



**K. K. Wagh Institute of Engineering Education and Research, Nashik**  
(An Autonomous Institute from A.Y. 2022-23)

**Model Answer**

**End-Sem Examination-I, Winter 2025**

<b>Academic Year:</b>	<b>2025-2026</b>	<b>Semester:</b>	<b>III</b>
<b>Class:</b>	<b>PG-II</b>	<b>Name of Program:</b>	<b>MBA</b>
<b>Branch Code:</b>	<b>10</b>	<b>Pattern:</b>	<b>Semester</b>
<b>Name of Course:</b>	<b>Direct Taxation</b>	<b>Course Code:</b>	<b>MBA2410612B</b>

**Direct Taxation [MBA2410612B]**

Q. No.		Marks																																													
1	<p>Define Following as per Income Tax Act 1961.</p> <p><b>1. Person - U/s 2(31)</b> Under <b>Section 2(31)</b> of the Income Tax Act, the term “Person” includes the following:</p> <table><tr><td>1) Individual</td><td>4) Company</td><td>7) Local Authority</td></tr><tr><td>2) HUF</td><td>5) AOP / BOI</td><td></td></tr><tr><td>3) Partnership Firm</td><td>6) AJP</td><td></td></tr></table>	1) Individual	4) Company	7) Local Authority	2) HUF	5) AOP / BOI		3) Partnership Firm	6) AJP		3 Marks																																				
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	<p><b>2) Assessment Year - Section 2 (9)</b> Assessment year means a year in which –</p> <ol style="list-style-type: none"><li>1) Person pays a tax</li><li>2) Person files income tax return</li><li>3) Person’s income is assessed by income tax officer / department.</li></ol> <p>Period of twelve months starting from first day of April every year. Suppose, Mr. Sameer had earned Income on 25th March 2024. In this case, financial year closes on 31st March 2024. Therefore, Mr. Sameer has earned the income in the year 2023-2024 and he will pay tax in the year starting from 1st April 2024 i.e. year 2024-2025. Therefore, Assessment Year is 2024-2025.</p>	3 Marks																																													
2	<p style="text-align: center;"><b>Harshada</b> Hubali</p> <table><tr><td>P Y</td><td>2024-2025</td><td>Residential Status - ROR</td></tr><tr><td>A Y</td><td>2025-2026</td><td>PAN -</td></tr></table> <p style="text-align: center;"><b>Computation of Taxable Income from House Property</b></p> <table border="1"><thead><tr><th>Particulars</th><th>(₹)</th><th>(₹)</th></tr></thead><tbody><tr><td><b>Income from Salary</b></td><td></td><td></td></tr><tr><td>Basic Salary</td><td>30000 x 12</td><td>3,60,000</td></tr><tr><td>D.A.</td><td>11000 x 12</td><td>1,32,000</td></tr><tr><td>Bonus</td><td></td><td>33,550</td></tr><tr><td>Interest on RPF @ 13%</td><td>71,500</td><td></td></tr><tr><td>Less - Exempt upto 9.5%</td><td><u>52,250</u></td><td>19,250</td></tr><tr><td>HRA - Fully Taxable</td><td></td><td>66,000</td></tr><tr><td>Conveyance Allowance</td><td>72,000</td><td></td></tr><tr><td>Less - Fully Exempt</td><td><u>72,000</u></td><td>-</td></tr><tr><td>Children Education Allowance</td><td>31,200</td><td></td></tr><tr><td>Less - Exempt upto ₹100 p.m.p.ch</td><td><u>2,400</u></td><td>28,800</td></tr><tr><td><b>Income from Salary</b></td><td></td><td><b>6,39,600</b></td></tr></tbody></table>	P Y	2024-2025	Residential Status - ROR	A Y	2025-2026	PAN -	Particulars	(₹)	(₹)	<b>Income from Salary</b>			Basic Salary	30000 x 12	3,60,000	D.A.	11000 x 12	1,32,000	Bonus		33,550	Interest on RPF @ 13%	71,500		Less - Exempt upto 9.5%	<u>52,250</u>	19,250	HRA - Fully Taxable		66,000	Conveyance Allowance	72,000		Less - Fully Exempt	<u>72,000</u>	-	Children Education Allowance	31,200		Less - Exempt upto ₹100 p.m.p.ch	<u>2,400</u>	28,800	<b>Income from Salary</b>		<b>6,39,600</b>	6 Marks
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	<p><b>Income from House Property</b></p> <p>Municipal Valuation - 50% Fair Rent</p> <p>Subject to Standard Rent - 50%</p> <p>Actual Rent Received / Receivable</p> <p><b>GAV</b></p> <p>Less - Municipal Tax Paid</p> <p><b>NAV</b></p> <p>Less - Deduction U/s 24</p> <p>Standard Deduction - 30% NAV</p> <p><b>Income from House Property</b></p> <p><b>Gross Total Income</b></p>	<p>4,00,000</p> <p>-</p> <p>4,00,000</p> <p>4,20,000</p> <p>4,00,000</p> <p>4,20,000</p> <p><b>4,20,000</b></p> <p>48,000</p> <p><b>3,72,000</b></p> <p>1,11,600</p> <p><b>2,60,400</b></p>	<p><b>2,60,400</b></p> <p><b>9,00,000</b></p>	
3 a)	<p><b>Explain the concept of “nexus with business” in determining chargeability of income under this head.</b></p> <p>Income shall be chargeable under the head Business or Profession:</p> <p>a) Profit and gains from business and profession</p> <p>b) Also includes Speculative (Contract for Purchase and Sale of Stocks, Shares and Commodities, which is periodically settled other than Actual delivery.)Business.</p> <p>c) Any Compensation (Amount paid for the loss) received. e.g. - Compensation received for termination/ modification for Business/Agreement.</p> <p>d) Export incentives -</p> <p>1) Sale of import entitlement license Means: - the person is losing the opportunity of import of the goods. 2) Subsidy received for export of specific goods.</p> <p>e) Value of benefit arising from the business whether convertible into money or not.</p> <p>f) Interest, Salary, Commission received by partner from Partnership firm.</p> <p>g) Sum received in Cash or kind under an agreement for not to carry out any business or not to share know-how, patents.</p> <p>h) Any sum received under Key-man Insurance policy.</p>			8 Marks
				<b>OR</b>
b)	<p><b>Discuss the significance of mandatory charging of depreciation under Section 32.</b></p> <p><b>Depreciation [Section 32]</b></p> <p>The method of computation of depreciation under the Income Tax Act, 1961 is different from the depreciation methods followed in accounting. Under the Income Tax Act, depreciation is calculated as per the prescribed rules and rates, and not as per the method adopted in the books of accounts.</p> <p><b>Procedure for Calculation of Depreciation under the Income Tax Act</b></p> <p><u>a) Block of Assets</u></p> <p>A block of assets consists of a group of assets which belong to the same class and on which the same rate of depreciation is applicable.</p> <p>Same class of assets means assets having similar nature and use, such as buildings, machinery, furniture, computers, etc.</p> <p>Same rate of depreciation means assets on which the rate prescribed under the Income Tax Rules is identical.</p>			

**b) Conditions for Charging Depreciation**

For charging depreciation under the Income Tax Act, the following conditions must be satisfied

- 1) The asset should be put to use for the purpose of business or profession.
- 2) The asset must be owned by the assessee, either wholly or partly.
- 3) Charging of depreciation is mandatory under the Income Tax Act.

**c) Rates of Depreciation**

If asset is used for less than 180 days, then rate of depreciation will be half of the actual rate of depreciation of the asset.

Sr. No.	Assets	Rate
1	Plant & Machinery	15%
2	Computer (including software)	40%
3	Furniture & Fixtures	10%
4	Residential Building	5%
5	Business / Commercial Building	10%
6	Intangible Assets (Copyrights, Patents, Trademarks, Goodwill, Technical Know-how)	25%

**d) Format of Calculation of Depreciation (Block of Assets Method)**

Particulars	Amount (₹)
Opening balance of the block of assets	XXXX
Add: Additions / Purchases during the year	XXX
<b>Sub-total</b>	XXXX
Less: Sale / Discarded assets during the year	(XXX)
	XXX
Less - Depreciation	(XXX)
<b>Closing balance of the block of Assets</b>	XXXX

Depreciation is charged on the closing balance of the block at the rates prescribed under the Income Tax Act.

**3****MR. Hatim of Nasik****8 Marks****c)**

P Y 2023-2024

Residential Status - ROR

A Y 2024-2025

PAN -

**Computation of Taxable Income from Business**

Particulars	₹	₹
<b>Income from PGBP</b>		
Net Profit from Business		9,64,000
<u>Less - Disallowed Income</u>		
Interest on Government Securities	90,000	
Rent from House Property	84,000	
FD Interest Received	2,80,000	
Gift from Friends	76,000	-5,30,000
<u>Add - Disallowed Expenses</u>		
Preliminary Exps	82,000	
Rent for Premises used for Residential Purposes - 1/3 x 36000	12,000	
House Hold Exps	28,000	
Bad Debts Provision	14,000	
Income Tax Paid	70,000	2,06,000
<u>Less - Allowable Expenses</u>		
Preliminary Exps - 1/5	16,400	
Depreciation as per Income Tax Act	40,000	-56,400
<b>Income from Business &amp; Profession</b>		<b>5,83,600</b>

**2) Analysis of items requiring adjustment**

- a) Interest on Government Securities (₹90,000) – Taxable under Income from Other Sources, not business income.  
b) Rent from House Property (₹84,000) – Chargeable under Income from House Property.  
c) Interest on Fixed Deposit (₹2,80,000) – Taxable under Income from Other Sources.  
d) Gift from Friend (₹76,000) – Capital receipt; not taxable as business income.

**OR**

d)

**MR Hrishikesh of Surat****8 Marks**

P Y            2023-2024  
A Y            2024-2025

Residential Status - ROR  
PAN

**Computation of Taxable Income**

Particulars	₹	₹
<b><u>Income from PGBP</u></b>		
Net Profit from Business		7,88,000
<b><u>Less - Disallowed Income</u></b>		
FD Interest Received	37,000	
Dividend from Indian Company	30,000	
Bad Debts Recover (Not allowed earlier)	65,000	-1,32,000
<b><u>Add - Disallowed Expenses</u></b>		
Provision for Bad Debts	62,000	
Depreciation as per A/c	55,000	
House hold Exps	48,000	
Donation to School	50,000	
Office Deposite	56,000	
Permnet Sign Board - Fixed Assets	70,000	
Patents Purchases - Fixed Assets	85,000	4,26,000
<b><u>Less - Allowable Expenses</u></b>		
Depreciation as per Income Tax Act	53,750	
<b><u>Depreciation on</u></b>		
Sign Board - 70000*10%	7,000	
Patents - 85000 * 25%	21,250	-82,000
<b>Income from Business &amp; Profession</b>		<b>10,00,000</b>

4 a)	<b>MR. Heramb</b> Madurai		Residential Status - ROR
	P Y            2024-2025		PAN -
A Y            2025-2026			
<b>Computation of Taxable Capital Gain</b>			
<b>Particulars</b>		<b>Listed Shares</b>	<b>R. House</b>
<b>Income from Capital Gain</b>			
Sales Consideration		15,44,000	44,44,000
Less - Transfer Exps		-	36,142
Net Sale Consideration		15,44,000	44,07,858
Less - Cost of Acquisition		10,08,000	
<u>Less - Index Cost of Acquisition</u>			
$\frac{\text{Cost of acquisition}}{\text{CII of the year in which asset was first held by Assessee OR CII of 2001-2002 (whichever is Later)}}$		X	CII of year of Transfer of Asset
$15,26,000 \times \frac{363}{254}$			21,80,858
		<b>5,36,000</b>	<b>22,27,000</b>
<u>Less - Exemptions</u>			
Sec - 54 - Purchases of House Property		-	17,27,000
<b>Long Term Capital gain</b>		5,36,000	5,00,000
Tax Liability - Listed Shares U/s 112A			
Exemption - ₹1,00,000, Tax Rate - 10%		43,600	
Tax Liability - House Property U/s 112			
Exemption- NIL, Tax Rate - 20%			1,00,000
			1,43,600
Add - Education Cess @ 4%			5,744
<b>Total Tax Payable</b>			<b>1,49,344</b>
<b>OR</b>			



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d)	<p><b>Apply the definition of capital asset and the concept of transfer to explain how different transactions give rise to capital gains under the Income Tax Act.</b></p> <p><b>CAPITAL ASSET – [SECTION 2(14)]</b> Capital Asset means –</p> <p>(a) Any Property (Movable/immovable), connected with assessee’s business / profession or not.</p> <p>(b) Any Securities held by FIIs (invested as per SEBI regulations)</p> <p>(c) Any Rights in Indian Company including Right of Management or control.</p> <p><b>TRANSFER OF CAPITAL ASSET - [SEC 2(47)]</b></p> <ol style="list-style-type: none"> <li>Sale, exchange or relinquishment of the asset.</li> <li>Extinguishment of any rights in the asset.</li> <li>Compulsory Acquisition of any Capital Asset under any law.</li> <li>Conversion of Capital Asset into Stock in trade.</li> <li>Maturity/Redemption of ZCB.</li> <li>Giving possession of IMMOVABLE PROPERTY under Part performance of a contract.</li> </ol> <p>Ex: A enters into an agreement for the sale of his house. The purchaser gives the entire sale consideration to A. ‘A’ hand over complete rights of possession to the purchaser since he has realised the entire sale consideration. However some legal formalities are left to be done. Under Income Tax Act, the above transaction is considered as transfer by applying ‘substance over form’.</p> <ol style="list-style-type: none"> <li>Transactions which have the effect of transferring the enjoyment of Immovable property.</li> </ol> <p>Ex: A person may become a member of a co-operative society which may be a house/flat. When he pays an agreed amount, the society etc. hands over possession of the house to the person concerned. No conveyance is registered. Such transaction is a transfer under Income Tax Act. Even power of attorney transactions are regarded as transfer.</p>			8 Marks																																																																								
5 a)	<p><b>Mr Harish - Taxable Income &amp; Tax Liability - Old Regime</b></p> <p style="text-align: center;"><b>Mr Harish</b></p> <p style="text-align: center;"><b>Computation of Taxable Income &amp; Tax Liability</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">₹</th> <th style="text-align: center;">₹</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>A) Income Salary</b></td> </tr> <tr> <td>Taxable Salary from IDBI Bank Ltd.</td> <td></td> <td style="text-align: right;">9,70,000</td> </tr> <tr> <td colspan="3"><b>B) Income Business &amp; Profession</b></td> </tr> <tr> <td>Income from Business</td> <td></td> <td style="text-align: right;">7,01,600</td> </tr> <tr> <td colspan="3"><b>C) Income Other Sources</b></td> </tr> <tr> <td>Interest on FD</td> <td style="text-align: right;">72,000</td> <td></td> </tr> <tr> <td>Interest on Saving Bank A/c</td> <td style="text-align: right;">25,400</td> <td style="text-align: right;">97,400</td> </tr> <tr> <td>Gross Total Income</td> <td></td> <td style="text-align: right;">17,69,000</td> </tr> <tr> <td colspan="3"><b>Deduction under Chapter VIA</b></td> </tr> <tr> <td><b>80 C</b> Contribution to RPF</td> <td style="text-align: right;">80,000</td> <td></td> </tr> <tr> <td>LIP</td> <td style="text-align: right;"><u>62,000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">1,42,000</td> <td></td> </tr> <tr> <td><b>80 D</b> Medclaim Policy Premium for father (65 Years)Max</td> <td style="text-align: right;">50,000</td> <td></td> </tr> <tr> <td><b>80 E</b> Interest on Education Loan</td> <td style="text-align: right;">67,000</td> <td></td> </tr> <tr> <td><b>80 TTA</b> Interest on Saving Bank A/c</td> <td style="text-align: right;">10,000</td> <td style="text-align: right;">2,69,000</td> </tr> <tr> <td><b>Taxable Income</b></td> <td></td> <td style="text-align: right;">15,00,000</td> </tr> <tr> <td colspan="3"><b>Income tax - Old Regime</b></td> </tr> <tr> <td>2.5 Lacs</td> <td style="text-align: center;">NIL</td> <td style="text-align: center;">NIL</td> </tr> <tr> <td>2.5 to 5Lacs</td> <td style="text-align: center;">5%</td> <td style="text-align: right;">12,500</td> </tr> <tr> <td>5 to 10 Lacs</td> <td style="text-align: center;">20%</td> <td style="text-align: right;">1,00,000</td> </tr> <tr> <td>Above 10 Lcas</td> <td style="text-align: center;">30%</td> <td style="text-align: right;"><u>1,50,000</u></td> </tr> <tr> <td>Add - Education Cess @ 4%</td> <td></td> <td style="text-align: right;">10,500</td> </tr> <tr> <td><b>Net Tax Payable</b></td> <td></td> <td style="text-align: right;"><b>2,73,000</b></td> </tr> </tbody> </table>	Particulars	₹	₹	<b>A) Income Salary</b>			Taxable Salary from IDBI Bank Ltd.		9,70,000	<b>B) Income Business &amp; Profession</b>			Income from Business		7,01,600	<b>C) Income Other Sources</b>			Interest on FD	72,000		Interest on Saving Bank A/c	25,400	97,400	Gross Total Income		17,69,000	<b>Deduction under Chapter VIA</b>			<b>80 C</b> Contribution to RPF	80,000		LIP	<u>62,000</u>			1,42,000		<b>80 D</b> Medclaim Policy Premium for father (65 Years)Max	50,000		<b>80 E</b> Interest on Education Loan	67,000		<b>80 TTA</b> Interest on Saving Bank A/c	10,000	2,69,000	<b>Taxable Income</b>		15,00,000	<b>Income tax - Old Regime</b>			2.5 Lacs	NIL	NIL	2.5 to 5Lacs	5%	12,500	5 to 10 Lacs	20%	1,00,000	Above 10 Lcas	30%	<u>1,50,000</u>	Add - Education Cess @ 4%		10,500	<b>Net Tax Payable</b>		<b>2,73,000</b>			8 Marks
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5 c)	Mr Hardik - Taxable Income & Tax Liability - New Regime <b>Mr Hardik</b>		Residential Status - ROR PAN -	<b>8 Marks</b>
	P Y	2024-2025		
	A Y	2025-2026		
	<b>Computation of Taxable Income &amp; Tax Liability</b>			
	<b>Particulars</b>		₹	₹
	<b>A) Income Salary</b>			
	Salary from Capgemini Ltd			
	Basic		12,65,000	
	DA		3,79,500	
	HRA (Fully Taxable)		88,000	
	Contribution to RPF	3,60,000		
	Less - Exempt 12% X (Basic + DA (FPRB) 12% (12,65,000 + (3,79,500 * 20%))	-1,60,908	1,99,092	
	Gross Salary		19,31,592	
	<b>Deduction U/s 16</b>			
	Standard Deduction	75,000	-75,000	
	Taxable Salary		<b>18,56,592</b>	<b>18,56,592</b>
	<b>B) Income House Property</b>			
	Municipal value		4,50,000	
	Actual Rent Received		4,12,500	
	GAV		4,12,500	
	Less - Municipal tax paid		-13,500	
	NAV		3,99,000	
	<b>Deduction U/s 24</b>			
	Standard Deduction - 30% NAV	1,19,700	-1,19,700	
	Income from House Property		<b>2,79,300</b>	<b>2,79,300</b>
	<b>B) Income Business &amp; Profession</b>			
	Income from Business			<b>5,45,000</b>
	<b>D) Income Other Sources</b>			
	Fixed Deposit Interest		39,108	
	Lottery Income		80,000	<b>1,19,108</b>
	Gross Total Income			28,00,000
	<b>Taxable Income</b>			<b>28,00,000</b>
	<b>Income tax - New Regime</b>			
	<b>Special Rate (80,000)</b>			
	80,000	30%	24,000	
	<b>Normal Rate (30,00,000-80,000)</b>			
	3 Lacs	NIL	NIL	
	3 to 7 Lacs	5%	20,000	
	7 to 10 Lacs	10%	30,000	
	10 to 12 Lacs	15%	30,000	
	12 to 15 Lacs	20%	60,000	
	Above 15 Lcas	30%	3,66,000	5,30,000
	Add - Education Cess @ 4%			21,200
				5,51,200
	Less - TDS			-24,000
	<b>Net Tax Payable</b>			<b>5,27,200</b>
	<b>OR</b>			

d)	Mr Hritik - Taxable Income & Advance Tax Liability - Old Regime			8 Marks
	<b>Mr Hritik</b>			
P Y	2024-2025		Residential Status - ROR	
A Y	2025-2026		PAN -	
<b>Computation of Advance Taxable Income &amp; Tax Liability</b>				
Particulars			₹	₹
<b>A) Income Salary</b>				
Basic Salary from Google Ltd.			6,60,000	
D.A.			3,96,000	
Commission			1,50,000	
Gross Salary			12,06,000	
<u>Less - Deduction U/s 16</u>				
Standard Deduction			50,000	
Professional Tax			-	
Net Taxable Salary			11,56,000	<b>11,56,000</b>
<b>B) Income House Property</b>				
GAV - Rent Received from House Property			2,40,000	
Less - Municipal Tax			-10,000	
NAV			2,30,000	
<u>Deduction U/s 24</u>				
Standard Deduction - 30% NAV		69,000	-69,000	
Income from House Property			1,61,000	<b>1,61,000</b>
<b>C) Income Business &amp; Profession</b>				
Income from Business				<b>5,76,700</b>
<b>D) Income Other Sources</b>				
Interest on FD			15,000	
Dividend			13,300	
Lottery Income			30,000	<b>58,300</b>
Gross Total Income				<b>19,52,000</b>
<u>Deduction under Chapter VIA</u>				
<b>80 C</b>	Contribution to PPF	97,000		
	LIP	40,000		
		1,37,000	Max Allow	
<b>80 TTb</b>	Interest on FD		15,000	1,52,000
<b>Taxable Income</b>				<b>18,00,000</b>
<u>Income tax - Old Regime</u>				
<u>Special Rate (30,000)</u>				
	30,000	30%	9,000	
<u>Normal Rate (20,00,000-30,000)</u>				
3 Lacs		NIL	NIL	
3 to 5Lacs		5%	10,000	
5 to 10 Lacs		20%	1,00,000	
Above 10 Lcas		30%	2,31,000	3,50,000
Add - Education Cess @ 4%				14,000
				3,64,000
Less - TDS on Salary & Lottery Income				-69,000
<b>Net Tax Payable</b>				<b>2,95,000</b>