

Tax payable rounded off ₹ 5,420.

ILLUSTRATION 3

The following particulars are given by M.D. Mathur, Madras, in respect of his annual income for the year ended 31st March 2017 :

- (i) Consolidated salary till 30-9-2016 at ₹ 13,500 p.m. and from 1-10-2016 ₹ 14,000 p.m.
- (ii) House rent allowance at 20% of salary.
- (iii) Actual house rent paid ₹ 3,500 p.m.
- (iv) Contribution to recognised Provident Fund by self and employer- each 12% of salary.
- (v) Life Insurance Premium paid ₹ 1,200. (Sum assured ₹ 20,000 and Policy taken on 1-4-2013).
- (vi) Leave Travel Allowance received ₹ 32,700, ₹ 20,000 was spent on travel to home district under LTC.
- (vii) Bonus 20,000
- (viii) *Interest and dividend incomes:* ₹
 - Interest on Term Deposits with Punjab National Bank 27,000
 - Interest on Saving Account in Punjab National Bank 12,000
 - Income from units of Unit Trust of India 3,000
 - Interest on debentures of Ponds India Ltd. 21,750
 - Dividend from a co-op. society 15,000
 - Interest on Govt. securities 13,000
- (ix) Long term capital gains 30,000
 - Short term capital gains on sale of shares (STT paid) 20,000
- (x) Medical expenses incurred in private hospital for treatment of self and family ₹ 5,000. His employer reimbursed ₹ 2,500.
- (xi) Rent received from tenant of own house property ₹ 9,600. Municipal taxes paid ₹ 600.

Prepare Mathur's statement of income showing computation of taxable income giving such explanation as necessary and tax liability. Salary is due on last date of the month.

SOLUTION

Computation of total income of Mr. M.D. Mathur for the assessment year 2017-18

	₹	₹	₹
I. Salaries			
Salary (1-4-2016 to 30-9-2016 @ 13,500 p.m)		1,65,000	
1-10-2016 to 31-3-2017 @ 14,000 p.m)		20,000	
Bonus			
House Rent allowance Received	33,000		
Less : Exempted u/s 10 (13 A)	₹		
(i) Actual HRA received	33,000		
(ii) Rent paid (-)10% of salary [42,000 (-)16,500]	25,500		
(iii) 50% of salary	82,500		
Least Exempted	<u>25,500</u>		
Taxable HRA		7,500	
Employer's contribution exempted as it is upto 12% of salary		NIL	
Excess of Leave Travel Allowance over actual expenditure (₹ 32,700 - ₹ 20,000)		12,700	
Reimbursement of Medical Expenses (Exempted)		NIL	
Gross salary		2,05,200	
Less : Deductions u/s 16		<u>NIL</u>	
Salary Income			2,05,200
II. House property A.R.V.		9,600	
Less: Taxes		<u>600</u>	
Net A.V.		9,000	
Less : Standard Deduction : 30% of NAV		<u>2,700</u>	
			6,300
III. Capital Gains :			
Long term capital gain		30,000	
Short term capital gain on shares (STT paid)		<u>20,000</u>	
			50,000
IV. Income from Other Sources			
Interest on Bank Deposit (Term Deposits)		27,000	
Interest on Saving Account in PNB		12,000	
Income from Units of U.T.I.—Exempted		NIL	
Dividend from a co-op. society		15,000	
Interest on debentures		21,750	
Interest on Govt. securities		<u>13,000</u>	
			88,750
Gross Total Income			<u>3,50,250</u>
Deduction u/s 80C			
Own contribution to RPF @ 12%		19,800	
Life Insurance Premium		<u>1,200</u>	
U/s 80TTA		21,000	
Interest on Saving Bank Account ₹ 12,000 but restricted to ₹ 10,000		<u>10,000</u>	
			31,000
Total Income			<u>3,19,250</u>
1. Computation of tax liability			
On Long term capital gain ₹ 30,000 @ 20%			6,000
On Short term capital gain (STT paid) ₹ 20,000 @ 15%			3,000
On Balance income i.e., 3,19,250 - 30,000 - 20,000 = 2,69,250			
On first ₹ 2,50,000		NIL	
On balance ₹ 19,250 @ 10%		<u>1,925</u>	<u>1,925</u>

₹ 10,000 in Home Deposit Account.

SOLUTION

Computation of Total Income of Mr. Deb for the assessment year 2017-18

	₹	₹	₹
I. <i>Income from Salary</i>		3,00,000	
(i) Salary @ ₹ 25,000 p.m.		—	
(ii) Travelling Allowance—Exempted		12,000	
(iii) Entertainment Allowance		3,12,000	
Gross Salary			
Less : Deductions u/s 16		5,000	3,07,000
U/s 16(ii) Entertainment Allowance [Note 2]			
II. <i>Income from House Property</i>		4,800	
Rent of let out house		600	
Less: Municipal Taxes		4,200	
Net Annual Value			
Less : Deductions u/s 24 :		1,260	
Standard deduction : 30% of NAV		2,940	
		NIL	
The other house is exempted u/s 23 (2)			2,940
III. <i>Capital Gain</i> : Short term capital gain			50,000
IV. <i>Income from other sources</i>			
Bank Interest :			
On fixed deposits	11,000		
On Saving account	10,600		
		21,600	
Interest on Govt. securities		11,500	
			33,100
Gross Total Income			3,93,040
Deduction u/s 80C			
1. (i) Contribution to S.P.F.	20,400		
(ii) Premium of Life Insurance	25,000		
(iii) Contribution to Home Deposit Account	10,000		
Q.A.		55,400	
2. U/s 80TTA : Interest credited in SBI Saving Bank A/c restricted to		10,000	
			65,400
Total Income			3,27,640

SOLUTION**Computation of Total Income of Dr. Singh**

		₹	₹	₹
I. Salary				
Salary from private Hospital		1,30,000		
Retainer fee		24,000		
		<u>1,54,000</u>		
Less : Deductions u/s 16		NIL		
Salary Income				1,54,000
II. Professional Gain				
Receipts				
Consultation fee			1,70,000	
Less expenses :				
Rent & Electricity	17,000			
Telephone (7,400 less 30% for personal use 2,220)	5,180			
Printing & stationary	500			
Wages of clinical Assistant	6,600			
Car maintenance (9,000 less 30% for personal use: 2,700)	6,300			
Driver's salary (3,600 less 30% for personal use 1,080)	2,520			
Depreciation of car (40,000 × 15%)	₹ 6,000			
Less : 30% for personal use	₹ 1,800			
	<u>4,200</u>			
Depreciation on furniture (10% of ₹ 2,000)	200			
	<u>42,500</u>			
				1,27,500
III. Capital Gains				
Long term capital gains on sale of shares—STT paid—exempted u/s 10(38)			NIL	
Short term capital gains on sale of shares—STT paid			60,000	
				60,000
IV. Other sources				
Interest on Bank Fixed Deposit				18,000
Gross Total Income				3,59,500
Deductions :				
u/s 80C : Life Insurance Premium				12,400
Total Income				<u>3,47,100</u>
Note :				
Computation of tax on total income of ₹ 3,47,100				₹
On short-term capital gain on sale of shares ₹ 60,000 @ 15%				9,000
Balance income = 3,47,100 – 60,000 = 2,87,100				
On first ₹ 2,50,000 of total income			NIL	
On next ₹ 37,100 of total income	10%		3,710	
			<u>3,710</u>	
Tax				12,710
Less : Rebate u/s 87A				<u>5,000</u>