

1. INTRODUCTION TO TAX

ASSIGNMENT SOLUTIONS

PROBLEM NO: 1

i) Mr. Mohan: Resident(Individual) of 40 years having total income of Rs.12,80,000

Computation of Tax liability

Tax slabs	Computation	Tax (Rs.)
UP TO 2,50,000	-	Nil
From 2,50,000 to Rs.5,00,000	$(5,00,000-2,50,000) \times 5\%$	12,500
From 5,00,000 to Rs.10,00,000	$(10,00,000-5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(12,80,000-10,00,000) \times 30\%$	84,000
Total		1,96,500
Add: Health and education cess @ 4% (1,96,500 x 4%)		7,860
Total tax liability		2,04,360

ii) Mrs. Swathi: Non-resident Individual of 52 years having total income of Rs.19,25,000

Computation of Tax Liability

Tax slabs	Computation	Tax (Rs.)
UP TO 2,50,000	-	Nil
From 2,50,000 to Rs.5,00,000	$(5,00,000-2,50,000) \times 5\%$	12,500
From 5,00,000 to Rs.10,00,000	$(10,00,000-5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(19,25,000-10,00,000) \times 30\%$	2,77,500
Total		3,90,000
Add: Health and education cess @ 4% (3,90,000 x 4%)		15,600
Total tax liability		4,05,600

iii) Mr. Bansal: Resident Individual of 75 years having total income of Rs.10,28,000

Computation of Tax Liability

Tax slabs	Computation	Tax (Rs.)
UP TO 3,00,000	-	Nil
From 3,00,000 to Rs.5,00,000	$(5,00,000-3,00,000) \times 5\%$	10,000
From 5,00,000 to Rs.10,00,000	$(10,00,000-5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(10,28,000-10,00,000) \times 30\%$	8,400
Total		1,18,400
Add: Health and education cess @ 4% (1,18,400 x 4%)		4,736
Total tax liability		1,23,136

iv) M/s Vasavi firm having total income of Rs.10,10,000

Computation of Tax Liability

Particulars	Computation	Amount (Rs.)
Gross tax liability	$\text{Rs.}10,10,000 \times 30\%$	3,03,000
Add: Health and education cess @ 4% (3,03,000 x 4%)		12,120
Total tax liability		3,15,120

v) Mrs. Resham: Non-resident individual of 80 years having total income of Rs.12,00,000

Computation of Tax Liability

Tax slabs	Computation	Tax (Rs.)
UP TO 2,50,000	-	Nil
From 2,50,000 to Rs.5,00,000	$(5,00,000-2,50,000) \times 5\%$	12,500
From 5,00,000 to Rs.10,00,000	$(10,00,000-5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(12,00,000-10,00,000) \times 30\%$	60,000
Total		1,72,500
Add: Health and education cess @ 4% (1,72,500 x 4%)		6,900
Total tax liability		1,79,400

vi) Mrs. Radhika: Resident Individual of 80 years of total income of Rs.12,00,000

Computation of Tax Liability

Tax slabs	Computation	Tax (Rs.)
UP TO 5,00,000	-	Nil
From 5,00,000 to Rs.10,00,000	$(10,00,000 - 5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(12,00,000 - 10,00,000) \times 30\%$	60,000
Total		1,60,000
Add: Health and education cess @ 4% (1,60,000 x 4%)		6,400
Total tax liability		1,66,400

vii) Srinivas Ltd: Indian co having total income of Rs.10,00,001

Computation of Tax Liability

Particulars	Computation	Amount (Rs.)
Gross tax liability	$\text{Rs.}10,00,001 \times 30\%$	3,00,000
Add: Health and education cess @ 4% (3,00,000 x 4%)		12,000
Total tax liability (rounded off)		3,12,000

viii) Prakash Ltd: Foreign co having total income of Rs.20,00,002

Computation of Tax Liability

Particulars	Computation	Amount (Rs.)
Gross tax liability	$\text{Rs.}20,00,001 \times 40\%$	8,00,000
Add: Health and education cess @ 4% (8,00,000 x 4%)		32,000
Total tax liability (rounded off)		8,32,000

PROBLEM NO: 2

Computation of Tax liability of Mr. X (Normal Route)

Tax slabs	Computation	Tax (Rs.)
UP TO 2,50,000	-	Nil
From 2,50,000 to Rs.5,00,000	$(5,00,000 - 2,50,000) \times 5\%$	12,500
From 5,00,000 to Rs.10,00,000	$(10,00,000 - 5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(10,02,00,000 - 10,00,000) \times 30\%$	2,97,60,000
Total		2,98,72,500
Add: Surcharge @ 15% on above		44,80,875
Sub-total		3,43,53,375
Add: Health and education cess @ 4% (Rs. 3,43,53,375 x 4%)		13,74,135
Total tax liability (rounded off)		3,57,27,510

Computation of Tax liability of Mr. X (Marginal relief route)

Tax slabs	Computation	Tax (Rs.)
UP TO 2,50,000	-	Nil
From 2,50,000 to Rs.5,00,000	$(5,00,000 - 2,50,000) \times 5\%$	12,500
From 5,00,000 to Rs.10,00,000	$(10,00,000 - 5,00,000) \times 20\%$	1,00,000
In excess of 10,00,000	$(10,00,00,000 - 10,00,000) \times 30\%$	2,97,00,000
Total		2,98,12,500
Add: Surcharge @ 15% on above		44,71,875
Sub-total		3,42,84,375
Add: Rs.2,00,000 in excess of Rs.10 crores		2,00,000
Sub total		3,44,84,375
Add: Health and education cess @ 4% (Rs. 3,44,84,375 x 4%)		13,79,375
Total tax liability (rounded off)		3,58,63,750

In the present case, the tax liability considering the marginal relief is higher than the tax liability under the normal route.

Note: Rectify the hint answer in the material as per computation given above.

THE END