

NEW AND UPDATED

**APPLICABLE FOR
SEPTEMBER' 25
AND
JANUARY' 26**

TAXATION REVIEWER

**Chapter-wise compilation
RTP, MTP and PYP questions**

3

KEY HIGHLIGHTS



**EASY TO HARD
DIFFICULTY LEVEL**



**CHAPTERS RANKED AS
A, B AND C BY IMPORTANCE**



**REFERENCE TO ALL
QUESTIONS**



**QUICK RECAP OF
IMPORTANT CONCEPTS**



**EXAM
INSIGHTS**



**LAST DAY REVISION
QUESTIONS MARKED**

TAXATION REVIEWER

**CA Intermediate
September 2025 & January 2026**

Publisher:



VIVITSU
STRIVING TOWARDS KNOWLEDGE

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VIVITSU

STRIVING TOWARDS KNOWLEDGE

This book belongs to future,

CA Finalist _____

“You become what you believe.”

-Oprah Winfrey



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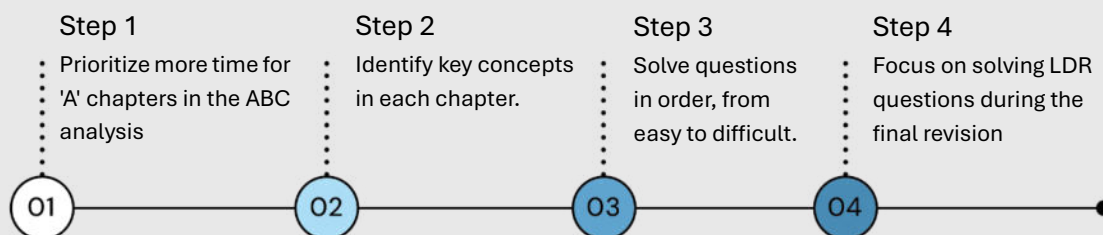
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YOU MUST BE WONDERING

How to Read this book?



Step 1: Prioritize your chapters

Chapters in the index are categorized as A, B, or C based on their importance. Focus more on 'A' chapters, as they carry the most weight, and give adequate attention to 'B' chapters. While all chapters must be covered, this approach helps manage time efficiently for better results.



Step 2: Identify key concept

Identify the key concepts for each chapter using the list provided at the start of the chapter. Ensure you understand them thoroughly. If you struggle with a question, revisit the concepts, review them, and strengthen your understanding before moving forward.



Step 3: Start easy

Start with Question 1, as they progress from easy to difficult, helping you build confidence throughout the chapter. Pay close attention to the “EXAM INSIGHTS” to avoid common mistakes. Questions are segregated topic wise where possible.



Step 4: Last Day Revision (LDR)

Focus on solving LDR questions during the final revision. In the 1.5 days before the exam, prioritize these questions as they cover the most critical concepts from each chapter. You'll find a quick summary of LDR question numbers listed right before each chapter for easy reference.

1. Last Day Revision Questions

Last Day Revision Questions mentioned right at the beginning of each chapter

Easy to find 1 day before the exam



LDR Questions

Q 13

Q 17

Q 21

Q 22

CONCEPTS OF THIS CHAPTER

- Scope of income chargeable under capital gains
- Assets classified as “capital assets” for tax purposes
- Meaning of short-term vs long-term capital assets
- Computing holding period to determine asset type
- Transactions considered as transfer for capital gains
- Transactions not regarded as transfer
- Computing capital gains from asset transfer
- Determining cost of acquisition and indexed cost for long-term assets
- Capital gains on depreciable assets
- Capital gains on market-linked debentures and specified securities
- Capital gains on slump sale
- Exemption on investment of capital gains/net consideration
- Calculating capital gains after exemptions
- Concessional tax treatment for short-term/long-term gains on listed shares/equity funds
- Tax liability on short-term/long-term capital gains applying special tax rates

2. Master Every Concept!

A quick concept list shows what's covered, helping you pinpoint areas if you stumble on related questions

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Prioritize using ABC Analysis

Each chapter is categorized as A , B or C

A : Very Important, Read on priority

B : Moderately Important

C : Less Critical but still essential

A Very Important,
Read on priority

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Important

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essential

Ensure you thoroughly read all chapters without skipping any. The ABC analysis is designed to help you prioritize based on past trends, but it should not replace comprehensive preparation.

CHAPTER 19: REGISTRATION

Concept Summary

Sharpen your memory with lightning-fast concepts recap before you hit the questions. Also perfect for the final 1.5-day revision!

QUICK REVIEW OF IMPORTANT CONCEPTS

Taxable Supplies + Exempt supplies + Exports + Inter State supplies = **Aggregate Turnover**

Applicable threshold limit

- States with threshold limit of ₹ 10 lakh for supplier of goods and/or services
- States with threshold limit of ₹ 20 lakh for supplier of goods and/or services
- States with threshold limit of ₹ 20 lakh for supplier of services/both goods and services and threshold limit of ₹ 40 lakh for supplier of goods (Intra-State)
- Manipur, Mizoram, Nagaland and Tripura
- Arunachal Pradesh, Meghalaya, Sikkim, Uttarakhand, Puducherry and Telangana
- Jammu and Kashmir, Assam, Himachal Pradesh, All other States

Persons making inter State taxable supply

- Casual taxable person who does not have a fixed place of business in the State or Union Territory from where he wants to make supply
- A person receiving supplies on which tax is payable by recipient on reverse charge basis
- Those e-commerce operators who are notified as liable for tax payment under section 90C
- Non-resident taxable persons who do not have a fixed place of business in India
- Persons who are required to deduct tax under section 51 (TDS)
- A person who supplies on behalf of some other taxable person (i.e. an Agent of some Principal)
- Suppliers other than notified under section 90C who supply through an e-commerce operator
- Every e-commerce operator who is required to collect TCS
- Every person supplying O2O services from a place outside India to a person in India other than a registered person
- Input Service Distributor, whether or not separately registered
- Person supplying online money gaming from a place outside India to a person in India
- Person/ class of persons notified by the Central/ State Government

Persons not liable for registration

- Person engaged exclusively in supplying goods/ services/ both not liable to tax/ wholly exempt from tax
- Agriculturist limited to supply of produce out of cultivation of land
- Persons making only reverse charge supplies
- Persons making inter State supplies of taxable services up to ₹ 20 lakh**

All chapters include MCQs

Complete each chapter with a collection of MCQs
Your one-stop spot to learn, test and master key concepts!

MULTIPLE CHOICE QUESTIONS (MCQS)

1. In P.Y. 2024-2025, Mr. A has transferred the following assets:

Asset transferred	Full Value of Consideration (₹)	Indexed Cost of Acquisition (₹)	Transfer Date
Residential house property	8 crores	6 crores	25.11.2024
Jewellery	3 crores	2 crores	05.01.2025

Mr. A bought a new residential house property on 01.04.2023 for ₹ 1 crore and on 28.02.2025 deposited ₹ 3 crores in a capital gains deposit account scheme. On 30.07.2025, Mr. A has withdrawn ₹ 3 crores from capital gains deposit account and acquired a residential house property worth ₹ 2.5 crore. What would be the capital gains in the hands of Mr. A for A.Y. 2025-26, if the expenses in connection with transfer of jewellery were ₹ 2,00,000? (MTP 2 Marks, Mar'22)

- (a) ₹ 80,50,000
- (b) ₹ 81,55,705
- (c) ₹ 98,00,000
- (d) ₹ 48,00,000

Ans: (b)

2. A building was acquired on 1.4.1995 for ₹ 20,00,000 and sold for ₹ 80,00,000 on 01.06.2024. The stamp duty value on the date of transfer was ₹ 85,00,000. The fair market value of the building on 1.4.2001 was ₹ 25,00,000. Its stamp duty value on the same date was ₹ 22,00,000. Determine the capital gains on sale of such building for the A.Y. 2024-25?

Cost Inflation Index for F.Y. 2001-02: 100; F.Y. 2023-24: 363 (MTP Nov'22)

- (a) ₹ 14,000
- (b) ₹ 10,75,000
- (c) ₹ 7,40,000
- (d) ₹ 4,75,000

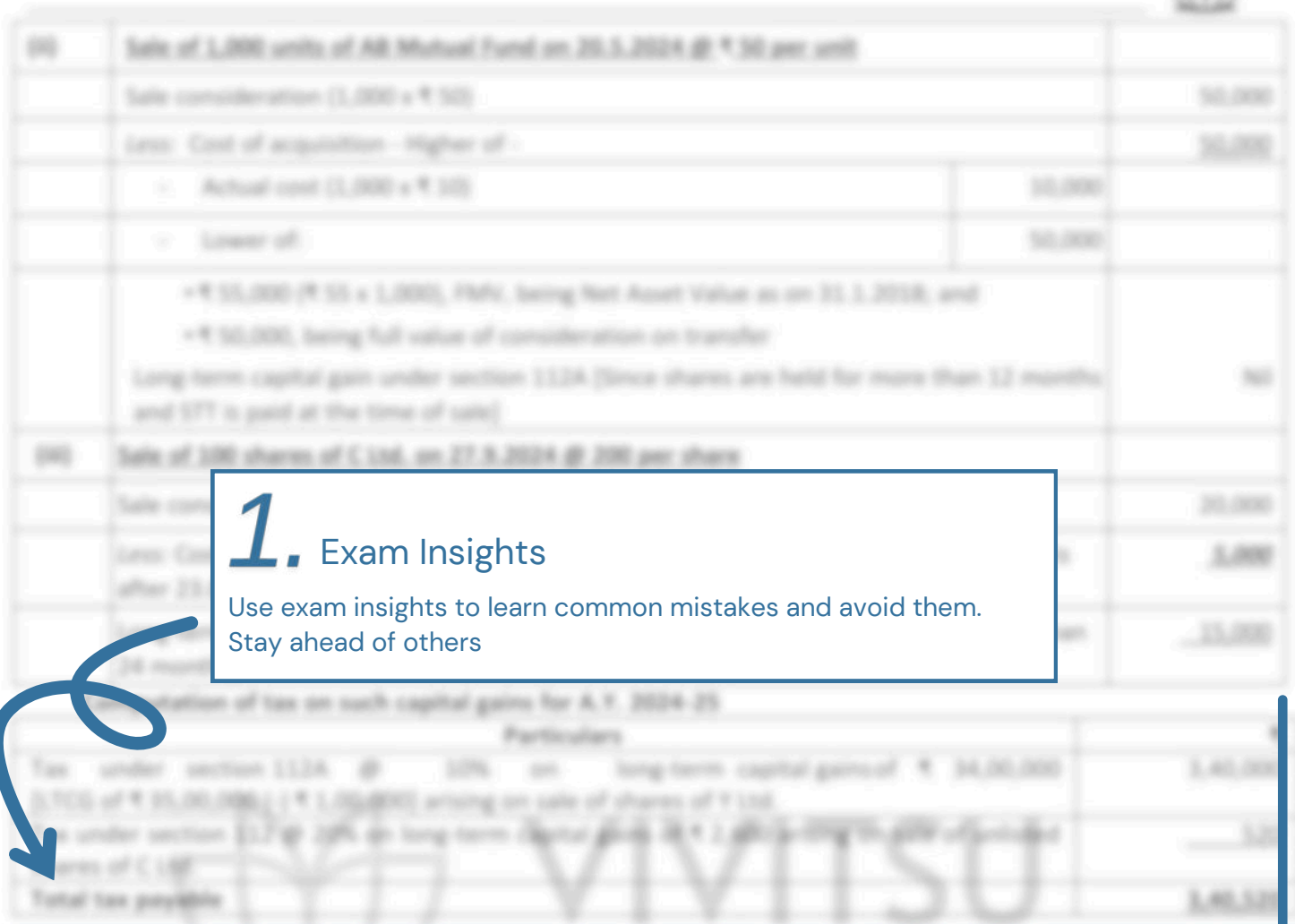
Ans: (d)

3. Mr. Kashyap, CEO of SHY Ltd., purchased a BMW of ₹ 1.15 crores on 28th September, 2021 for his personal use. On 28.2.2025, he sold this car for ₹ 1 crore and incurred an expenditure of ₹ 2.74 lakhs for transferring the ownership of car. Compute the taxable capital gain/loss, if any, to Mr. Kashyap for the A.Y. 2024-25.

CPI-2020-21: 301; 2022-23: 331; 2024-25: 363 (MTP Nov'22)

- (a) Short term capital loss of ₹ 0.1774 crores
- (b) Long term capital loss of ₹ 0.3445 crores
- (c) Nil
- (d) Long term capital loss of ₹ 0.317 crores

Ans: (d)



Use exam insights to learn common mistakes and avoid them.
Stay ahead of others

Quantities 1.2

Each question includes references and duplicates are removed – with all prior attempts noted.

100

Building your confidence step-by-step. Question 1 in any chapter is the easiest slowly progressing to more difficult questions

ABC Analysis

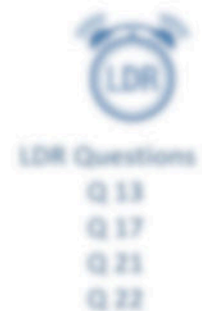
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- Meaning of short-term vs long-term capital assets
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- Tax liability on short-term/long-term capital gains applying special tax rates



QUICK REVIEW OF IMPORTANT CONCEPTS

Short-term capital asset/ long-term capital asset

Capital Asset	STCG, if held for	LTCG, if held for
In case transfer takes place before 23.7.2024		
• Security (other than unit) listed in a recognize stock exchange • Unit of equity-oriented fund/unit of UTI • Zero coupon bond	≤ 12 Months immediately preceding the date of its transfer	> 12 Months immediately preceding the date of its transfer
• Unlisted shares	≤ 24 Months immediately preceding the date of its transfer	> 24 Months immediately preceding the date of its transfer
• Unlisted securities other than shares • Other capital assets	≤ 36 Months immediately preceding the date of its transfer	> 36 Months immediately preceding the date of its transfer
In case transfer takes place on or after 23.7.2024		
• Security listed in a recognize stock exchange	≤ 12 Months immediately preceding the date of its transfer	> 12 Months immediately preceding the date of its transfer
• Unit of equity-oriented fund/unit of UTI • Zero Coupon bond		
• Other capital assets	≤ 24 Months immediately preceding the date of its transfer	> 24 Months immediately preceding the date of its transfer

Transactions not regarded as transfer [Section 47]:

- distribution of capital total or partial partition of a HUF



Compute the total income and tax liability of Mr. Wivitzu for the assessment year 2025-26 assuming that he has not opted for the provisions of section 115BAC. (MTP 14 Mark, Sep'22) (Same concept different chapters PYP 14 Marks Dec'21)

(The value of consideration has been changed from Rs 15,00,000 to Rs. 15,95,262 to keep the essence of the question)

Answer 21

Computation of total income of Mr. Wivitzu for A.Y. 2025-26

	Particulars	₹	₹	₹
I.	Income from business or profession			
	Net Profit		23,61,750	
	Add: Items debited but not allowable/Item not credited but			

-	Employer's contribution to NPS in excess of 14% of salary - Employer's contribution to the extent of 14% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 12,800 [₹ 80,000, being 20% of ₹ 4,00,000 less ₹ 67,200 being 14% of ₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000)] has to be added back.	12,800		
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-	VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DQA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,50,000 x 4/5]	2,80,000		
-	Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 2,02,500 [₹ 18,00,000 x 15% x 9/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	2,02,500		
-	Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 7,00,000 (being the deduction allowed u/s 35) and ₹ 9,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 9,00,000 - ₹ 7,00,000) over the capital expenditure incurred of ₹ 7,00,000	7,00,000		
-	Undervaluation of stock [(₹ 4,38,000 - ₹ 3,30,000) x 10/90] Note: Alternatively, undervaluation of closing stock i.e., ₹ 48,667 can be added back and under valuation of opening stock i.e., ₹ 36,667 can be reduced from net profits.	12,000		
-	Depreciation as per books of A/c	9,25,500		
			23,32,800	
			44,94,550	
	Less: Depreciation as per Income-tax Rules	5,50,000		
	Depreciation on Motor car purchased for supply of finished goods [₹ 3,50,000 x 15%]	52,500		
			6,02,500	
			38,92,050	
	Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income			
	- Profit on sale of asset of scientific research			

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26	Case Scenarios	26.1 – 26.30	A

ABC Analysis

A Very Important,
Read on priority

B Moderately
Important

C Less critical but still
essential

Ensure you thoroughly read all chapters without skipping any. The ABC analysis is designed to help you prioritize based on past trends, but it should not replace comprehensive preparation.

CHAPTER 3.3: PROFITS AND GAINS OF BUSINESS OR PROFESSION

CONCEPTS OF THIS CHAPTER

- Meaning of "business" and "profession" for tax purposes
- Scope of income chargeable to tax under these heads
- Speculative transactions and tax treatment of speculative business losses
- Admissible deductions and conditions for eligibility
- Limits on admissible deductions
- Deductions under section 115BAC (default tax regime)
- Deductions under normal provisions of the Income Tax Act
- Non-admissible expenditures/payments
- Deductions allowed only on actual payment
- Taxable receipts under the business head
- Assessors required to maintain books and get audits
- Presumptive tax provisions for eligible business/profession
- Computing business income with applicable deductions
- Income computation in mixed agricultural and business cases



LDR Questions

Q 13

Q 15

Q 17

QUICK REVIEW OF IMPORTANT CONCEPTS

Income chargeable under this head [Section 28]

(i)	The PGBP carried on by the Assessee at any time during the previous year.
(ii)	Any compensation or payment due to or received by a person, at or in connection with termination etc
(iii)	Income derived by a trade, professional or similar association from specific services performed for its members.
(v)	The value of any benefit or perquisite arising from business or the exercise of profession, whether
	(a) convertible into money or not; or
	(b) in cash or in kind or partly in cash and partly in kind.
(vi)	Any interest, salary, bonus, commission or remuneration due to, or received by, a partner of a firm from such firm (to the extent allowed as deduction in the hands of the firm). However, the partner's share in the total income of the firm or LLP is exempt from tax [Section 10(2A)].
(vii)	Any sum, received or receivable, in cash or kind under an agreement for –
	(a) not carrying out any activity in relation to any business or profession; or
	(b) not sharing any know-how, patent, copyright, trademark, licence, franchise etc likely to assist in the manufacture or processing of goods or provision of services.
(viii)	Any sum received under a Keyman insurance policy including the sum allocated by way of bonus
(xi)	Fair market value of inventory as on date on which it is converted into or treated as a capital asset.
(x)	Any sum, whether received or receivable, in cash or kind, on account of any capital asset (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, in respect of which the whole of the expenditure had been allowed as deduction under section 35AD.

Admissible Deductions

Section	Deduction
30	Amount paid on account of rent, rates, taxes, and insurance for buildings used for the purpose of business or profession.
31	current repairs and insurance of machinery, plant and furniture used for the purpose of business or profession.
32	Depreciation : is mandatorily allowable as deduction



Note: If the asset is acquired during the previous year and is put to use for less than 180 days during that previous year then, only 50% of the depreciation calculated at the rates prescribed will be allowed.

32(1)(iia)#	Additional depreciation at the rate of 20% of actual cost of plant or machinery acquired and installed by an assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power, shall be allowed.
35	Expenditure on Scientific Research -Expenditure incurred by assessee [Allowable both under the default tax regime u/s 115BAC and the optional tax regime i.e., normal provisions of the Act] [Section 35(1)(i) & Section 35(1)(iv) read with section 35(2)].
	Contributions to Outsiders [Allowable only if the assessee exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)] Section Association/University/company/college/IIT (Approved entities) 35(1)(ii) Approved entities for scientific research 35(1) (iia) Approved entities company for scientific research 35(1)(iii) Approved entities research in social science or statistical research 35(2AA) Approved entities to be used for scientific research undertaken under an approved programme
35AD#	This section provides for investment-linked tax deduction in respect of the following specified businesses commencing operations on or after the dates specified thereto Quantum of deduction - 100% of the capital expenditure (other than expenditure on acquisition of any land, goodwill or financial instrument) incurred during the previous year, wholly and exclusively for the above specified businesses Payment exceeding ₹ 10,000 to be made through prescribed electronic modes to qualify for deduction u/s 35AD Non-eligibility for deduction u/s 10AA or Chapter VI-A Asset to be used only for specified business for 8 years
35D	Preliminary expenditure incurred by Indian companies and other resident non-corporate assesseees shall be allowed as deduction over a period of 5 years beginning with the previous year in which business commences or in which extension of the undertaking is completed or the new unit commences operation or production. Qualifying amount - Maximum aggregate amount of the qualifying expenses that can be amortized is 5% of the cost of project In case of an Indian company, 5% of the cost of project or at its option, 5% of the capital employed by the company, whichever is higher.
35DDA	One-fifth of the expenditure incurred by an assessee-employer in any previous year in the form of payment to any employee in connection with his voluntary retirement.
40(a)(ia)	30% of any sum payable to a resident on which tax is deductible at source and such tax has not been deducted or, after deduction has not been paid on or before the due date for filing of return of income u/s 139(1).

In case of partnership firms or LLPs -

40(b)	(i) Payment of interest to any partner authorised by partnership deed in excess of the amount calculated at 12% simple interest per annum. (ii) Payment of remuneration to a working partner authorized by partnership deed to the extent the aggregate of such payment to working partners exceed the following limits – (a) On the first ₹ 6,00,000 of the ₹ 3,00,000 or 90% of the book-profit, book-profit or in case of a loss whichever is more. (b) On the balance of book-profit 60%
40A (2)	Any expenditure incurred in respect of which a payment is made to a related person or entity , to the extent it is considered excessive or unreasonable by the Assessing Officer.
40A (3)	Any expenditure, in respect of which a payment or aggregate of payments made to a person in a single day otherwise than by account payee cheque or account payee bank draft or ECS exceed ₹ 10,000.
	transport operator for plying, hiring or leasing goods carriages , an enhanced limit of ₹ 35,000 shall apply. If the payment/payments exceed this limit, the entire expenditure would be disallowed.



	Exceptions Rule 6DD: Payment to RBI, SBI, Co-operative banks Payment made to Government, which according to its Rules, has to be made in legal tender Payment for purchase of agricultural produce, forest produce, fish and fish products, productions of horticulture or apiculture to the cultivator, grower or producer of such produce or products.	
43B	Allowable only if the sum is actually paid on or before the due date of filing of return u/s 139(1) • Tax, duty, cess or fee • Contribution to any provident fund or superannuation fund or gratuity fund • Bonus or commission	
Other Provisions		
44AB	Mandatory audit of accounts of certain persons	
	Category of person	Condition for applicability of section 44AB
(1)	(2)	(3)
I	In case of a person carrying on business	
(a)	In case of a person carrying on business	If his total sales, turnover or gross receipts in business > ₹ 1 crore in the relevant PY.
	If in case of such person carrying on business –	If his total sales, turnover or gross receipts in business > ₹ 10 crore in the relevant PY
	Aggregate cash receipts in the relevant PY ≤ 5% of total receipts	
	Aggregate cash payments in the relevant PY ≤ 5% of total payments	
(b)	In case of an eligible assessee carrying on business, whose total turnover, sales, gross receipts ≤ ₹ 200 lakhs, and who has opted for section 44AD in any earlier PY In case of an eligible assessee carrying on business, whose aggregate cash receipts in the relevant PY ≤ 5% of total turnover or gross receipts and whose total turnover, sales, gross receipts ≤ ₹ 300 lakhs, and who has opted for section 44AD in any earlier PY	If he declares profit for any of the five successive PYs (say, P.Y.2024-25) not in accordance with section 44AD (i.e., he declares profits lower than 8% or 6% of total turnover, sales or gross receipts, as the case may be, in that year), then, he cannot opt for section 44AD for five successive PYs after the year of such default (i.e., from P.Y.2025-26 to P.Y.2029-30). For the year of default (i.e., P.Y. 2024-25) and five successive previous years (i.e., P.Y.2025-26 to P.Y.2029-30), he has to maintain books of account u/s 44AA and get them audited u/s 44AB, if his income exceeds the basic exemption limit.
Presumptive Income Provisions		
44AD	total turnover or gross receipts in the previous year does not exceed ₹ 2 crore. If aggregate cash receipts in the relevant PY ≤ 5% of total turnover or gross receipts of the assessee, higher turnover threshold of ₹ 3 crore would be applicable. Non-applicability of section 44AD (i) a person carrying on specified professions referred to in section 44AA(1), (ii) a person earning income in the nature of commission or brokerage ; (iii) a person carrying on agency business . Deemed profits and gains • 8% of gross receipts or total turnover • However, the presumptive income would be 6% (instead of 8%) of total turnover • by an account payee cheque or • by an account payee bank draft or • by use of electronic clearing system through a bank account or • through such other prescribed electronic modes	
44ADA	In any profession referred to in section 44AA (1) gross receipts does not exceed ₹ 50 lakhs in a previous year.	50% of the gross receipts or such higher sum claimed to have been earned by him.
44AE	Any assessee who owns not more than ten goods carriages at any time during the previous year and who is engaged in	For each heavy goods vehicle, ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for



the business of plying, hiring and leasing goods carriages.

every month or part of a month during which the vehicle is **owned** by the assessee.

For each vehicle, other than heavy goods vehicle, ₹ 7,500 per month or part of a month during which such vehicle is **owned** by the assessee **(or)** an amount claimed to have been actually earned from such vehicle, **whichever is higher.**

Questions & Answers

Question 1

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

M/s XY & Co., a partnership firm, is engaged in the business of operating goods vehicles and computes its income on presumptive basis under section 44AE. Since the income is computed under section 44AE, no further deduction of any kind is allowable from the income so computed. (RTP Nov'23)

Answer 1

The statement is incorrect.

If the income is computed under presumptive taxation under section 44AE, deduction allowable under section 30 to 38 shall be deemed to have been given full effect to and no further deduction shall be allowed. However, in case of firm, salary and interest paid to partners is deductible subject to the conditions and limits prescribed in section 40(b).

Question 2

Mr. Abhimanyu is engaged in the business of generation and distribution of electric power. He opts to claim depreciation on written down value for income-tax purposes. From the following details, compute the depreciation allowable as per the provisions of the Income-tax Act, 1961 for the A.Y. 2025-26, assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A):

	Particulars	(₹ in lacs)
(i)	WDV of block as on 31.3.2024 (15% rate)	50.00
(ii)	Depreciation for P.Y. 2023-24	7.50
(iii)	New machinery purchased on 12-10-2024	10.00
(iv)	Machinery imported from Colombo on 12-4-2024. This machine had been used only in Colombo earlier and the assessee is the first user in India.	9.00
(v)	New computer installed in generation wing unit on 15-7-2024	2.00

All assets were purchased by A/c payee cheque. (SM)

Answer 2

Computation of depreciation under section 32 for A.Y.2025-26

Particulars	₹	₹
Normal Depreciation		
Depreciation@15% on ₹ 51,50,000, being machinery put to use for more than 180 days [WDV as on 31.3.2024 of ₹ 50,00,000 – Depreciation for P.Y. 2023-24 of ₹ 7,50,000+ Purchase cost of imported machinery of ₹ 9,00,000]	7,72,500	
Depreciation@7.5% on ₹ 10,00,000, being new machinery put to use for less than 180 days	<u>75,000</u>	
	8,47,500	
Depreciation@40% on computers purchased ₹ 2,00,000	<u>80,000</u>	9,27,500
Additional Depreciation (Refer Note below)		
Additional Depreciation@10% of ₹ 10,00,000 [being actual cost of new machinery purchased on 12-10-2024]	1,00,000	



Additional Depreciation@20% on new computer installed in generation wing of the unit [20% of ₹ 2,00,000]	40,000	1,40,000
Depreciation on Plant and Machinery		10,67,500

Note: -

Mr. Abhimanyu is eligible for additional depreciation since he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). The benefit of additional depreciation is available to new plant and machinery acquired and installed in power sector undertakings. Accordingly, additional depreciation is allowable in the case of any new machinery or plant acquired and installed by an assessee engaged, inter alia, in the business of generation, transmission or distribution of power, at the rate of 20% of the actual cost of such machinery or plant.

Therefore, new computer installed in generation wing units eligible for additional depreciation@20%.

Since the new machinery was purchased only on 12.10.2024, it was put to use for less than 180 days during the previous year, and hence, only 10% (i.e., 50% of 20%) is allowable as additional depreciation in the A.Y.2025-26. The balance additional depreciation would be allowed in the next year.

However, additional depreciation shall not be allowed in respect of, inter alia, any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person. Therefore, additional depreciation is not allowable in respect of imported machinery, since it was used in Colombo, before its installation by the assessee.

Question 3

Mr. Wiwzu, a retail trader of Cochin gives the following Trading and Profit and Loss Account for the year ended 31st March, 2025:

Trading and Profit and Loss Account for the year ended 31.03.2025

Particulars	₹	Particulars	₹
To Opening stock	90,000	By Sales	1,12,11,500
To Purchases	1,10,04,000	By Closing stock	1,86,100
To Gross Profit	3,03,600		-
	1,13,97,600		1,13,97,600
To Salary	60,000	By Gross profit b/d	3,03,600
To Rent and rates	36,000	By Income from UTI	2,400
To Interest on loan	15,000		
To Depreciation	1,05,000		
To Printing & stationery	23,200		
To Postage & telegram	1,640		
To Loss on sale of shares (Short-term)	8,100		
To Other general	7,060		
expenses			
To Net Profit	50,000		
	3,06,000		3,06,000

Additional Information:

- (i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:

Opening stock	₹ 9,000
Closing stock	₹ 18,000

- (ii) Salary includes ₹ 10,000 paid to his brother, which is unreasonable to the extent of ₹ 2,000.
- (iii) The whole amount of printing and stationery was paid in cash by way of one-time payment to Mr. Ramesh.
- (iv) The depreciation provided in the Profit and Loss Account ₹ 1,05,000 was based on the following information:
The opening balance of plant and machinery (i.e., the written down value as on 31.3.2024 minus depreciation for P.Y. 2023-24) is ₹ 4,20,000. A new plant falling under the same block of depreciation was bought on 01.7.2024 for ₹ 70,000. Two old plants were sold on 1.10.2024 for ₹ 50,000.
- (v) Rent and rates includes GST liability of ₹ 3,400 paid on 7.4.2025.



(vi) Other general expenses include ₹ 2,000 paid as donation to a Public Charitable Trust.

You are required to compute the profits and gains of Mr. Wiwzu under presumptive taxation u/s 44AD and profits and gains as per the regular provisions of the Act assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year. (SM)

Answer 3

Computation of business income of Mr. Wiwzu for the A.Y. 2025-26

Particulars	₹	₹
Net Profit as per profit and loss account		50,000
Add: Inadmissible expenses/ losses		
Under valuation of closing stock	18,000	
Salary paid to brother – unreasonable [Section 40A(2)]	2,000	
Printing and stationery - whole amount of	23,200	
printing & stationery paid in cash would be disallowed, since such amount exceeds ₹ 10,000 [Section 40A(3)]		
Depreciation (considered separately)	1,05,000	
Short term capital loss on shares	8,100	
Donation to public charitable trust	2,000	1,58,300
		2,08,300
Less: Items to be deducted:		
Under valuation of opening stock	9,000	
Income from UTI [Chargeable under the head “Income from Other Sources”]	2,400	11,400
Business income before depreciation		1,96,900
Less: Depreciation (See Note 1)		66,000
		1,30,900

Computation of business income as per section 44AD:

As per section 44AD, where the amount of turnover is received, inter alia, by way of account payee cheque or use of electronic clearing system through bank account or through such other prescribed electronic modes, the presumptive business income would be 6% of turnover, i.e., ₹ 1,12,11,500 x 6 /100 = ₹ 6,72,690

Notes:

1. Calculation of depreciation

Particulars	₹
Opening balance of plant & machinery as on 1.4.2023 (i.e. WDV as on 31.3.2024 (-) depreciation for P.Y. 2023-24)	4,20,000
Add: Cost of new plant & machinery	70,000
	4,90,000
Less: Sale proceeds of assets sold	50,000
WDV of the block of plant & machinery as on 31.3.2025	4,40,000
Depreciation@15%	66,000
No additional depreciation is allowable as the assessee is not engaged in manufacture or production of any article.	

2. Since GST liability has been paid before the due date of filing return of income under section 139(1), the same is deductible.

Question 4

Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2024, he owns 10 trucks (out



of which 6 are heavy goods vehicles, the gross vehicle weight of such goods vehicle is 15,000 kg each). On 2nd May, 2024, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 6th May, 2024. This new vehicle could, however, be put to use only on 15th June, 2024.

Compute the total income of Mr. Sukhvinder for the A.Y. 2025-26, taking note of the following data:

Particulars	₹	₹
Freight charges collected		12,70,000
Less: Operational expenses	6,25,000	
Depreciation as per section 32	1,85,000	
Other office expenses	15,000	8,25,000
Net Profit		4,45,000
Other business and non-business income		70,000

(SM)

Answer 4

Section 44AE would apply in the case of Mr. Sukhvinder since he is engaged in the business of plying goods carriages and owns not more than ten goods carriages at any time during the previous year.

Section 44AE provides for computation of business income of such assesses on a presumptive basis. The income shall be deemed to be ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and ₹ 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by the assessee in the previous year or such higher sum as declared by the assessee in his return of income.

Mr. Sukhvinder's business income calculated applying the provisions of section 44AE is ₹ 13,72,500 (See Notes 1 & 2 below) and his total income would be ₹ 14,42,500. However, as per section 44AE(7), Mr. Sukhvinder may claim lower profits and gains if he keeps and maintains proper books of account as per section 44AA and gets the same audited and furnishes a report of such audit as required under section 44AB. If he does so, then his income for tax purposes from goods carriages would be ₹ 4,45,000 instead of ₹ 13,72,500 and his total income would be ₹ 5,15,000.

Notes:

1. Computation of total income of Mr. Sukhvinder for A.Y. 2025-26

Particulars	Presumptive income ₹	Where books are maintained ₹
Income from business of plying goods carriages [See Note 2 Below]	13,72,500	4,45,000
Other business and non-business income	70,000	70,000
Total Income	14,42,500	5,15,000

2. Calculation of presumptive income as per section 44AE

Type of carriage	No. of months	Rate per ton per month/ per month	Ton	Amount ₹
(1)	(2)		(3)	(4)
Heavy goods vehicle				
1 goods carriage up-to 1st May	2	1,000	15 (15,000/1,000)	30,000
5 goods carriage held throughout the year	12	1,000	15 (15,000/1,000)	9,00,000
Goods vehicle other than heavy goods vehicle				
1 goods carriage from 6th May	11	7,500	-	82,500
4 goods carriage held throughout the year	12	7,500	-	3,60,000
Total				13,72,500

Question 5

Mr. Raju, a manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025:



Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	2,32,00,000
To Purchase of Raw Materials	2,16,99,000	By Closing stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000		
To Gross Profit	10,60,000		
	2,34,00,000		2,34,00,000
To Administrative charges	3,26,000	By Gross Profit	10,60,000
To SGST penalty	5,000	By Dividend from domestic companies	15,000
To GST paid	1,10,000		
To General Expenses	54,000	By Income from agriculture (net)	1,80,000
To Interest to Bank (On machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	12,55,000		12,55,000

Following are the further information relating to the financial year 2024-25:

- Administrative charges include ₹ 46,000 paid as commission to brother of the assessee. The commission amount at the market rate is ₹ 36,000.
- The assessee paid ₹ 33,000 in cash to a transport carrier on 29.12.2024. This amount is included in manufacturing expenses. (Assume that the provisions relating to TDS are not applicable to this payment)
- A sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in the books of account.
- Bank term loan interest actually paid upto 31.03.2025 was ₹ 20,000 and the balance was paid in November 2025.
- Housing loan principal repaid during the year was ₹ 50,000 and it relates to residential property acquired by him in P.Y. 2023-24 for self-occupation. Interest on housing loan was ₹ 23,000. Housing loan was taken from Canara Bank. These amounts were not dealt with in the profit and loss account given above.
- Depreciation allowable under the Act is to be computed on the basis of following information:

Plant & Machinery (Depreciation rate@15%)	₹
WDV as on 31.03.2024 minus Depreciation for P.Y. 2023-24	11,90,000
Additions during the year (used for more than 180 days)	2,00,000
Total additions during the year	4,00,000

Compute the total income of Mr. Raju for the A.Y. 2025-26 assuming he pays tax under default tax regime.

Note: Ignore application of section 14A for disallowance of expenditures in respect of any exempt income. (SM)

Answer 5

Compute of total Income of Mr. Raju for the A.Y.2025-26

Particulars	₹	₹
Profits and gains of business or profession		
Net profit as per profit and loss account		5,00,000
Add: Excess commission paid to brother disallowed under section 40A(2)	10,000	
Disallowance under section 40A (3) is not attracted since the limit for one-time cash payment is ₹ 35,000 in respect of payment to transport operators. Therefore, amount of ₹ 33,000 paid in cash to a transport carrier is allowable as deduction.	Nil	
Salary paid to staff not recorded in the books (Assuming that the expenditure is in the nature of unexplained expenditure and hence, is deemed to be income as per section 69C and would be taxable @ 60% under section 115BBE – no deduction allowable in respect of such	48,000	

CHAPTER 4: INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME

CONCEPTS OF THIS CHAPTER

- When clubbing provisions apply in computing total income
- Spouse's income inclusion in individual's total income
- Son's wife's income inclusion in individual's total income
- Income of minor where clubbing provisions don't apply
- Minor's income clubbing in parent's hands and computation
- Income of HUF included in a member's hands



LDR Questions

Q 12

Q 15

Q 16

QUICK REVIEW OF IMPORTANT CONCEPTS

Section	Income to be clubbed	Content
60	Income transferred without transfer of asset	When a person transfers the income accruing from an asset without the transfer of the asset itself, such income is to be included in the total income of the transferor, whether the transfer is revocable or irrevocable.
61	Income arising from revocable transfer of assets	Such income is to be included in the hands of the transferor. A transfer is deemed to be revocable if it – (i) contains any provision for re-transfer of the whole or any part of the income or assets to the transferor; or (ii) gives right to re-assume power over the whole or any part of the income or the asset.
64(1)(ii)	Income arising to spouse by way of remuneration from a concern in which the individual has substantial interest	Such income arising to spouse is to be included in the total income of the individual. However, if remuneration received is attributable to the application of technical or professional knowledge and experience of spouse, then, such income is not to be clubbed.
64(1)(iv)	Income arising to spouse from assets transferred without adequate consideration Income arising to son's wife from an asset transferred without adequate consideration	Income arising from an asset (other than house property) transferred otherwise than for adequate consideration or not in connection with an agreement to live apart, from one spouse to another shall be included in the total income of the transferor. Income arising from an asset transferred otherwise than for adequate consideration, by an individual to his or her son's wife shall be included in the total income of the transferor.
64(1)(viii)	Income arising from transfer of assets for the benefit of spouse or son's wife	All income arising to any person or association of persons from assets transferred without adequate consideration is includible in the income of the transferor, to the extent such income is used by the transferee for the immediate or deferred benefit of the transferor's spouse or son's wife.
64(1A)	Income of minor child	The income of the minor child shall be included with the income of that parent, whose total income, before including minor's income, is higher. Where the marriage of the parents does not subsist, the income of the minor will be includible in the income of that



		parent who maintains the minor child in the relevant previous year. parent, shall be entitled to exemption of such income subject to a maximum of ₹ 1,500 per child under section 10(32). section 10(32) would be available to an assessee only if he exercises the option of shifting out of the default tax regime following income of a minor child shall, however, not be clubbed in the hands of his or her parent – (a) Income from manual work done by him or activity involving application of minor's skill, (b) Income of a minor child suffering from any disability specified in section 80U.
64(2)	Conversion of self-acquired property into the property of a HUF	converts his individual property into property of the HUF of which he is a member, directly or indirectly

Question & Answers

Question 1

Suresh gifted ₹10 lakhs to his wife, Shagun on her birthday on, 29th February, 2024. Shagun lent such amount to Kinjal on 1st April, 2024 for six months on which she received interest of ₹ 75,000. The said sum of ₹ 75,000 was invested in shares of a listed company on 5th October, 2024, which were sold for ₹ 90,000 on 30th March, 2025. Securities transactions tax was paid on purchase and sale of such shares.

In whose hands the above income shall be included in A.Y.2025-26. Support your answer with brief reasons. (MTP 3 Marks, Oct'21, Mar'19, RTP Nov '18, Nov'19)

Answer 1

In computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

Interest on loan: Accordingly, ₹ 75,000, being the amount of interest on loan received by Mrs Shagun, wife of Mr. Suresh, would be includible in the total income of Mr. Suresh, since such loan was given out of the sum of money received by her as gift from her husband.

Short-term capital gain: Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, short-term capital gain of ₹ 15,000 (₹ 90,000, being the sale consideration less ₹75,000, being the cost of acquisition) arising in the hands of Mrs Shagun from sale of shares acquired by investing the interest income of ₹75,000 earned by her (from the loan given out of the sum gifted by her husband), would not be included in the hands of Mr. Suresh. Thus, such income is taxable in the hands of Mrs. Shagun.

Question 2

Mr. Vikas holds shares carrying 33% voting power in Kaya Ltd. Mrs. Rinky is working as accountant in Kaya Ltd. getting income from salary (computed) of Rs. 4,60,000 without any qualification in accountancy. Mr. Vikas also receives Rs. 35,000 as interest on securities. Mrs. Rinky owns a house property which she has let out. Rent received from tenants is Rs. 6,000 p.m. Compute the gross total income of Mr. Vikas and Mrs. Rinky for the A.Y. 2025-26. (MTP 4 Marks, Nov'21)

Answer 2

Since Mrs. Rinky is not professionally qualified for the job, the clubbing provisions shall be applicable.

Computation of Gross total income of Mr. Vikas

Particulars	Rs.
Income from Salary of Mrs. Rinky (Computed)	4,60,000
Income from other sources	
- Interest on securities	35,000
	4,95,000

**Computation of gross total income of Mrs. Rinky**

Particulars	Rs.	Rs.
Income from Salary [clubbed in the hands of Mr. Vikas]		Nil
Income from house property		
Gross Annual Value [Rs. 6,000 × 12]	72,000	
Less: Municipal taxes paid	-	
Net Annual Value (NAV)	72,000	
Less: Deductions under section 24		
- 30% of NAV i.e., 30% of Rs. 72,000	21,600	
- Interest on loan	-	50,400
Gross total income		50,400

Question 3

Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration.

On 01-10-2024, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2024-25 is ₹ 1,00,000. Determine the tax implications. (PYP 4 Marks, May'22)

Answer 3

	₹
Since Mr. Sarthak, who is a member of the HUF, transfers the house property acquired by him out of his personal income to the HUF without any consideration, the income from such property would continue to be included in his total income upto the date of partition. Accordingly, income from such property for six months upto the date of partition i.e., 30.9.2024 ($6/12 \times ₹ 70,000$ [Net Annual Value of ₹ 1,00,000 less deduction under section 24(a) @30%]) would be included in the total income of Mr. Sarthak.	35,000
Since the HUF was partitioned on 1.10.2024, the income derived from such converted house property as is received by Mr. Sarthak's spouse, Juhi, on attrition will be deemed to arise to Mr. Sarthak from house property transferred indirectly by him to her and consequently, such income would also be included in the total income of Mr. Sarthak. Accordingly, Mr. Sarthak's share (25%) and Juhi's share (25%) would be included in the total income of Mr. Sarthak.	
Sarthak's Share [25% of ₹ 35,000 ($₹ 70,000 \times 6/12$)]	8,750
Juhi's Share [25% of ₹ 35,000] included in the total income of Sarthak	8,750
Income from house property includible in the income of Mr. Sarthak	52,500
25% share of Sarthak's minor daughter, Aditi, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in the total income of Mr. Sarthak or Juhi, whosoever's total income, before including Aditi's income, is higher. Such parent shall be entitled to an exemption of ₹ 1,500 under section 10(32).	
25% share of Sarthak's major son, Arjun, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in Arjun's total income.	
Distribution of house property on partition of HUF is not a transfer for levy of capital gains tax.	

Question 4

Mr. B is the Karta of a HUF, whose members derive income as given below:

	Particulars	₹
(i)	Income from B's profession	45,000
(ii)	Mrs. B's salary as fashion designer	76,000
(iii)	Minor son D (interest on fixed deposits with a bank which were gifted to him by his uncle)	10,000
(iv)	Minor daughter P's earnings from sports	95,000
(v)	D's winnings from lottery (gross)	1,95,000



Examine the tax implications in the hands of Mr. and Mrs. B. (SM)

Answer 4

Clubbing of income and other tax implications

As per the provisions of section 64(1A), in case the marriage of the parents subsist, the income of a minor child shall be clubbed in the hands of the parent whose total income, excluding the income of the minor child to be clubbed, is greater. In this problem, it has been assumed that the marriage of Mr. B and Mrs. B subsists.

Further, in case the income arises to the minor child on account of any manual work done by the child or as a result of any activity involving application of skill, talent, specialized knowledge or experience of the child, then, the same shall not be clubbed in the hands of the parent.

Tax implications

- (i) Income of ₹ 45,000 from Mr. B's profession shall be taxable in the hands of Mr. B under the head "Profits and gains of business or profession".
- (ii) Salary of ₹ 26,000 (₹ 76,000 less standard deduction under section 16(ia) of ₹ 50,000) shall be taxable as "Salaries" in the hands of Mrs. B.
- (iii) Income from fixed deposit of ₹ 10,000 arising to the minor son D, shall be clubbed in the hands of the father, Mr. B as "Income from other sources", since Mr. B's income is greater than income of Mrs. B before including the income of the minor child. As per section 10(32), income of a minor child which is includible in the income of the parent shall be exempt to the extent of ₹ 1,500 per child if such parent exercises the option of shifting out of the default tax regime provided under section 115BAC(1A). The balance income would be clubbed in the hands of the parent as "Income from other sources".
- (iv) Income of ₹ 95,000 arising to the minor daughter P from sports shall not be included in the hands of the parent, since such income has arisen to the minor daughter on account of an activity involving application of her skill.
- (v) Income of ₹ 1,95,000 arising to minor son D from lottery shall be included in the hands of Mr. B as "Income from other sources", since Mr. B's income is greater than the income of Mrs. B before including the income of minor child.

Note – Mr. B can reduce the tax deducted at source from such lottery income while computing his net tax liability.

Question 5

Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2024-25, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2025-26

- (i) Dividend of ₹ 22,500 and ₹ 45,000 is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.
- (ii) Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is ₹ 8,50,000 and ₹ 5,50,000, respectively.
- (iii) Business income earned by Mr. Samrat from his sole proprietary business is ₹ 15,60,000
- (iv) Interest on fixed deposit earned by Mrs. Komal of ₹ 9,00,000.
- (v) Their son, Akash, aged 10 years having PAN, received interest of ₹ 54,000 from bank on a fixed deposit created by his grandfather in his name. Assumed that they have opted out of 115BAC. (RTP May'22)

Answer 5

Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2025 -26

Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
Salary of Samrat	8,50,000			-
Less: Standard deduction under section 16(ia)	<u>50,000</u>	8,00,000		-
Salary of Komal	5,50,000			-
Less: Standard deduction under section 16(ia)	<u>50,000</u>	5,00,000		-
[Salary earned by Mrs. Komal has to be included in the total income of Mr. Samrat, since he has substantial				



interest in the concern (i.e., having 24% voting power in ABC (P) Ltd., along with his wife) and Mrs. Komal does not have any professional qualification for the job.]				
Business Income		15,60,000		-
Dividend income from ABC (P) Ltd. [Taxable in the hands of Mr. Samrat as per section 60, since he transferred the income i.e., dividend without transferring the asset i.e., shares]	[22,500/90 x 100 x 2]	50,000	[45,000/90 x 100]	50,000
Interest on Fixed Deposit earned by Mrs. Komal		-		9,00,000
Total Income (before including minor's income)		29,10,000		9,50,000
Income of minor child to be included in Mr. Samrat's income, since his total income before including minor's income is higher than that of Mrs. Komal. [₹ 54,000 /90 x 100]	60,000			
Less: Exemption of ₹ 1,500 u/s 10(32) in respect of the income of each child so included.	1,500	58,500		
Gross Total Income		29,68,500		9,50,000

Question 6

Mr. Jain and his wife Mrs. Jain are partners in a partnership firm holding 25% share each. During the F.Y. 2024-25, the firm paid ₹2,50,000 to each of them as remuneration. Apart from this, they provide you the following information in respect of F.Y. 2024-25:

- Salary received by Mr. Jain from his employer ₹ 12,50,000.
- Interest on fixed deposit earned by Mrs. Jain ₹ 14,00,000. (The fixed deposit was opened by using her "Stridhan")
- Income of their three minor children Neeta, Meeta and Seeta was ₹ 15,000; ₹ 10,000 and ₹ 2,000 respectively.

You are required to compute the gross total income of Mr. and Mrs. Jain as per the provisions of Income-tax Act for the A.Y. 2025-26 assuming that they have shifted out of the default tax regime.

(MTP 4 Marks, Jul'24)

Answer 6

Computation of Gross Total Income of Mr. Jain and Mrs. Jain for A.Y. 2025-26

Particulars	Mr. Jain		Mrs. Jain	
	₹	₹	₹	₹
Salary	12,50,000		-	
Less: Standard deduction under section 16(ia)	50,000			
		12,00,000		
Interest on Fixed Deposit earned by Mrs. Jain	-			14,00,000
Total income (before including remuneration from firm and minor's income)		12,00,000		14,00,000
Remuneration from firm (assumed that the same is fully deductible in the hands of the firm)			2,50,000	
Remuneration of ₹ 2,50,000 received by Mr. Jain has to be included in the total income of Mrs. Jain, since both of them have substantial interest in the concern (i.e., each having 25% share in the firm, in the present case), and her total income of ₹14 lakh exceeds the total income of her spouse excluding this income (i.e., ₹ 12 lakh). It is assumed that such remuneration is fully deductible in the hands of the firm.			2,50,000	5,00,000
Total Income (before including minor's income)		12,00,000		19,00,000
Income of three minor children to be included in Mrs. Jain's income ¹ , since her total income before including minor's income is higher than that of her		-		



husband.				
- Neeta			15,000	
- Meeta			10,000	
- Seeta			<u>2,000</u>	
			27,000	
Less: Exemption of ₹ 1,500 u/s 10(32) in respect of the income each child so included.			<u>4,500</u>	22,500
Gross Total Income		12,00,000		19,22,500

Question 7

Nishant gifted ₹ 10 lakhs to his wife, Nisha on her birthday on, 1st January, 2024. Nisha lent ₹ 5,00,000 out of the gifted amount to Krish on 1st April, 2024 for six months on which she received interest of ₹ 50,000. The said sum of ₹ 50,000 was invested in shares of a listed company on 15th October, 2024, which were sold for ₹ 75,000 on 30th December, 2024. Securities transaction tax was paid on such sale. The balance amount of gift was invested as capital by Nisha in a newly business started on 1.4.2024. She suffered loss of ₹ 15,000 in the business in Financial Year 2024-25.

In whose hands the above income and loss shall be included in Assessment Year 2025 -26? Support your answer with brief reasons. (MTP 4 Marks, Apr'23 & Oct '20)

Answer 7

Interest on loan

As per section 64(1)(iv), in computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

Accordingly, ₹ 50,000, being the amount of interest on loan received by Ms. Nisha, wife of Mr. Nishant, would be includible in the total income of Mr. Nishant, since such loan was given by her out of the sum of money received by her as gift from her husband.

Loss from business

Since the capital was invested in business by Ms. Nisha on 1st April, 2024, and capital invested was entirely out of the funds gifted by her husband, the entire loss of ₹ 15,000 from the business carried on by Ms. Nisha would also be includible in the total income of Mr. Nishant.

Since income includes loss as per Explanation 2 to section 64, clubbing provisions would be attracted even if there is loss and not income.

Capital Gain on sale of shares of listed company

The short-term capital gain of ₹ 25,000 (₹ 75,000, being the sale consideration less ₹ 50,000, being the cost of acquisition) arising in the hands of Ms. Nisha from sale of shares acquired by investing the interest income of ₹ 50,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Nishant.

Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and therefore such income is taxable in the hands of Ms. Nisha. Since securities transaction tax has been paid, such short-term capital gain on sale of listed shares is taxable @ 20% (Since it is sold after 23.07.2024) in the hands of Ms. Nisha.

Question 8

Mr. Om has gifted a house property valued at ₹ 50 lakhs to his wife, Mrs. Uma, who in turn has gifted the same to Mrs. Pallavi, their daughter-in-law. The house was let out at ₹ 25,000 per month throughout the year. Compute the total income of Mr. Om and Mrs. Pallavi.

Will your answer be different if the said property was gifted to his son, husband of Mrs. Pallavi?
(MTP 4 Marks, Mar'23 & SM)

Answer 8

As per section 27(i), an individual who transfers otherwise than for adequate consideration any house property to his spouse, not being a transfer in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred.



Therefore, in this case, Mr. Om would be the deemed owner of the house property transferred to his wife Mrs. Uma without consideration.

As per section 64(1)(vi), income arising to the son's wife from assets transferred, directly or indirectly, to her by an individual otherwise than for adequate consideration would be included in the total income of such individual.

Income from let-out property is ₹ 2,10,000 [i.e., ₹ 3,00,000, being the actual rent calculated at ₹ 25,000 per month less ₹ 90,000, being deduction under section 24@30% of ₹ 3,00,000]

In this case, income of ₹ 2,10,000 from let-out property arising to Mrs. Pallavi, being Mr. Om's son's wife, would be included in the income of Mr. Om, applying the provisions of section 27(i) and section 64(1)(vi). Such income would, therefore, not be taxable in the hands of Mrs. Pallavi.

In case the property was gifted to Mr. Om's son, the clubbing provisions under section 64 would not apply, since the son is not a minor child. Therefore, the income of ₹ 2,10,000 from letting out of property gifted to the son would be taxable in the hands of the son.

It may be noted that the provisions of section 56(2)(x) would not be attracted in the hands of the recipient of house property, since the receipt of property in each case was from a "relative" of such individual. Therefore, the stamp duty value of house property would not be chargeable to tax in the hands of the recipient of immovable property, even though the house property was received by her or him without consideration.

Note - The first part of the question can also be answered by applying the provisions of section 64(1)(vi) directly to include the income of ₹ 2,10,000 arising to Mrs. Pallavi in the hands of Mr. Om. [without first applying the provisions of section 27(i) to deem Mr. Om as the owner of the house property transferred to his wife Mrs. Uma without consideration], since section 64(1)(vi) speaks of clubbing of income arising to son's wife from indirect transfer of assets to her by her husband's parent, without consideration. Gift of house property by Mr. Om to Mrs. Pallavi, via Mrs. Uma, can be viewed as an indirect transfer by Mr. Om to Mrs. Pallavi.

Question 9

From the following transactions compute the total income of Mr. Raman and his wife Savita for the Assessment year 2025-26.

- (i) Mr. Raman had a fixed deposit of ₹ 5,00,000 in the bank. He instructed the bank to credit the interest on deposit @6% from 01-04-2024 to 31-03-2025 to the savings account of his brother's son for his education.
- (ii) Savita is a B.com graduate and working in the ABC Private Limited as an accountant with a monthly salary of ₹ 25,000. Raman holds 30% equity shares of the ABC Private Limited.
- (iii) Raman started proprietary business on 01-04-2003 with a capital of ₹ 10,00,000. He incurred a loss of ₹ 2,00,000 during the previous year 2023-24. To overcome the financial position, Savita gifted a sum of ₹ 4,00,000 to him on 01-04-2024 which was immediately invested in the business by Mr. Raman. He earned a profit of ₹ 3,00,000 during the previous year 2024-25
- (iv) Sajjan, younger son of Raman, aged 17 years won in a debate competition during the annual competitions held at his school and received a cash award of ₹ 10,000 and he also earned interest of ₹ 7,000 on balance maintained in his savings bank account. Assume that they have opted out of default tax regime. (PYP 4 Marks, Nov'22)

Answer 9

Computation of Total Income of Mr. Raman and Mrs. Savita for A.Y. 2025-26

Particulars	Mr. Raman	Mrs. Savita
	Amount (₹)	
(i) Interest on fixed deposits [Income would be included in the hands of Raman, since he has transferred income to his brother's son without transfer of the asset, being fixed deposit] [₹ 5,00,000 x 6%]	30,000	
(ii) Salary income [₹ 3,00,000 (₹ 25,000 x 12) less standard deduction of ₹ 50,000] [Mrs. Savita's salary would not be included in the income of Raman, who has substantial interest in the company, since she possesses the relevant professional qualifications for working as an accountant]		2,50,000

CHAPTER 11: GST IN INDIA - AN INTRODUCTION

CONCEPTS OF THIS CHAPTER

- Concept and need for GST in India.
- Framework of GST in India and its benefits.
- Constitutional provisions for tax levy.
- Need for constitutional amendment for GST.
- Key changes under Constitution (101st Amendment) Act, 2016.



LDR Questions
Q 5

QUICK REVIEW OF IMPORTANT CONCEPTS

Deficiencies in the value added taxation system

1. Non-inclusion of several local levies in State VAT such as luxury tax, entertainment tax, etc.
2. Cascading of taxes on account of
 - (i) levy of Non-Vatable CST and (ii) inclusion of CENVAT in the value for imposing VAT
3. No CENVAT after manufacturing stage
4. Non-integration of VAT & service tax
5. Double taxation of certain transactions as both goods and services

Classification based on HSN (Harmonized System of Nomenclature)

HSN is a multipurpose international product nomenclature for classifying goods across the World in a systematic manner. Classification determines the rate of tax applicable on a particular supply of goods/services. Under HSN, each product is identified by a 6 digit code which can be extended. India has extended the HSN codes upto 8-digits.

GST Common Portal

- a website managed by Goods and Services Network (GSTN) [a wholly owned Government Company]
- set by the Government to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States.

Functions of GSTN include

1. facilitating registration
2. computation and settlement of IGST
3. matching of tax payment details with banking network
4. forwarding the returns to Central and State authorities
5. providing various MIS reports to the Central and the State Governments based on the taxpayer return information
6. providing analysis of taxpayers' profile

Within GST or outside GST?

- | | |
|---|--|
| <ul style="list-style-type: none"> • Alcohol for human consumption • Five petroleum products -crude oil, diesel, petrol,natural gas and ATF. • Entertainment tax levied by local bodies • Tobacco | <ul style="list-style-type: none"> • Power to tax remains with the State. • GST Council to decide the date from which GST will be applicable • Power to tax remains with the local bodies • Within the purview of GST. Power to levy excise duties, also retained. |
|---|--|



BENEFITS OF GST

GST

- | | |
|------------------------|--------------------------------------|
| 1. Benefits to Economy | 2. Simplified Tax Structure |
| 3. Tax Compliance Easy | 4. Advantages for Trade and Industry |

Seventh Schedule to Article 246

LIST – I UNION LIST- Parliament (Central Government) has the exclusive right to make laws.

LIST – II STATE LIST- State Government has the exclusive right to make laws.

LIST – III CONCURRENT LIST- both the Central & State Governments have power to make laws.

Article 246A- Power to make laws with respect to GST

1. Power is granted to Centre and State Governments to make laws with respect to GST imposed by Centre or such State.
2. Centre has the exclusive power to make laws with respect to GST in case of inter-State supply of goods and/or services.
3. However, in respect Petroleum Crude, High Speed Diesel, Petrol, Natural Gas and Aviation Turbine Fuel, the aforesaid provisions shall apply from the date recommended by the GST Council

Article 366(12A)- Goods and services tax means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption

Article 279A- Goods & Services Tax Council

- It empowers President to constitute a joint forum of the Centre and States namely, GST Council.
- The GST Council shall make recommendations to the Union and the States on the taxes, cesses and surcharges levied; exemptions; model GST Laws, principles of levy, apportionment of GST levied on supplies in the course of inter-State trade or commerce and the principles that govern the place of supply; rates of taxes; special provision with respect to Special Category States, etc.
- GST Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and ATF.

Question & Answers

Question 1

Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST. (SM) (MTP 3 Marks Jul'24)

Answer 1

Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

Question 2

Write a short note on various lists provided under Seventh Schedule to the Constitution of India. (MTP 5 Marks, Oct'21)

Answer 2

Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

- (i) List -I (UNION LIST): It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.
- (ii) List -II (STATE LIST): It contains the matters in respect of which the State Government has the exclusive right to make laws.
- (iii) List -III (CONCURRENT LIST): It contains the matters in respect of which both the Central & State Governments have power to make laws.



Question 3

Briefly explain the leviability of GST or otherwise on petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas. (MTP 5 Marks, Mar'21)

Answer 3

Petroleum crude, diesel, petrol, ATF and natural gas are presently not leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council. Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.

Question 4

GST is a simplified tax structure. Justify the statement. (MTP 4 Marks, Nov'21, 5 Marks, Apr'21, Old SM)

Answer 4

GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.

Question 5



Discuss the leviability of GST or otherwise on the following:

- (a) **Alcoholic liquor for human consumption**
- (b) **Petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas**
- (c) **Tobacco**
- (d) **Opium, Indian hemp and other narcotic drugs and narcotics (SM)**

Answer 5

- (a) **Alcoholic liquor for human consumption:** is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.
- (b) **Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.
Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.
- (c) **Tobacco:** Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.
- (d) **Opium, Indian hemp and other narcotic drugs and narcotics:** Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e. GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.

Question 6

Explain with the help of examples how a particular transaction of goods and services is taxed simultaneously under Central GST (CGST) and State GST (SGST)? (SM)

Answer 6

The Central GST and the State GST is levied simultaneously on every intra-State supply of goods or services or both made by registered persons except the exempted goods and services as well as goods and services which are outside the purview of GST. Further, both are levied on the same price or transaction value. The same can be better understood with the help of following examples:

Example I: Suppose that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say ₹ 100, the dealer would charge CGST of ₹ 10 and SGST of ₹ 10 in addition to the basic price of the goods. The CGST component will go into a Central Government account while the SGST portion into the account of the



concerned State Government (viz. U.P.).

It is important to note that he might not actually pay ₹ 20 (₹ 10 + ₹ 10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (inputs, input services and capital goods) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

Example II: Suppose, again the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say ₹ 100, the ad company would charge CGST of ₹ 10 as well as SGST of ₹ 10 at the basic value of the service. The CGST component will go into a Central Government account while the SGST portion into the account of the Maharashtra Government.

He might not actually pay ₹ 20 (₹ 10+₹ 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (say, of inputs such as stationery, office equipment, services of an artist etc.) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on its purchase while for SGST, he can utilise the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

Question 7

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they? (PYP 3 Marks Sep'24)

Answer 7

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—

- (a) any vacancy in, or any defect in, the constitution of the Council; or
- (b) any defect in the appointment of a person as a Member of the Council; or
- (c) any procedural irregularity of the Council not affecting the merits of the case.

Question 8

List any six State taxes that were subsumed in the GST regime. (PYP 3 Marks Jan'25)

Answer 8

Following are the State taxes that were subsumed in the GST regime:

- (a) State surcharges and cesses in so far as they relate to supply of goods & services.
- (b) Entertainment Tax (except those levied by local bodies)
- (c) Tax on lottery, betting and gambling
- (d) Entry Tax (All Forms)
- (e) Purchase Tax
- (f) VAT/ Sales tax
- (g) Luxury Tax
- (h) Taxes on advertisements

MULTIPLE CHOICE QUESTIONS (MCQS)

1. _____ provides that no tax shall be levied or collected except by authority of law. (MTP, 1 Mark, Sep'23)

- (a) Article 269
- (b) Article 245
- (c) Article 265
- (d) Article 246

Ans: (c)

2. Alcoholic liquor for human consumption is subjected to (MTP 1 Mark, Oct'19, Mar'19, May'21)

- (a) State excise duty
- (b) Central Sales Tax/Value Added Tax
- (c) Both (a) and (b)
- (d) GST

Ans: (c)