**Fundamentals of Taxation**

**NMIMS Solved Assignments for December 2024**

**1. In what way do the provisions related to "Income from Salaries" under the Income Tax Act, 1961, impact the overall tax liability of an individual, and what strategies which individuals may employ to optimize tax efficiency in this area?**

**Answer:**

**Introduction:**

The provisions related to "Income from Salaries" under the Income Tax Act, 1961, significantly influence an individual's overall tax liability. This section outlines the taxable components of an individual's salary, including basic pay, allowances, bonuses, and other perquisites. Understanding these provisions is crucial, as it determines the taxable income and subsequently affects the tax bracket an individual falls into. Additionally, various exemptions and deductions available under this section can be strategically leveraged to reduce taxable income. Consequently, individuals must navigate these provisions effectively to optimize tax efficiency. By employing strategies such as claiming allowances, utilizing tax-saving investments under Section 80C, and understanding the implications of bonuses and incentives, individuals can minimize their tax burden while ensuring compliance with tax regulations. This knowledge is essential for effective financial planning and wealth management.

**This is partially solved sample answer**

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**2. Mr. Das owns five houses in India, all of which are let-out. Compute the Net Annual Value (NAV) of each house from the information given below:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **H 1** | **H 2** | **H 3** | **H 4** | **H 5** |
| **Municipal Value** | **80,000** | **55,000** | **65,000** | **24,000** | **80,000** |
| **Fair Rent** | **90,000** | **60,000** | **65,000** | **25,000** | **75,000** |
| **Standard Rent** | **N.A.** | **75,000** | **58,000** | **N.A.** | **78,000** |
| **Actual rent received** | **72,000** | **72,000** | **60,000** | **30,000** | **72,000** |

**Municipal Tax is payable @ 10% of the municipal value, it is paid by Mr. Das in respect of H 1, H 2 and H 3. Municipal Tax for H 4 and H 5 are paid by the tenants.**

**Answer:**

**Introduction:**

Mr. Das, a property owner in India, has five houses that he has let out for rental purposes. Each house has varying attributes, including municipal value, fair rent, standard rent, and actual rent received. The municipal tax is a significant consideration in calculating the Net Annual Value (NAV) for each property, as it affects the total rental income. For three of his properties (H 1, H 2, and H 3), Mr. Das is responsible for paying the municipal tax, which is calculated at 10% of the municipal value. In contrast, the tenants cover the municipal taxes for the remaining properties (H 4 and H 5). This scenario presents a practical challenge in determining the NAV for each house, considering these varying factors, which is essential for assessing Mr. Das's overall rental income and tax liabilities.

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**3a. Mr. Vijay purchased a house in October, 2014 for Rs. 750,000 and sold the same in August, 2023 for Rs. 25,50,000 (brokerage paid Rs. 25,000).**

**Calculate the Capital Gains arising on the sale of the house.**

**Can Mr. Vijay claim any exemption from gain arising on this transaction?**

**CII Value for FY 2014-15 is 240 and of FY 2017-18 is 348.**

**Answer:**

**Introduction:**

In this scenario, Mr. Vijay's real estate transaction involves the purchase and subsequent sale of a house over a significant period. By analyzing the capital gains arising from this sale, we can determine the financial implications of his investment. The calculation considers the purchase price, sale proceeds, brokerage fees, and the relevant Cost Inflation Index (CII) values for the respective financial years. Additionally, it is crucial to explore whether Mr. Vijay can claim any exemptions on the capital gains earned from this transaction.

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**3b. Following is the income of Mr. Sunil during the year ending on 31.3.2024: Basic Salary Rs 4,80,000, Dearness Allowance (included in Retirement benefit) - Rs 50,000**

**HRA = Rs. 70,000**

**He resides in a rented house in Kolkata and pays a rent of Rs. 15,000 per month. Calculate the taxable amount of HRA.**

**Answer:**

**Introduction:**

Mr. Sunil's income details reveal essential components that determine his taxable income for the financial year ending March 31, 2024. Among these components is his House Rent Allowance (HRA), which he receives to cover housing costs, particularly significant for individuals living in rented accommodations. Mr. Sunil resides in Kolkata and incurs a monthly rent of Rs. 15,000, a factor that significantly influences the HRA exemption calculation. The HRA exemption is determined by the least of the following: the actual HRA received, the rent paid minus 10% of the basic salary, or 50% of the basic salary if residing in a metropolitan area like Kolkata. Accurately calculating the taxable HRA will help Mr. Sunil optimize his tax liability, thereby ensuring compliance with tax regulations while maximizing his allowable deductions.

Now, let's calculate the taxable amount of HRA for Mr. Sunil.

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