

Chapter – 9

COMPUTATION OF TOTAL TAXABLE INCOME

At The End Of Every Previous Year, An Assesse Has To Prepare A Statement Of Total Income

NAME : _____
 PREVIOUS YEAR: _____
 ASSESSMENT YEAR: _____
 RESIDENTIAL STATUS: _____
 LEGAL STATUS: _____
 PAN: _____
 AADHAR NUMBER: _____

Statement Of Total Income

Particular		Amount
❖ Income From Salary	Schedule – 1	XX
❖ Income From House Property	Schedule – 2	XX
❖ Income From Capital Gain	Schedule – 3	XX
❖ Income From Business / Profession	Schedule – 4	XX
❖ Income From Other Sources	Schedule – 5	XX
GROSS TOTAL INCOME		XXX
Less: Deduction under chapter 6A		
❖ Sec 80C [Specified Investment]		(XX)
❖ Sec 80CCC [Pension Fund of LIC]		(XX)
❖ Sec 80D [Medical Insurance Premium]		(XX)
❖ Sec 80DD [Handicapped Dependent Relative]		(XX)
❖ Sec 80E [Interest On Education Loan]		(XX)
❖ Sec 80U [Handicapped Assessee]		(XX)
❖ Sec 80TTA [Interest On Saving Bank Deposit]		(XX)
NET TAXABLE INCOME	—————→	XXX

Illustration : 1 (B) , (OS)

Mr. Mohalkar furnished you the following information for the year ended 31st March 2020

Particular	Amount	Particular	Amount
To salaries (A)	1,60,000	By gross profit (A)	7,00,000
To printing & stationery (A)	25,000	By winning from lotteries (NA)(IFOS)	15,000
To conveyance (A)	30,000	By NSC interest accrued	10,000
To rent (B)(12K NA)	24,000	(NA) (IFOS ex)	
To entertainment expense (A)	15,000	By dividend from Indian company	10,000
To advertisement expense (A)	45,000	(NA)(IFOS ex)	
To depreciation (B)(NA)	32,000		
To advance income tax (NA)	10,000		
To embezzlement by an employee (A)	2,000		
To drawing (NA)	28,000		
To staff welfare expense (B)(15K NA)	65,000		
To net profit	<u>2,99,000</u>		
Total	7,35,000	Total	7,35,000

Other information:

1. Depreciation allowable as per Income Tax Rules is Rs. 35,000 **(UBE)**
2. Half of the Rent is attributable towards his residential flat
3. Staff Welfare expenses include Rs. 15,000 incurred for medical treatment of his **physically handicapped brother. [(sec 80DD) (40-80)(75,000)]**
4. He spent Rs. 100 for purchase of lottery tickets, debited to Drawings.
5. He Purchased NSC of **Rs.50,000** and deposited **Rs.40,000** in PPF account **[(sec 80C)]**

You are required to compute his total taxable income for the Assessment Year 2020-21.

Solution:

NAME : Mr. Mohalkar

PREVIOUS YEAR: 2019-20

ASSESSMENT YEAR: 2020-21

RESIDENTIAL STATUS: Resident & Ordinarily Resident

LEGAL STATUS: Individual

PAN: -----

AADHAR NUMBER: -----

Statement Of Total Taxable Income

Particular		Amount
❖ Income From Business / Profession	Schedule – 1	3,26,000
❖ Income From Other Sources	Schedule – 2	15,000
GROSS TOTAL INCOME		3,41,000

Less: Deduction under chapter 6A		
❖ <u>Sec 80C [Specified Investment]</u>		
Purchase of NSC	50,000	
Deposit in PPF	<u>40,000</u>	(90,000)
❖ <u>Sec 80DD [Handicapped Dependent Relative]</u>		(75,000)
<u>NET TAXABLE INCOME</u>		→ 1,76,000

Schedule – 1 Statement of Income From Business

Particulars	Amounts	Amounts
N.P. As Per P&L A/C		2,99,000
(+) Non-Business Expenses [Dr(X)]		
Rent	12,000	
Depreciation	32,000	
Advance tax	10,000	
Drawing	28,000	
Staff expense	15,000	97,000
		3,96,000
(-) Non-Business Incomes [Cr(X)]		
Winnings	15,000	
NSC interest accrued	10,000	
div. from Indian company	10,000	(35,000)
		3,61,000
(-) Unrecorded Business Expenses (UBE) (adjustment)		
Depreciation	35,000	(35,000)
		3,26,000
(+) Unrecorded Business Incomes (UBI) (adjustment)		
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Taxable Income From Business		3,26,000

Schedule – 2 Statement of Income From Other Sources

Particulars	Amounts
1. Winnings	15,000
2. NSC interest accrued	-
3. Div. from Indian company	-
Total Taxable Income From Other Sources	15,000

Income Tax Rate for Individuals.

NORMAL PERSON	18 to 59 Years
0 – 2,50,000	NIL
2,50,000 – 5,00,000	5%
5,00,000 – 10,00,000	20%
10,00,000 and Above	30%

SENIOR CETIZEN	60 to 79 Years
0 – 3,00,000	NIL
3,00,000 – 5,00,000	5%
5,00,000 – 10,00,000	20%
10,00,000 and Above	30%

SUPER SENIOR CETIZEN	80 Years & Above
0 – 5,00,000	NIL
5,00,000 – 10,00,000	20%
10,00,000 and Above	30%

Examples:

Calculate Tax amount of a **normal person**, if his total taxable income is,

1. Rs.1,80,000
2. Rs.3,25,000
3. Rs.7,85,000
4. Rs.12,50,000

Solution:

1. **Rs. 1,80,000** = 1,80,000 x 0% = Rs. 00
(0 – 2,50,000 = nil rate)

2. **Rs. 3,25,000** = (2,50,000 + 75,000)
= [(2,50,000 x 0%) + {(3,25,000 – 2,50,000) x 5%}]
= [(00) + {75,000 x 5%}]
= 00 + 3,750
= Rs.3,750

(0 – 2,50,000 = nil rate)

(2,50,000 – 5,00,000 = 5% rate)

$$\begin{aligned}
3. \text{ Rs. } 7,85,000 &= (2,50,000 + 2,50,000 + 2,85,000) \\
&= [(2,50,000 \times 0\%) + \{(5,00,000 - 2,50,000) \times 5\% \} + \{(7,85,000 - 5,00,000) \times 20\% \}] \\
&= [(00) + \{2,50,000 \times 5\% \} + \{2,85,000 \times 20\% \}] \\
&= 00 + 12,500 + 57,000 \\
&= \underline{\text{Rs. } 69,500}
\end{aligned}$$

(0 – 2,50,000 = nil rate)

(2,50,000 – 5,00,000 = 5% rate)

(5,00,000 – 10,00,000 = 20% rate)

$$\begin{aligned}
4. \text{ Rs. } 12,50,000 &= (2,50,000 + 2,50,000 + 5,00,000 + 2,50,000) \\
&= [(2,50,000 \times 0\%) + \{(5,00,000 - 2,50,000) \times 5\% \} + \{(10,00,000 - 5,00,000) \times 20\% \} + \\
&\quad \{(12,50,000 - 10,00,000) \times 30\% \}] \\
&= [(00) + \{2,50,000 \times 5\% \} + \{5,00,000 \times 20\% \} + \{2,50,000 \times 30\% \}] \\
&= 00 + 12,500 + 1,00,000 + 75,000 \\
&= \underline{\text{Rs. } 1,87,500}
\end{aligned}$$

(0 – 2,50,000 = nil rate)

(2,50,000 – 5,00,000 = 5% rate)

(5,00,000 – 10,00,000 = 20% rate)

(10,00,000 & above = 30% rate)

Illustration : 2

From the following income and expenditure account of Dr. Kamble, compute his total taxable income for the AY 2020-21. Also calculate his tax liability.

Particulars	Amounts	Particulars	Amounts
To staff salaries (A)	2,40,000	By consulting fees (A)	8,00,000
To dispensary expenses (A)	1,35,000	By visit fees (A)	2,00,000
To dispensary rent (A)	1,20,000	By gift from patient (2,000 NA)	80,000
To purchase of medicines (A)	90,000	By sale of medicines at the dispensary (A)	1,60,000
To income tax (NA)	70,000	By rent from house property (NA) (IFHP)	2,40,000
To professional fees to doctors (A)	44,000		
To car expense (for profession) (A)	72,800		
To membership fees (A)	4,000		
To municipal tax for rented house(NA) (IFHP)	24,000		
To interest on housing loan for rented house (NA) (IFHP)	36,000		
To printing charges (A)	8,000		
To depreciation (NA)	96,000		
To charity (NA)	3,000		
To net profit	<u>5,37,200</u>		
Total	14,80,000	Total	14,80,000

Additional Information:

1. Gifts from patients include Rs. 2,000 from his father in personal capacity.
2. Depreciation as per Income Tax Rules Rs. 90,000 **(UBE)**
3. He paid medical insurance premiums of Rs. 16,000 by cheque. (Sec 80 D)
4. He purchased National Saving Certificates of Rs.60,000 & paid Life Insurance Premium of Rs. 1,20,000. **(Sec 80C)(1,00,000 deduct)**
5. He paid Rs. 40,000 to Nationalised Bank towards Principal of Housing Loan. **(sec 80 C)**

Solution:

NAME : Dr. Kamble

PREVIOUS YEAR: 2019-20

ASSESSMENT YEAR: 2020-21

RESIDENTIAL STATUS: Resident & Ordinarily Resident

LEGAL STATUS: Individual

PAN: -----

AADHAR NUMBER: -----

Statement Of Total Taxable Income

Particular		Amount
❖ Income From Business / Profession	Schedule – 1	4,34,200
❖ Income From House Property	Schedule – 2	1,15,200
GROSS TOTAL INCOME		5,49,400
Less: Deduction under chapter 6A		
❖ <u>Sec 80C [Specified Investment]</u>		
NSC	60,000	
LIC	1,20,000	
Repayment of housing loan	<u>40,000</u>	(1,00,000)
❖ <u>Sec 80D [Medical Insurance Premium]</u>		(16,000)
NET TAXABLE INCOME		4,33,400

Tax Liability:

$$\begin{aligned}
 \text{Rs. 4,33,400} &= [(2,50,000 \times 0\%) + \{(4,33,400 - 2,50,000) \times 5\%\}] \\
 &= [(00) + \{1,83,400 \times 5\%\}] \\
 &= 00 + 9,170 \\
 &= \underline{\text{Rs.9,170}}
 \end{aligned}$$

(0 – 2,50,000 = nil rate)

(2,50,000 – 5,00,000 = 5% rate)

Schedule – 1 Statement of Income From Business / Profession

Particulars	Amounts	Amounts
N.P. As Per P&L A/C		5,37,200

(+) Non-Business Expenses [Dr(X)]		
Income tax	70,000	
Municipal tax of rented house	24,000	
Interest on housing loan	36,000	
Depreciation	96,000	
Charity	3,000	2,29,000
		7,66,200
(-) Non-Business Incomes [Cr(X)]		
Gift from father	2,000	
Rent from house property	2,40,000	(2,42,000)
		5,24,200
(-) Unrecorded Business Expenses (UBE) (adjustment)		
Depreciation		(90,000)
		4,34,200
(+) Unrecorded Business Incomes (UBI) (adjustment)		
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Taxable Income From Business		4,34,200

Schedule – 2 Statement of Income From House Property

Particulars	HP
i. Municipal Value	--
ii. Fair Rent	--
iii. Whichever is higher from (i) & (ii)	--
iv. Standard Rent	--
v. Whichever is lower from (iii) & (iv)	--
vi. Actual Rent	2,40,000
Whichever is higher is GAV	2,40,000
LESS : Municipal Tax Paid by Owner	(24,000)
Net Annual Value (NAV)	2,16,000
LESS : Deduction U/S 24	
➤ Standard Ded ⁿ (30% of NAV)	(64,800)
➤ Interest On Loan	(36,000)
Taxable IFHP	1,15,200