**IT2 MODULE 4 – DEDUCTIONS &**

 **COMPUTATIONS OF TOTAL INCOME**

**Problem 1:** Mr Raj paid the following insurance premium during the previous year 2020-21. Compute the amount of deduction admissible u/s 80D:

Gross Total Income – Rs. 7,50,000 including LTCG – Rs.50,000 and Winnings – Rs. 50,000.

1. Life insurance premium on own life - Rs 6,000 p.a
2. Premium paid by cheque to General Insurance Corporation to ensure

the health of wife and children - Rs 20,000 p.a

1. Accident insurance premium - Rs 3,000 p.a
2. Premium paid by cheque under Mediclaim to ensure

 the health of dependent mother - Rs 20,000 p.a

1. Premium paid to G.I.C under Mediclaim in cash to ensure own health - Rs 3,000 p.a
2. He paid to G.I.C under Mediclaim policy of his father (who is 70 years old) - Rs 28,000
3. He spent Rs 4,000 on the medical check-up of his father.

 **PROBLEM 2: (80G)**

Mr.X had Gross Total Income of ₹ 10, 00,000 which included ₹10,000 as long term capital Gain for the assessment year 2020-21, During the year Mr.X made the following Donations:

1. National Defence Fund ₹.10,000
2. Prime Minister’s National Relief fund ₹ 1,00,000
3. To Family Planning Association of India ₹ 40, 000
4. All India congress Party (Recognised Political party) ₹1,00,000
5. University of Allahabad (Notified as Institution Of National Eminence) ₹50,000
6. To a notified charitable Hospital ₹50,000
7. To Clean Ganga Fund ₹20,000

In addition to the above, he paid Life Insurance premium of ₹25,000 on a policy of

 ₹2, 00,000 which he acquired in 10th March 2020. You are requested to advise your client and compute the Relief in respect of donations and life Insurance Premium.

**Problem 2:** Mr Raman, a Chartered Accountant, is living at Kanpur and is carrying on his profession there. For the year 2020-21 he has supplied the following particulars. Compute his total income for the assessment year 202\_-2\_.  **(HW)**

 Rs

1. Professional gain 5,00,000
2. Rent received from house at Delhi 18,000 p.a
3. Municipal taxes 1,500 p.a
4. Long term capital gain on sale of a plot 10,000
5. Part time salary as lecturer in taxation laws 1,64,000
6. Rent paid at Kanpur 6,000 p.m.
7. Interest on Govt. Securities 19,000

He deposited Rs 15,000 in PPF account. Paid tuition fee of his children Rs 175000.

**~~PROBLEM 3:~~** ~~Mr R.D Rane has made the following payments during the year 2020-21. Discuss whether he can claim any benefit u/s 80 or not~~ **~~(HW)~~**

1. ~~Rs 14,000 (Rs 8,000 by cheque and Rs 6,000 by cash) to General Insurance Corporation under Mediclaim. He also paid by cheque Rs 28,000 for medical insurance of his parents. During the year, he also spent Rs 6000 on his medical check-up. Payment was given in cash.~~

~~Family=8000+5000=13000 + parents=25000 (NOT SENIOR CITIZENS)=38000~~

1. ~~Rs 20,000 to ICICI PRU Insurance pension fund.-~~
2. ~~Rs 60,000 to a hospital for treatment of his minor son who is suffering from a notified chronic ailment. – deduc u/s 80DDB to the extent of Rs.40000~~
3. ~~Rs 6,000 p.m. paid as rent of a house at Delhi. He does not own any other house.~~

~~He can claim deduction u/s 80 GG~~

~~Least of the following:~~

~~Rs. 5000 x12=60000, rent paid – 10% Adjusted GTI, 25% of AGTI~~

1. ~~Rs 10,000 to a sports association notified u/s 80G.-~~
2. ~~Rs 8,000 to Ganga Development Board ( Notified u/s 35AC)-~~

**~~PROBLEM 4:~~** ~~Mr Yash Raj is physically handicapped assesse, submits following particulars of income for the year ended 31-3-2021. He is 65 years old.~~

1. ~~Rent from house at Calcutta Rs 25,000 p.m. Municipal taxes paid by tenant Rs 15,000 which is 50% of total taxes. Repairs Rs 20,000. Ground rent Rs 3,000.~~
2. ~~Poultry farming business income Rs 71,000.~~
3. ~~Speculation gain from shares Rs 20,000. Speculation loss from gold Rs 30,000.~~
4. ~~Other sources: Rs~~
5. ~~Dividend from Indian company. 9,000~~
6. ~~Interest on Units of Mutual Funds 2,000~~
7. ~~Bank interest on fixed deposits 57,000~~
8. ~~Interest on debentures 33,000~~
9. ~~Interest on Govt. Securities 15,000~~
10. ~~He paid Rs 10,000 to a veterinary college in Calcutta, it is engaged in research of poultry farming.~~
11. ~~He gave Rs 1,000 to Rural Development Fund notifies by Central Government.~~

~~Calculate his total income.~~

**PROBLEM 5:** The following are the particulars of the income of a professor of a Kolkata (population more than 25 lakhs) university: **(HW)**

1. Salary Rs 37,400 p.m. plus Rs 10,000 p.m. as grade pay from which 10% is deducted for provident fund to which university also contributes 12%.
2. Wardenship allowance Rs 2,000p.m and dearness allowance of @ 55% of salary.
3. Rent-free bungalow of which the letting value is Rs 10,000 p.m.
4. 8% dividend on 50 shares of Rs 100 each in a Limited Company.
5. 10% interest on Government loans of Rs 25,000.
6. Income from interest on Bank Deposits (Savings A/C) Rs 400.
7. Income property let Rs 7,200 (computed)
8. Profit on sale of shares (short term) Rs 25,000.
9. Income from royalty of copyrights of his work, Rs 9,000.
10. Examiner ship remuneration Rs 3,700.
11. He paid Rs 30,000 as donation to Family Planning Association of India.
12. He paid by cheque Rs 10,000 to G.I.C under Mediclaim.
13. During the previous year he deposited Rs 20,000 in PPF A/c of his minor daughter.

During the year, he paid Rs 39,500 as life insurance premium of which Rs 5,000 was paid on a joint life policy. He maintains a car for going to and coming from the university. Find out his total income and exempted income.

**PROBLEM 6:**

From the particulars given below compute total income of Mr.S.k. Giri a, physically handicapped person, for the assessment year 2020-21.

1. Salary received from employer. - Rs2,50,000
2. Annual rental value if let out house. - Rs 15,000
3. Interest on loan taken to purchase another house which is self-occupied. – Rs 20000
4. He had sold another residential house in 1.4.2019 for Rs 24, 00,000. Its fair market value on 1.4.2001 was Rs 6, 50,000. Out of capital gain of the house he invested

Rs 5, 00,000 in bonds of National Highway Authority of India Notified u/s 54EC. C.I.I for 2019-20 is 289 & 20-21 is 301

He won Rs 40,000 in race course betting and ₹2000 in lottery.

1. He paid Rs 6,000 by cheque as premium to secure health insurance policy of GIC for his family.
2. His mother who is dependent on him is suffering from cancer and he spent Rs 46,500 on her treatment.
3. His minor son is mentally retarded on whose special education he spent Rs 15,000 during the year.
4. He donated Rs 10,000 to Karnataka State Chief Minister’s Relief fund.
5. He gave Rs 2000 for repair of a notified Temple and ₹1500 to Family planning Association of India.
6. **He borrowed Rs 50000 and contributed toward LIC Pension Fund**

**PROBLEM 7:** Calculate total income: , of physically handicapped person **(HW)**

1. Royalty on books Rs 1,65,000
2. Consolidated salary Rs 2,40,000
3. Capital gain:
4. Short term capital gains Rs 10,000
5. Long term capital gains Rs 80,000

 Rs 90,000

1. Income from other sources:
2. Interest on bank deposits(fixed) Rs 18,450
3. Interest on savings bank account Rs 15,000
4. Interest on government securities Rs 9,000
5. Interest on units of UTI Rs 6,000
6. Dividends from Indian companies Rs 3,450

 Rs 51,900

1. He paid Rs 12,000 to LIC as insurance premium
2. He spent Rs 18,000 on treatment of his mentally retarded sister who is dependent on him.
3. He paid Rs 25,000 to UTI to secure an annuity for the benefit of his dependent handicapped sister.
4. He paid a rent of Rs 7000 p.m for his residential house

**PROBLEM 8:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Debit**  | **Rs** | **Credit** | **Rs** |
| Salaries paid to staffs | 7,75,000 | Professional receipts:Audit fees – 6,30,000Taxation consultancy – 4,70,000Financial consultancy – 5,60,000 | 16,60,000 |
| Rent | 80,000 |  |  |
| Stipend to articled clerks | 40,000 | Winnings from lottery – 1,00,000Less: TDS (30,000) | 70,000 |
| Contribution to employers’ RPF | 26,000 | Dividends from an Indian Co. | 10,000 |
| Printing postage and sundries | 19,500 | Dividends from a foreign Co. | 3,000 |
| Expenses on attending seminars | 56,000 | Interest on units of UTI | 20,000 |
| Interest on loans | 42,500 | Examiner ship fees | 4,900 |
| Books and Journals etc. | 13,000 | Rent from house property | 60,000 |
| Expenses on maintenance of car | 24,000 | Post office saving bank interest | 10,230 |
| Depreciation | 36,000 |  |  |
| Expenses on travel for professional purposes | 60,000 |  |  |
| Local taxes on house property | 3,000 |  |  |
| Net profit | 6,63,130 |  |  |
| **TOTAL** | **18,38,130** | **TOTAL** | **18,38,130** |

**NOTES:**

1. Financial consultancy fees include a sum of $ 6,000 during December 2020 for rendering financial management consultancy services in Kuwait. The rate for conversion of dollar in to rupees on the day of receipts was Rs **74.20** per dollar. The entire amount was received in convertible foreign exchange within prescribed period.
2. Stipend to articles clerks includes Rs 6,000 given to two clerks as an incentives for clearing the C.A Intermediate examination in First Division.
3. Expenses on attending seminars include Rs 12,750 for entertainment of clients.
4. 1/3 rd. of the car time was used for personal purposes.
5. Rs 12,500 out of interest on loan relate to computer and the balance for let out house.
6. Accounts are maintained on accrual basis and a sum of Rs 6,000 relating to printing account relates to previous year 2018-19 and no provision was made in that year.
7. Out of his contribution towards employees’ provident fund sum of Rs 6,000 was paid In June 2020 although due date was before 31.3.2021.
8. Salaries include a sum of Rs 35,000 paid in cash to computer operator.
9. He paid Rs 25,250 to National Poverty Eradication Fund set up and notified by the Central Government.
10. The actual cost/WDV of the assets as on 1-4-20**20**was (i) Car Rs 1,65,000 (ii) Computer acquired on 5-10-2020 Rs 60,000, (iii) Computer Printer acquired with computer Rs 10,500 and (iv) Office furniture Rs 12,000.
11. He deposited Rs 15,000 in pension fund set up by LIC and paid Rs 12,000 by cheque under Mediclaim.

Compute his total income.

**PROBLEM 9:**

From the following particulars compute the total income of Mr Bal Yogi.

1. Business income(computed) - Rs 2,94,000
2. Capital gains:

Short term: 20,000

Long term: 36,000

1. Income from other sources:
2. Dividends -12,000
3. Interest on savings bank A/C – 9,500
4. Interest on units of UTI – 6,000
5. Dividends from cooperative society – 4,000
6. Accrued interest on NSC(VIIIth issue) – 6,500
7. Winnings from lotteries( net) – 2,000
8. Winnings from horse race(net) – 7,000
9. Payments of mediclaim premium by cheque:
10. on own life – 3,000
11. on wife’s life – 2,000
12. on children’s life – 2,000
13. Donations by approved public charitable trust – 14,000

Donations to a poor student for higher studies – 18,000

Donations to a school for a particulars religion – 10,000

Donations to P.M ‘s National Relief Fund – 5,000

Donations to Rajiv Gandhi Foundations – 6,000

**Donations to Chief Minister’s Earthquake**

**Relief fund- Maharashtra – 4,000**

 Donations given in cash to a temple (approved u/s 80G) – 10,000

1. Mr Bal Yogi has a dependent son who is mentally retarded and the annual expenditure on his treatment is - 24,000
2. Another child of Mr Yogi is suffering from a notified disease and amount spent during the previous year is - 20,500
3. In the above mentioned business income Mr Yogi earned a profit of Rs 21,000 from export of computer software.

**PROBLEM 11:**

28) Given below is the Profit and Loss Account if Shri Rangaswamy for the previous year ending 31st March.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs |  | Rs |
| To Salaries | 25,000 | By Gross Profit | 1,48,370 |
| To Printing and stationary | 2,000 | By Discounts | 5,000 |
| To rates as taxes | 10,000 | By profit on Sale of land (Owned since 1961) | 10,000 |
| To Trade expenses | 4,000 | Bank interest | 1,600 |
| To electric charges | 1,500 |  |  |
| To extension of shop Building | 10,000 |  |  |
| To Carriage | 5,000 |  |  |
| To Provision for depreciation | 2000 |  |  |
| To Reserve for Bad Debts | 8,000 |  |  |
| To Reserve for Income Tax | 10,000 |  |  |
| To Reserve for GST | 10,000 |  |  |
| To Charities | 2,000 |  |  |
| To Donations(To Approved bodies) | 2,000 |  |  |
| To Interest On capital | 8,000 |  |  |
| To Advertisement | 5000 |  |  |
| To General Expenses | 10,000 |  |  |
| To net profit | 50,470 |  |  |
|  | **1,64,970** |  | **1,64,970** |

Compute the total income of Mr Rangaswamy for the assessment year 202\_-2\_ after taking into account the following:

1. Advertisement including Rs 2,000 – spent on calendars and diaries.
2. General expenses include Rs 3,000 – given to an association engaged in promotion of family planning in India.
3. Actual bad debts amounts to Rs 4,000.
4. The WDV on 1-4-2020 of business assets is as follows:

Office furniture – Rs 8,000

Shop building – Rs 46,000

Car (50% used for business) - Rs 40,000

1. The assesse has received demand notice of GST department amounting to Rs10,000 which he paid as under:
2. Rs 3,000 on 31-7-2021
3. Rs 7,000 on 1-12-2021

(Date of filing of return is 30-11-2021).

**PROBLEM 12:**

Sri Vishwanath is practising as a lawyer at Bangalore. He keeps his books on cash basis and his summarised receipts and payments account for the year ended 31-3-2020 is as under:

Dr Cr

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount | Particulars  | Amount |
| To balance b/d | 2,150 | By subscription for law journals | 400 |
| To legal charges | 1,30,000 | By law books purchased | 2,700 |
| To special commission fees | 500 | By rent | 1,500 |
| To salary as part time lecturer in law | 1,64,000 | By car expenses | 2,000 |
| To examiner’s fees from Mysore University | 400 | By office expenses | 5,000 |
| To interest on deposits in bank( savings a/c | 10,300 | By electric charges | 1,000 |
| To Sale proceeds of property | 1,00,000 | By income tax | 2,000 |
| To dividends from a cooperative society | 1,000 | By gifts to daughters | 21,000 |
| To director’s fees | 100 | By household expenses | 35,000 |
| To Maturity amount from ULIP | 8,230 | By donations to approved institutions | 1,000 |
|  |  | By car purchased | 80,000 |
|  |  | By life insurance premium | 5,000 |
|  |  | By balance c/d | 2,60,080 |
| **TOTAL** | **4,16,680** | **TOTAL** | **4,16,680** |

The following information is also given:

1. Rent and electric charges are in respect of the premises: one half of which is used by him as his residence and the remaining half is for office use.
2. One-half of the car expenses are in respect of his personal use.
3. Depreciation on car is to be charged at 15%
4. Life insurance premium has been paid on a policy of Rs 40,000 taken on his own life. Policy was taken before 1-4-2012.
5. He claimed Rs 200 for books purchased for his employment purposes and the remaining Rs 2,500 for his professional use. Depreciation on book claimed at 40%.
6. Fair market value of property on 1-4-2001 was Rs 18,000 and it was acquired in 1998 (CII for 2001-02 is 100 and for 2019-20 is 289)
7. He started a new small enterprise exporting hosiery goods worth Rs 2, 00,000 and earned a profit of Rs 25,000 during the year.
8. He had taken a loan of Rs 2, 00,000 for higher studies in management and he paid Rs 18,000 as interest to the bank.

You are required to prepare a statement showing his income from profession and also compute his total income for the assessment year 2020-21.

**PROBLEM 13:**

Mr Kumar of Bombay submits the following Trading and Profit and Loss A/C for the year ended 31st march 2021. He is also in employment with a cinema company in Bombay. Compute the taxable income for the assessment year 202\_-2\_.

|  |  |  |  |
| --- | --- | --- | --- |
| **PARTICULARS** | **Rs** | **PARTICULARS** | **Rs** |
| To opening stock | 60,000 | By sales | 4,20,000 |
| To purchases | 3,90,000 | By closing stock | 80,000 |
| To freight | 15,000 |  |  |
| To gross profit | 35,000 |  |  |
|  | **5,00,000** |  | **5,00,000** |
| To salaries and wages | 14,800 | By gross profit | 35,000 |
| To rent taxes | 3,800 | By dividends on shares of co-op. society( gross) | 2,000 |
| To household expenses | 2,400 | To rent from building let out | 4,000 |
| To income tax | 400 |  |  |
| To advance income tax | 200 |  |  |
| To GST | 400 |  |  |
| To donations | 500 |  |  |
| To life insurance premium | 1,800 |  |  |
| To audit fees | 200 |  |  |
| To reserve for bad and doubtful debts | 680 |  |  |
| To bad debts | 420 |  |  |
| To miscellaneous expenses | 600 |  |  |
| To depreciation | 500 |  |  |
| To net profit | 15,100 |  |  |
|  | **41,800** |  | **41,800** |

The following information is also supplied by him:

1. He received a salary of Rs 52,000 from the cinema company in Bombay and has contributed 15% of his salary to a recognised Provident Fund.
2. Purchase include Rs 5,000 as advance to his supplier in March **2021** against goods to be delivered in April**, 2021.**
3. Rent and taxes include Rs 1,800 being municipal taxes paid for the building let out.
4. Premium is paid on his life policy of Rs 15,000 (Policy issued in 2011).
5. Donation was given to a family planning institution in India.
6. Misc. expenses include Rs 400 paid to an approved rural development fund.
7. The WDV of the business furniture on 1-**4-2020** was Rs 16,000 out of which an item of furniture was sold for Rs10, 000.
8. He gave a cheque of Rs 5,000 to a local college (which is an approved institution) for its building.