB: 19,500
- Tax on Normal income \( `7,15,000 \) at slab rate: 73,000
- Tax before education cess: 1,16,500
- Add: Education cess @ 2%: 2,330
- Add: SHEC @ 1%: 1,165
- Tax Liability: 1,19,995
- Rounded off u/s 288B: 1,20,000

Solution 3(f):

Total Income: 9,00,000

Computation of Tax Liability

- Tax on Long term capital gains \( `1,20,000 \times 20\% \) u/s 112: 24,000
- Tax on Casual Income \( `65,000 \times 30\% \) u/s 115BB: 19,500
- Tax on Normal income \( `7,15,000 \) at slab rate: 43,000
- Tax before education cess: 86,500
- Add: Education cess @ 2%: 1,730
- Add: SHEC @ 1%: 865
- Tax Liability: 89,095
- Rounded off u/s 288B: 89,100

Solution 3(g):

Total Income: 9,00,000

Computation of Tax Liability

- Tax on Long term capital gains \( `1,20,000 \times 20\% \) u/s 112: 24,000
- Tax on Casual Income \( `65,000 \times 30\% \) u/s 115BB: 19,500
- Tax on Normal income \( `7,15,000 \) at slab rate: 73,000
- Tax before education cess: 1,16,500
- Add: Education cess @ 2%: 2,330
- Add: SHEC @ 1%: 1,165
- Tax Liability: 1,19,995
- Rounded off u/s 288B: 1,20,000
**Solution 4:**

**Computation of Total Income**

(i)

- Income under the head Salary: 30,000
- Income under the head House Property: 50,000
- Income under the head Capital Gains (LTCG): 8,00,000

Gross Total Income: 8,80,000

Less: Deduction u/s 80C to 80U: Nil

Total Income: 8,80,000

**Computation of Tax Liability**

- Tax on LTCG: 
  \[ \text{6,80,000} \times (\frac{8,00,000 - 1,20,000}{8,00,000}) \times 20\% \] u/s 112: 1,36,000
- Tax on 80,000 at slab rate: Nil
- Tax before education cess: 1,36,000
- Add: Education cess @ 2%: 2,720
- Add: SHEC @ 1%: 1,360
- Tax Liability: 1,40,080

(ii)

Total Income: 8,80,000

**Computation of Tax Liability**

- Tax on LTCG: 
  \[ \text{6,30,000} \times (\frac{8,00,000 - 1,70,000}{8,00,000}) \times 20\% \] u/s 112: 1,26,000
- Tax on 80,000 at slab rate: Nil
- Tax before education cess: 1,26,000
- Add: Education cess @ 2%: 2,520
- Add: SHEC @ 1%: 1,260
- Tax Liability: 1,29,780

(iii)

Total Income: 8,80,000

**Computation of Tax Liability**

- Tax on LTCG: 
  \[ \text{6,30,000} \times (\frac{8,00,000 - 1,70,000}{8,00,000}) \times 20\% \] u/s 112: 1,26,000
- Tax on 80,000 at slab rate: Nil
- Tax before education cess: 1,26,000
- Add: Education cess @ 2%: 2,520
- Add: SHEC @ 1%: 1,260
- Tax Liability: 1,29,780

(iv)

Total Income: 8,80,000

**Computation of Tax Liability**

- Tax on LTCG: 
  \[ \text{6,30,000} \times (\frac{8,00,000 - 1,70,000}{8,00,000}) \times 20\% \] u/s 112: 1,26,000
- Tax on 80,000 at slab rate: Nil
- Tax before education cess: 1,26,000
- Add: Education cess @ 2%: 2,520
- Add: SHEC @ 1%: 1,260
- Tax Liability: 1,29,780
Computation Of Total Income And Tax Liability

(v)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG `3,80,000 (8,00,000 – 4,20,000) @ 20% u/s 112 76,000
Tax on `80,000 at slab rate Nil
Tax before education cess 76,000
Add: Education cess @ 2% 1,520
Add: SHEC @ 1% 760
Tax Liability 78,280

(vi)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG `3,80,000 (8,00,000 – 4,20,000) @ 20% u/s 112 76,000
Tax on `80,000 at slab rate Nil
Tax before education cess 76,000
Add: Education cess @ 2% 1,520
Add: SHEC @ 1% 760
Tax Liability 78,280

(vii) In situation (i)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG `8,00,000 @ 20% u/s 112 1,60,000
Tax on `80,000 at slab rate Nil
Tax before education cess 1,60,000
Add: Education cess @ 2% 3,200
Add: SHEC @ 1% 1,600
Tax Liability 1,64,800

In situation (ii)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG `8,00,000 @ 20% u/s 112 1,60,000
Tax on `80,000 at slab rate Nil
Tax before education cess 1,60,000
Add: Education cess @ 2% 3,200
Add: SHEC @ 1% 1,600
Tax Liability 1,64,800

In situation (iii)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG `8,00,000 @ 20% u/s 112 1,60,000
Tax on `80,000 at slab rate Nil
Tax before education cess 1,60,000
Add: Education cess @ 2% 3,200
Add: SHEC @ 1% 1,600
In situation (iv)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG \(8,00,000 \times 20\%\) u/s 112 1,60,000
Tax on \(80,000\) at slab rate Nil
Tax before education cess 1,60,000
Add: Education cess @ 2% 3,200
Add: SHEC @ 1% 1,600
Tax Liability 1,64,800

In situation (v)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG \(8,00,000 \times 20\%\) u/s 112 1,60,000
Tax on \(80,000\) at slab rate Nil
Tax before education cess 1,60,000
Add: Education cess @ 2% 3,200
Add: SHEC @ 1% 1,600
Tax Liability 1,64,800

In situation (vi)
Total Income 8,80,000

Computation of Tax Liability
Tax on LTCG \(8,00,000 \times 20\%\) u/s 112 1,60,000
Tax on \(80,000\) at slab rate Nil
Tax before education cess 1,60,000
Add: Education cess @ 2% 3,200
Add: SHEC @ 1% 1,600
Tax Liability 1,64,800

Solution 5:
(i)

Computation of Total Income
Income under the head Salary 90,000
Income under the head House Property 60,000
Income under the head Capital Gains
  Long term capital gains 2,30,000
  Short term capital gains u/s 111A 2,40,000
Income under the head Other Sources (Casual Income) 70,000
Gross Total Income 6,90,000
Less: Deduction u/s 80C to 80U 1,50,000
Total Income 5,40,000

Computation of Tax Liability
Tax on LTCG \(30,000 \times 20\%\) u/s 112 6,000
Tax on STCG \(2,40,000 \times 15\%\) u/s 111A 36,000
Tax on Casual Income \(70,000 \times 30\%\) u/s 115BB 21,000
Tax on normal income at slab rate Nil
Computation Of Total Income And Tax Liability

Tax before education cess 63,000
Add: Education cess @ 2% 1,260
Add: SHEC @ 1% 630
Tax Liability 64,890

(ii)
Total Income 5,40,000

Computation of Tax Liability
Tax on LTCG `30,000 (2,30,000 – 2,00,000) @ 20% u/s 112 6,000
Tax on STCG `2,40,000 @ 15% u/s 111A 36,000
Tax on Casual Income `70,000 @ 30% u/s 115BB 21,000
Tax on normal income at slab rate Nil
Tax before education cess 63,000
Add: Education cess @ 2% 1,260
Add: SHEC @ 1% 630
Tax Liability 64,890

(iii)
Total Income 5,40,000

Computation of Tax Liability
Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112 Nil
Tax on STCG `2,20,000 (2,40,000 – 20,000) @ 15% u/s 111A 33,000
Tax on Casual Income `70,000 @ 30% u/s 115BB 21,000
Tax on normal income at slab rate Nil
Tax before education cess 54,000
Add: Education cess @ 2% 1,080
Add: SHEC @ 1% 540
Tax Liability 55,620

(iv)
Total Income 5,40,000

Computation of Tax Liability
Tax on LTCG (2,30,000 – 2,30,000) @ 20% u/s 112 Nil
Tax on STCG `2,20,000 (2,40,000 – 20,000) @ 15% u/s 111A 33,000
Tax on Casual Income `70,000 @ 30% u/s 115BB 21,000
Tax on normal income at slab rate Nil
Tax before education cess 54,000
Add: Education cess @ 2% 1,080
Add: SHEC @ 1% 540
Tax Liability 55,620

(v)
Total Income 5,40,000

Computation of Tax Liability
Tax on LTCG `2,30,000 @ 20% u/s 112 46,000
Tax on STCG `2,40,000 @ 15% u/s 111A 36,000
Tax on Casual Income `70,000 @ 30% u/s 115BB 21,000
Tax on normal income at slab rate Nil
Tax before education cess 1,03,000
\begin{align*}
\text{Add: Education cess @ 2\%} & \quad 2,060 \\
\text{Add: SHEC @ 1\%} & \quad 1,030 \\
\text{Tax Liability} & \quad 1,06,090 \\
\end{align*}

\text{(vi)} \\
\text{Total Income} & \quad 5,40,000 \\

\textbf{Computation of Tax Liability} \\
\text{Tax on LTCG (2,30,000 – 2,30,000) @ 20\% u/s 112} & \quad \text{Nil} \\
\text{Tax on STCG (2,40,000 – 2,40,000) @ 15\% u/s 111A} & \quad \text{Nil} \\
\text{Tax on Casual Income \`70,000 @ 30\% u/s 115BB} & \quad 21,000 \\
\text{Tax on normal income at slab rate} & \quad \text{Nil} \\
\text{Tax before education cess} & \quad 21,000 \\
\text{Add: Education cess @ 2\%} & \quad 420 \\
\text{Add: SHEC @ 1\%} & \quad 210 \\
\text{Tax Liability} & \quad 21,630 \\

\text{(vii)} \\
\text{Total Income} & \quad 5,40,000 \\

\textbf{Computation of Tax Liability} \\
\text{Tax on LTCG (2,30,000 – 2,30,000) @ 20\% u/s 112} & \quad \text{Nil} \\
\text{Tax on STCG (2,40,000 – 2,40,000) @ 15\% u/s 111A} & \quad \text{Nil} \\
\text{Tax on Casual Income \`70,000 @ 30\% u/s 115BB} & \quad 21,000 \\
\text{Tax on normal income at slab rate} & \quad \text{Nil} \\
\text{Tax before education cess} & \quad 21,000 \\
\text{Add: Education cess @ 2\%} & \quad 420 \\
\text{Add: SHEC @ 1\%} & \quad 210 \\
\text{Tax Liability} & \quad 21,630 \\

\text{(viii)} \\
\text{Total Income} & \quad 5,40,000 \\

\textbf{Computation of Tax Liability} \\
\text{Tax on LTCG \`2,30,000 @ 20\% u/s 112} & \quad 46,000 \\
\text{Tax on STCG \`2,40,000 @ 15\% u/s 111A} & \quad 36,000 \\
\text{Tax on Casual Income \`70,000 @ 30\% u/s 115BB} & \quad 21,000 \\
\text{Tax on normal income at slab rate} & \quad \text{Nil} \\
\text{Tax before education cess} & \quad 1,03,000 \\
\text{Add: Education cess @ 2\%} & \quad 2,060 \\
\text{Add: SHEC @ 1\%} & \quad 1,030 \\
\text{Tax Liability} & \quad 1,06,090 \\

\textbf{Solution 6:} \\
\textbf{(i) Computation of Tax Liability} \\
\text{Income under the head Business/Profession} & \quad 70,000 \\
\text{Total Income} & \quad 70,000 \\
\text{Tax on \`70,000 @ 30\%} & \quad 21,000 \\
\text{Add: Education cess @ 2\%} & \quad 420 \\
\text{Add: SHEC @ 1\%} & \quad 210 \\
\text{Tax Liability} & \quad 21,630 \end{align*}
### (ii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Business/Profession</th>
<th>Total Income</th>
<th>Tax on `150,00,000 @ 30%</th>
<th>Add: Surcharge @ 5%</th>
<th>Add: Education cess @ 2%</th>
<th>Add: SHEC @ 1%</th>
<th>Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>150,00,000</td>
<td>150,00,000</td>
<td>45,00,000</td>
<td>2,25,000</td>
<td>94,500</td>
<td>47,250</td>
<td>48,66,750</td>
</tr>
</tbody>
</table>

### (iii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Business/Profession</th>
<th>Total Income</th>
<th>Tax on `6,00,000 @ 30%</th>
<th>Add: Education cess @ 2%</th>
<th>Add: SHEC @ 1%</th>
<th>Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,00,000</td>
<td>6,00,000</td>
<td>1,80,000</td>
<td>3,600</td>
<td>1,800</td>
<td>1,85,400</td>
</tr>
</tbody>
</table>

### (iv) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Business/Profession</th>
<th>Total Income</th>
<th>Tax on `10,30,000 @ 30%</th>
<th>Add: Education cess @ 2%</th>
<th>Add: SHEC @ 1%</th>
<th>Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,30,000</td>
<td>10,30,000</td>
<td>3,09,000</td>
<td>6,180</td>
<td>3,090</td>
<td>3,18,270</td>
</tr>
</tbody>
</table>

### (v) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Capital Gains (long term capital gains)</th>
<th>Total Income</th>
<th>Tax on `700,00,000 @ 20%</th>
<th>Add: Surcharge @ 5%</th>
<th>Add: Education cess @ 2%</th>
<th>Add: SHEC @ 1%</th>
<th>Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>700,00,000</td>
<td>700,00,000</td>
<td>140,00,000</td>
<td>7,00,000</td>
<td>2,94,000</td>
<td>1,47,000</td>
<td>151,41,000</td>
</tr>
</tbody>
</table>

### (vi) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Capital Gains (long term capital gains)</th>
<th>Total Income</th>
<th>Tax on `1,50,000 @ 20%</th>
<th>Add: Education cess @ 2%</th>
<th>Add: SHEC @ 1%</th>
<th>Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,50,000</td>
<td>1,50,000</td>
<td>30,000</td>
<td>600</td>
<td>300</td>
<td>30,900</td>
</tr>
</tbody>
</table>

### (vii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Capital Gains (long term capital gains)</th>
<th>Total Income</th>
<th>Tax on `6,00,000 @ 20%</th>
<th>Add: Education cess @ 2%</th>
<th>Add: SHEC @ 1%</th>
<th>Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,00,000</td>
<td>6,00,000</td>
<td>1,20,000</td>
<td>2,400</td>
<td>1,200</td>
<td>1,23,600</td>
</tr>
</tbody>
</table>

### (viii) Computation of Tax Liability

<table>
<thead>
<tr>
<th>Income under the head Capital Gains (long term capital gains)</th>
<th>Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,30,000</td>
<td>10,30,000</td>
</tr>
</tbody>
</table>
Computation Of Total Income And Tax Liability

Tax on `10,30,000 @ 20% 2,06,000
Add: Education cess @ 2% 4,120
Add: SHEC @ 1% 2,060
Tax Liability 2,12,180

(ix) Computation of Tax Liability
Income under the head Other Sources (Casual Income) 400,00,000
Total Income 400,00,000
Tax on `400,00,000 @ 30% 120,00,000
Add: Surcharge @ 5% 6,00,000
Add: Education cess @ 2% 2,52,000
Add: SHEC @ 1% 1,26,000
Tax Liability 129,78,000

Solution 6(b):

(i) Computation of Tax Liability
Income under the head Business/Profession 70,000
Total Income 70,000
Tax on `70,000 @ 40% 28,000
Add: Education cess @ 2% 560
Add: SHEC @ 1% 280
Tax Liability 28,840

(ii) Computation of Tax Liability
Income under the head Business/Profession 150,00,000
Total Income 150,00,000
Tax on `150,00,000 @ 40% 60,00,000
Add: Surcharge @ 2% 1,20,000
Add: Education cess @ 2% 1,22,400
Add: SHEC @ 1% 61,200
Tax Liability 63,03,600

(iii) Computation of Tax Liability
Income under the head Business/Profession 6,00,000
Total Income 6,00,000
Tax on `6,00,000 @ 40% 2,40,000
Add: Education cess @ 2% 4,800
Add: SHEC @ 1% 2,400
Tax Liability 2,47,200

(iv) Computation of Tax Liability
Income under the head Business/Profession 10,30,000
Total Income 10,30,000
Tax on `10,30,000 @ 40% 4,12,000
Add: Education cess @ 2% 8,240
Add: SHEC @ 1% 4,120
Tax Liability 4,24,360

(v) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 700,00,000
Total Income 700,00,000
Tax on `700,00,000 @ 20% 140,00,000
Add: Surcharge @ 2% 2,80,000
Add: Education cess @ 2% 
Add: SHEC @ 1% 
Tax Liability

(vi) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 
Total Income 
Tax on `1,50,000 @ 20%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(vii) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 
Total Income 
Tax on `6,00,000 @ 20%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(viii) Computation of Tax Liability
Income under the head Capital Gains (long term capital gains) 
Total Income 
Tax on `10,30,000 @ 20%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

(ix) Computation of Tax Liability
Income under the head Other Sources (Casual Income) 
Total Income 
Tax on `3,50,000 @ 30%
Add: Surcharge @ 2%
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

Solution 7:
Computation of Total Income
Income under the head Business/Profession 
Income under the head House Property 
Income under the head Capital Gains 
  Long term capital gains 
  Short term capital gains u/s 111A 
Income under the head Other Sources (Casual Income)
Gross Total Income 
Less: Deduction u/s 80C to 80U 
Total Income

Computation of Tax Liability
Tax on LTCG `4,50,000 @ 20% u/s 112 
Tax on STCG `3,50,000 @ 15% u/s 111A 
Tax on Casual income `3,50,000 @ 30% u/s 115BB
Computation Of Total Income And Tax Liability

Solution 8:

(i)
Income under the head House Property 8,42,324.00
Gross Total Income 8,42,324.00
Less: Deduction u/s 80C to 80U Nil
Total Income 8,42,324.00
Rounded off u/s 288A 8,42,320.00

Computation of Tax Liability
Tax on `8,42,320 slab rate 98,464.00
Add: Education cess @ 2% 1,969.28
Add: SHEC @ 1% 984.64
Tax Liability 1,01,417.92
Rounded off u/s 288B 1,01,420.00

(ii)
Income under the head Business/Profession 14,42,336.00
Gross Total Income 14,42,336.00
Less: Deduction u/s 80C to 80U Nil
Total Income 14,42,336.00
Rounded off u/s 288A 14,42,340.00

Computation of Tax Liability
Tax on `14,42,340 slab rate 2,62,702.00
Add: Education cess @ 2% 5,254.04
Add: SHEC @ 1% 2,627.02
Tax Liability 2,70,583.06
Rounded off u/s 288B 2,70,580.00

(iii)
Income under the head Capital Gains (LTCG) 11,35,335.00
Gross Total Income 11,35,335.00
Less: Deduction u/s 80C to 80U Nil
Total Income 11,35,335.00
Rounded off u/s 288A 11,35,340.00

Computation of Tax Liability
Tax on `8,85,340 (11,35,340 – 2,50,000) @ 20% u/s 112 1,77,068.00
Add: Education cess @ 2% 3,541.36
Add: SHEC @ 1% 1,770.68
Tax Liability 1,82,380.04
Rounded off u/s 288B 1,82,380.00

(iv)
Income under the head Capital Gains (LTCG) 13,35,334.90
Gross Total Income 13,35,334.90
Computation Of Total Income And Tax Liability

Less: Deduction u/s 80C to 80U
Total Income
Rounded off u/s 288A

Computation of Tax Liability
Tax on `11,35,330 (13,35,330 – 2,00,000) @ 20% u/s 112
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability
Rounded off u/s 288B

Computation Of Total Income And Tax Liability

Income under the head Capital Gains (STCG)
Gross Total Income
Less: Deduction u/s 80C to 80U
Total Income
Rounded off u/s 288A

Computation of Tax Liability
Tax on `8,20,340 (10,20,340 – 2,00,000) @ 15% u/s 111A
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability
Rounded off u/s 288B

Computation Of Total Income And Tax Liability

Income under the head Capital Gains (LTCG)
Gross Total Income
Less: Deduction u/s 80C to 80U
Total Income
Rounded off u/s 288A

Computation of Tax Liability
Tax on `5,40,340 @ 20% u/s 112
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability
Rounded off u/s 288B

Computation Of Total Income And Tax Liability

Income under the head Other Sources (winning from lottery)
Gross Total Income
Less: Deduction u/s 80C to 80U
Total Income

Computation of Tax Liability
Tax on `7,20,000 @ 30% u/s 115BB
Add: Education cess @ 2%
Add: SHEC @ 1%
Tax Liability

Computation Of Total Income And Tax Liability

Income under the head Capital Gains (LTCG)
Computation Of Total Income And Tax Liability

Gross Total Income 15,65,385.00
Less: Deduction u/s 80C to 80U Nil
Total Income 15,65,385.00
Rounded off u/s 288A 15,65,390.00

Computation of Tax Liability

Tax on `10,65,390 (15,65,390 – 5,00,000) @ 20% u/s 112 2,13,078.00
Add: Education cess @ 2% 4,261.56
Add: SHEC @ 1% 2,130.78
Tax Liability 2,19,470.34
Rounded off u/s 288B 2,19,470.00

(ix)
Income under the head Other Sources (winning from lottery) 10,20,000.00
Gross Total Income 10,20,000.00
Less: Deduction u/s 80C to 80U Nil
Total Income 10,20,000.00

Computation of Tax Liability

Tax on `10,20,000 @ 30% u/s 115BB 3,06,000.00
Add: Education cess @ 2% 6,120.00
Add: SHEC @ 1% 3,060.00
Tax Liability 3,15,180.00

Solution 9:

Computation of Total Income

Income under the head Salary 3,00,000
Income under the head House Property 16,00,000
Income under the head Capital Gains (Long term capital gains) 1,00,000
Gross Total Income 20,00,000
Less: Deduction u/s 80C to 80U 60,000
Total Income 19,40,000
Agricultural Income 4,00,000

Computation of Tax Liability

Step 1. Tax on (agricultural income + non agricultural income) i.e. Tax on `22,40,000/- at slab rates 5,02,000
Step 2. Tax on (`2,00,000 + agricultural income) at slab rates 50,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1 4,52,000
Tax on long term capital gain `1,00,000 @ 20% u/s 112 20,000
Tax before education cess 4,72,000
Add: Education cess @ 2% 9,440
Add: SHEC @ 1% 4,720
Tax Liability 4,86,160

Solution 9(b):

Computation of Total Income

Income under the head Salary 3,00,000
Income under the head House Property 16,00,000

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Computation Of Total Income And Tax Liability

Income under the head Capital Gains (Long term capital gains) 1,00,000
Gross Total Income 20,00,000
Less: Deduction u/s 80C to 80U 60,000
Total Income 19,40,000
Agricultural Income 4,00,000

Computation of Tax Liability
Step 1. Tax on (agricultural income + non agricultural income)
i.e. Tax on `22,40,000/- at slab rates 4,97,000
Step 2. Tax on ( `2,50,000 + agricultural income) at slab rates 55,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1 4,42,000
Tax on long term capital gain `1,00,000 @ 20% u/s 112 20,000
Tax before education cess 4,62,000
Add: Education cess @ 2% 9,240
Add: SHEC @ 1% 4,620
Tax Liability 4,75,860

Solution 10:

Computation of Total Income

Income under the head House Property 3,00,000
Income under the head Capital gains (long term capital gains) 5,00,000
Gross Total Income 8,00,000
Less: Deduction u/s 80C to 80U 1,00,000
Total Income 7,00,000
Agricultural income 3,00,000

Computation of Tax Liability
Tax on normal income `2,00,000 at slab rate Nil
Tax on long term capital gain `5,00,000 @ 20% u/s 112 1,00,000
Tax before education cess 1,00,000
Add: Education cess @ 2% 2,000
Add: SHEC @ 1% 1,000
Tax Liability 1,03,000

Solution 10(b):

Computation of Total Income

Income under the head House Property 3,00,000
Income under the head Capital gains (long term capital gains) 5,00,000
Gross Total Income 8,00,000
Less: Deduction u/s 80C to 80U 1,00,000
Total Income 7,00,000
Agricultural income 3,00,000

Computation of Tax Liability
Tax on normal income `2,00,000 at slab rate Nil
Tax on long term capital gain `2,00,000 (`5,00,000 – `3,00,000) @ 20% u/s 112 40,000
Tax before education cess 40,000
Add: Education cess @ 2% 800
Add: SHEC @ 1% 400
Tax Liability 41,200

Note: If non-agricultural income is up to the limit not chargeable to tax (2,00,000/2,50,000/5,00,000), partial integration is not applicable.

Solution 11:

Computation of Total Income

Income under the head Other Sources (Casual income) 5,00,000
Income under the head Capital gains (STCG u/s 111A) 7,00,000
Gross Total Income 12,00,000
Less: Deduction u/s 80C to 80U Nil
Total Income 12,00,000
Agricultural income 3,00,000

Computation of Tax Liability
Tax on STCG `5,00,000 (7,00,000 – 2,00,000) @ 15% u/s 111A 75,000
Tax on casual income `5,00,000 @ 30% 1,50,000
Tax before education cess 2,25,000
Add: Education cess @ 2% 4,500
Add: SHEC @ 1% 2,250
Tax Liability 2,31,750

Note: On Long term capital gain, casual income and short term capital gain u/s 111A partial integration shall not be applicable.

Solution 11(b):

Computation of Total Income

Income under the head Other Sources (Casual income) 5,00,000
Income under the head Capital gains (STCG u/s 111A) 7,00,000
Gross Total Income 12,00,000
Less: Deduction u/s 80C to 80U Nil
Total Income 12,00,000
Agricultural income 3,00,000

Computation of Tax Liability
Tax on STCG `7,00,000 @ 15% u/s 111A 1,05,000
Tax on casual income `5,00,000 @ 30% 1,50,000
Tax before education cess 2,55,000
Add: Education cess @ 2% 5,100
Add: SHEC @ 1% 2,550
Tax Liability 2,62,650

Note: On Long term capital gain, casual income and short term capital gain u/s 111A partial integration shall not be applicable.
Solution 12:

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Profession</td>
<td>12,00,000</td>
</tr>
<tr>
<td>Other Sources (Casual income)</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Gross Total Income</td>
<td>17,00,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80C to 80U</td>
<td>Nil</td>
</tr>
<tr>
<td>Total Income</td>
<td>17,00,000</td>
</tr>
<tr>
<td>Agricultural income</td>
<td>10,00,000</td>
</tr>
</tbody>
</table>

**Computation of Tax Liability**

Step 1. Tax on (agricultural income + non agricultural income)
i.e. Tax on `22,00,000/- at slab rates 4,60,000
Step 2. Tax on (`5,00,000 + agricultural income) at slab rates 2,50,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1 2,10,000
Tax on casual income `5,00,000 @ 30% u/s 115BB 1,50,000
Tax before education cess 3,60,000
Add: Education cess @ 2% 7,200
Add: SHEC @ 1% 3,600
Tax Liability 3,70,800

Solution 12(b):

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Profession</td>
<td>12,00,000</td>
</tr>
<tr>
<td>Other Sources (Casual income)</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Gross Total Income</td>
<td>17,00,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80C to 80U</td>
<td>Nil</td>
</tr>
<tr>
<td>Total Income</td>
<td>17,00,000</td>
</tr>
<tr>
<td>Agricultural income</td>
<td>10,00,000</td>
</tr>
</tbody>
</table>

**Computation of Tax Liability**

Step 1. Tax on (agricultural income + non agricultural income)
i.e. Tax on `22,00,000/- at slab rates 4,85,000
Step 2. Tax on (`2,50,000 + agricultural income) at slab rates 2,00,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1 2,85,000
Tax on casual income `5,00,000 @ 30% u/s 115BB 1,50,000
Tax before education cess 3,60,000
Add: Education cess @ 2% 8,700
Add: SHEC @ 1% 4,350
Tax Liability 4,48,050

Solution 13:

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>2,00,000</td>
</tr>
<tr>
<td>House Property</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Capital Gains</td>
<td>50,000</td>
</tr>
<tr>
<td>Short Term Capital Gain</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>
Computation Of Total Income And Tax Liability

Long Term Capital Gain 1,50,000
Income under the head Capital Gains 4,00,000
Casual Income 70,000
Gross Total Income 7,70,000
Less: Deduction u/s 80C to 80U 1,10,000
Total Income 6,60,000
Agricultural Income 5,00,000

Computation of Tax Liability
Step 1. Tax on (agricultural income + non agricultural income)
i.e. Tax on ` 7,40,000/- at slab rates 78,000
Step 2. Tax on (` 2,00,000 + agricultural income) at slab rates 70,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1 8,000
Tax on long term capital gain `1,50,000 @ 20% u/s 112 30,000
Tax on short term capital gain `2,00,000 @ 15% u/s 111A 30,000
Tax on casual income `70,000 @ 30% u/s 115BB 21,000
Tax before education cess 89,000
Add: Education cess @ 2% 1,780
Add: SHEC @ 1% 890
Tax Liability 91,670

Solution 13(b):

Computation of Total Income

Income under the head Salary 2,00,000
Income under the head House Property 1,00,000
Income under the head Capital Gains
Short Term Capital Gain 50,000
Short Term Capital Gain111A 2,00,000
Long Term Capital Gain 1,50,000
Income under the head Capital Gains 4,00,000
Casual Income 70,000
Gross Total Income 7,70,000
Less: Deduction u/s 80C to 80U 1,10,000
Total Income 6,60,000
Agricultural Income 5,00,000

Computation of Tax Liability
Tax on normal income `2,40,000 at slab rate Nil
Tax on long term capital gain Nil (`1,50,000-150000) @ 20% u/s 112 Nil
Tax on short term capital gain `90,000(`2,00,000-`1,10,000) @ 15% u/s 111A 13,500
Tax on casual income `70,000 @ 30% u/s 115BB 21,000
Tax before education cess 34,500
Add: Education cess @ 2% 690
Add: SHEC @ 1% 345
Tax Liability 35,535
Rounded off u/s 288B 35,540

Note: If non-agricultural income is upto the limit not chargeable to tax (`2,00,000/ 2,50,000/5,00,000),
partial integration is not applicable.
Solution 13(c):

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>2,00,000</td>
</tr>
<tr>
<td>House Property</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Capital Gains</td>
<td></td>
</tr>
<tr>
<td>Short Term Capital</td>
<td>50,000</td>
</tr>
<tr>
<td>Gain 111A</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Long Term Capital</td>
<td>1,50,000</td>
</tr>
<tr>
<td>Gain</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Casual Income</td>
<td>70,000</td>
</tr>
<tr>
<td>Gross Total Income</td>
<td>7,70,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80C to 80U</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>4,70,000</td>
</tr>
<tr>
<td>Agricultural Income</td>
<td>5,00,000</td>
</tr>
</tbody>
</table>

**Computation of Tax Liability**

| Tax on normal income \`50,000 at slab rate | Nil |
| Tax on long term capital gain \`1,50,000 @ 20% u/s 112 | 30,000 |
| Tax on short term capital gain \`2,00,000 @ 15% u/s 111A | 30,000 |
| Tax on casual income \`70,000 @ 30% u/s 115BB | 21,000 |
| Tax before education cess | 81,000 |
| Add: Education cess @ 2% | 1,620 |
| Add: SHEC @ 1% | 810 |
| Tax Liability | 83,430 |

**Note:** If non-agricultural income is upto the limit not chargeable to tax (\`2,00,000/ 2,50,000/5,00,000), partial integration is not applicable.

Solution 14:

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>House Property</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Capital gains (long term capital gains)</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Gross Total Income</td>
<td>12,00,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80C to 80U</td>
<td>60,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>11,40,000</td>
</tr>
<tr>
<td>Agricultural income</td>
<td>7,00,000</td>
</tr>
</tbody>
</table>

**Computation of Tax Liability**

| Tax on normal income \`1,40,000 at slab rate | Nil |
| Tax on long term capital gain \`9,40,000 (\`10,00,000 – \`60,000) @ 20% u/s 112 | 1,88,000 |
| Tax before education cess | 1,88,000 |
| Add: Education cess @ 2% | 3,760 |
| Add: SHEC @ 1% | 1,880 |
| Tax Liability | 1,93,640 |

**Note:** If non-agricultural income is upto the limit not chargeable to tax (\`2,00,000/ 2,50,000/5,00,000), partial integration is not applicable.
### Solution 14(b):

**Computation of Total Income**

<table>
<thead>
<tr>
<th>Income under the head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>House Property</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Capital gains (long term capital gains)</td>
<td>10,00,000</td>
</tr>
<tr>
<td><strong>Gross Total Income</strong></td>
<td>20,00,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80C to 80U</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>19,40,000</td>
</tr>
<tr>
<td>Agricultural income</td>
<td>7,00,000</td>
</tr>
</tbody>
</table>

**Computation of Tax Liability**

1. **Step 1.** Tax on (agricultural income + non agricultural income)
   
   \[
   \text{Tax on } \left(16,40,000/- \right) \text{ at slab rates} = 3,17,000
   \]

2. **Step 2.** Tax on (2,50,000 + agricultural income) at slab rates
   
   \[
   \text{Tax on } \left(2,50,000 + 7,00,000 \right) \text{ at slab rates} = 1,15,000
   \]

3. **Step 3.** Deduct Tax at Step 2 from Tax at Step 1
   
   \[
   \text{Tax before education cess} = 2,02,000
   \]

   **Tax on long term capital gain**
   
   \[
   10,00,000 \times \text{at } 20\% \text{ u/s 112} = 2,00,000
   \]

   **Add: Education cess @ 2%**
   
   \[
   8,040
   \]

   **Add: SHEC @ 1%**
   
   \[
   4,020
   \]

   **Tax Liability**
   
   \[
   4,14,060
   \]

### Solution 15:

**Tax liability and additional tax liability of the company shall be as given below:**

| Profit before tax                      | 500,00,000.00 |
| Income tax on `500,00,000 @ 30%        | 150,00,000.00 |
| Surcharge @ 5%                         | 7,50,000.00   |
| Education cess @ 2%                    | 3,15,000.00   |
| SHEC @ 1%                              | 1,57,500.00   |
| **Income tax liability**               | 162,22,500.00 |
| Dividend                               | 65,00,000.00   |
| Additional income tax @ 15% of `65 lakhs| 9,75,000.00   |
| Add: Surcharge @ 10%                   | 97,500.00     |
| Add: Education cess @ 2%               | 21,450.00     |
| Add: SHEC @ 1%                         | 10,725.00     |
| **Additional income tax**              | 11,04,675.00  |
| Rounded off u/s 288B                   | 11,04,680.00  |

**Tax liability of the shareholder shall be nil.**

### Solution 15(b):

**Tax liability and additional tax liability of the company shall be as given below:**

| Profit before tax                      | 500,00,000.00 |
| Income tax on `500,00,000 @ 40%        | 200,00,000.00 |
| Surcharge @ 2%                         | 4,00,000.00   |
| Education cess @ 2%                    | 4,08,000.00   |
| SHEC @ 1%                              | 2,04,000.00   |
| **Income tax liability**               | 210,12,000.00 |

**Additional income tax of the foreign company is nil.**

**Tax liability of the shareholder shall be as given below:**

| Dividend from foreign company           | 5,00,000.00 |
| Tax on `5,00,000 at slab rate            | 30,000.00   |
Less: Rebate u/s 87A (30,000 or 2,000) 2,000.00
Tax before education cess 28,000.00
Add: Education cess @ 2% 560.00
Add: SHEC @ 1% 280.00
Tax Liability 28,840.00
Question 1
Choose the correct answer with reference to the provisions of the Income-tax Act, 1961.
Education cess @ 2% and secondary and higher education cess @ 1% is payable on
(a) Income-tax
(b) Income-tax plus surcharge, if any
(c) Surcharge
(d) Not payable by any assessee
Answer
(b) i.e. income tax plus surcharge if any.

Question 2
Fill in the blanks:
Where the total income of an artificial juridical person is `3,10,000 the income-tax payable is ` .......... and surcharge payable is ` ............
Answer `11,330; surcharge – nil.

Question 3
Explain the concept of “Marginal Relief” under the Income-tax Act, 1961.
Answer
Marginal Relief
If surcharge is not payable up to a certain limit and after that it becomes payable, in that case increase in tax liability shall be more than the increase in income and it becomes an anomaly and in order to rectify it, marginal relief is allowed and marginal relief is equal to increase in tax minus increase in income.

e.g. If Mr. X has total income of `102,80,000, his tax liability shall be computed in the manner given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>`102,80,000</td>
</tr>
<tr>
<td>Tax on `102,80,000 at slab rate</td>
<td>`29,14,000</td>
</tr>
<tr>
<td>Add: Surcharge @ 10%</td>
<td>`2,91,400</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>`32,05,400</td>
</tr>
<tr>
<td>Increase in income <code>2,80,000 over </code>100,00,000 and increase in tax in comparison to income of <code>100,00,000, </code>3,75,400 (32,05,400 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be <code>3,75,400 – </code>2,80,000</td>
<td>`95,400</td>
</tr>
<tr>
<td>Tax after marginal relief</td>
<td>`31,10,000</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>`62,200</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>`31,100</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>`32,03,300</td>
</tr>
</tbody>
</table>

A person shall be eligible for marginal relief up to total income of `104,22,380 and afterwards he will not be eligible for marginal relief. Only when assessee is in the slab of `2,00,000.
EXERCISES

1. The rates of income tax are mentioned in -
   a) Income-tax Act, 1961
   b) The Annual Finance Acts

2. The surcharge applicable in the case of an individual is -
   a) 10% of tax payable
   b) 10% of tax payable if total income exceeds `10 lakh
   c) 10% of tax payable if total income exceeds `1 crore

3. In respect of a resident assessee, who is of the age of 60 years or more at any time during the previous year 2013-14, -
   a) Higher basic exemption of `2,40,000 is available
   b) Higher basic exemption of `2,50,000 is available
   c) Higher basic exemption of `2,60,000 is available.

4. The rate of tax applicable to a domestic company for A.Y. 2014-15 is -
   a) 30%
   b) 35%
   c) 40%

5. The surcharge applicable to a domestic company for A.Y. 2014-15 is -
   a) 10% if total income exceeds `1 crore.
   b) 5% if total income exceeds `10 crore
   c) 5% if the total income exceeds `1 crore but does not exceed `10 crore, and 10%, if the total income exceeds `10 crore.

6. The surcharge applicable to a foreign company for A.Y. 2014-15 is -
   a) 5%, if the total income exceeds `1 crore.
   b) 2% if the total income exceeds `1 crore but does not exceed `10 crore and 5% if the total income exceeds `10 crore.
   c) 2% if the total income exceeds `10 crore.

7. The rate of tax applicable to a firm for A.Y. 2014-15 is -
   a) 30%
   b) 35%
   c) 40%

8. Education cess @ 2% and secondary and higher education cess @ 1% is payable on
   a) Income-tax only
   b) Income-tax plus surcharge, if applicable minus, rebate under section 87A, if applicable.
   c) Surcharge only

Answers
1. c 2. c; 3. b; 4. a; 5. c; 6. b; 7. a 8. b
Question 7 (4 Marks)
Discuss the taxability of agricultural income under the Income Tax Act, 1961. How will income be computed where an individual derives agricultural and non-agricultural income?

Answer:
Under section 10(1), any **agricultural income in India is fully exempt** from income tax but if the agricultural income is from outside India, it is chargeable to tax.

**Indirect taxing of agricultural income or partial integration of agricultural income (Under the constitution, the power to levy a tax on agricultural income vests in the states. However, parliament has also levied a tax on such income. Explain how this has been achieved?)**

If any person has agricultural income as well as non-agricultural income, his tax liability shall be computed in the manner given below:

1. Compute tax on the total of agricultural income and non-agricultural income considering it to be total income of the assessee.
2. Compute tax on exemption limit (₹2,00,000 / ₹2,50,000 / ₹5,00,000) and agricultural income considering it to be total income.
3. Deduct tax computed under Step 2 from Step 1 and apply education cess.
4. Long term capital gain, casual income and short term capital gain u/s 111A shall not be taken into consideration for the purpose of partial integration
5. If Agricultural income is upto ₹5,000, or non-agricultural income is upto the limit not chargeable to tax (₹2,00,000/2,50,000/5,00,000), partial integration is not applicable.
6. Partial integration is not applicable in case of a partnership firm or a company.

Question 3 (9 Marks)
The broad break-up of tax and allied details of Mrs. Rinku, born on 31st March, 1954 are as under:

Long-term capital gains on sale of house 2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid) 30,000
Prize winning from a T.V. show 20,000
Business income 2,40,000
Net agricultural income 4,40,000
Deduction allowed under section 80C to 80U 60,000

Compute the tax payable by Mrs. Rinku for the assessment year 2014-15. (Modified)

Answer.
**Computation of Total Income**
Business Income 2,40,000
Long term capital gain on sale of house 2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid) 30,000
Casual Income (Prize winning from a T.V. show) 20,000
Gross Total Income               4,90,000
Less: Deduction u/s 80C to 80U                60,000
Total Income                4,30,000

Computation of tax payable by Mrs. Rinku for the A.Y. 2014-15

Particulars
(i) Tax on long-term capital gain of `1,30,000 (2,00,000 – 70,000) @ 20% 26,000
(ii) Tax on short term capital gain of `30,000 @ 15% 4,500
(iii) Tax on winnings of `20,000 from a T.V. show @ 30% 6,000
(iv) Tax on balance income of `1,80,000 at slab rate Nil
Deficiency of `70,000 has been allowed from LTCG
Less: Rebate u/s 87A (36,500 or 2,000) 2,000
Amount of tax before EC 34,500
Add: Education cess @ 2% 690
Add: SHEC @ 1% 345
Tax payable by Mrs. Rinku 35,535
Rounded off u/s 288B 35,540

(i) Mrs. Rinku has completed 60 years of age on 31st March, 2014 i.e. she has completed the age of 60 years on the last day of the previous year.

Therefore, she is entitled to the higher basic exemption limit of `2,50,000.

(ii) Partial integration is not applicable because her non-agricultural income is not exceeding the exemption limit of `2,50,000.

(b) Presume income from business is `5,00,000.

Computation of Gross Total Income
Business Income               5,00,000
Long term capital gain on sale of house 2,00,000
Short-term capital gains on sale of shares in B Ltd. (STT paid) 30,000
Casual Income (Prize winning from a T.V. show) 20,000
Gross Total Income 7,50,000
Less: Deduction u/s 80C to 80U 60,000
Total Income 6,90,000

Computation of tax payable by Mrs. Rinku for the A.Y. 2014-15

Particulars
(i) Tax on long-term capital gain of `2,00,000 @ 20% 40,000
(ii) Tax on short term capital gain of `30,000 @ 15% 4,500
(iii) Tax on winnings of `20,000 from a T.V. show @ 30% 6,000
(iv) Tax on balance income of `4,40,000
Partial integration
1. Tax on 4,40,000 + 4,40,000 = 8,80,000 1,01,000
2. Tax on 2,50,000 + 4,40,000 = 6,90,000 63,000
Tax at step no.1 minus tax at step no.2 38,000
Amount of tax before EC 88,500
Add: Education cess @ 2% 1,770
Add: SHEC @ 1% 885
Tax payable by Mrs. Rinku 91,155
Rounded off u/s 288B 91,160
Mrs. Rinku has completed 60 years of age on 31st March, 2014 i.e. she has completed the age of 60 years on the last day of the previous year.

Therefore, she is entitled to the higher basic exemption limit of ₹2,50,000.

PE-II MAY – 2006

Question 2 (6 Marks)
(a) The total income of Mrs. Z computed for the assessment year 2014-15 is ₹2,80,000, which includes the following:

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term capital gains</td>
<td>30,000</td>
</tr>
<tr>
<td>Winnings from lotteries</td>
<td>20,000</td>
</tr>
<tr>
<td>Short-term capital gains covered by Sec. 111A</td>
<td>10,000</td>
</tr>
<tr>
<td>Agricultural income earned by her</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Agricultural income earned by her was ₹50,000.

Compute the tax payable by Mrs. Z. (Modified)

Solution:
Computation of tax payable by Mrs. Z for the A.Y. 2014-15

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on Agricultural income and Non-agricultural income</td>
<td>7,000</td>
</tr>
<tr>
<td>(<code>50,000 + </code>2,20,000 = 2,70,000)</td>
<td></td>
</tr>
<tr>
<td>Tax on Basic exemption limit and agricultural income</td>
<td>5,000</td>
</tr>
<tr>
<td>(<code>2,00,000 + </code>50,000 = 2,50,000)</td>
<td></td>
</tr>
<tr>
<td>Tax on normal income (7,000 – 5,000)</td>
<td>2,000</td>
</tr>
<tr>
<td>Tax on long-term capital gain of `30,000 @ 20%</td>
<td>6,000</td>
</tr>
<tr>
<td>Tax on lottery income of `20,000 @ 30%</td>
<td>6,000</td>
</tr>
<tr>
<td>Tax on short-term capital gain covered u/s 111A @ 15% of `10,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Less: Rebate u/s 87A (15,500 or 2,000)</td>
<td>2,000</td>
</tr>
<tr>
<td>Tax before education cess</td>
<td>13,500</td>
</tr>
<tr>
<td>Add: Education cess @ 2%</td>
<td>270</td>
</tr>
<tr>
<td>Add: SHEC @ 1%</td>
<td>135</td>
</tr>
<tr>
<td><strong>Tax payable by Mrs. Z</strong></td>
<td><strong>13,905</strong></td>
</tr>
<tr>
<td><strong>Rounded off u/s 288B</strong></td>
<td><strong>13,910</strong></td>
</tr>
</tbody>
</table>