

CASE 13.5

Shri Rajeev Menon

Bengaluru · Below 60 years · salary and allowances, a let-out house, capital gains and Chapter VIII

THE QUESTION**A. The case, in paragraphs**

1. Shri Rajeev Menon, son of Shri Balakrishna Menon, was born on 27 January 1981 and is resident and ordinarily resident in India — PAN AQVPM5417D, Aadhaar 8836-2094-5713, mobile 9845307162, e-mail rajeev.menon@gmail.com. He lives at 402, Brigade Palm Court, 100 Feet Road, Indiranagar, Bengaluru 560038, Karnataka, and has no other address.

2. He was in employment throughout the tax year 2026-27 with Nandi Systems Limited, a company in the private sector, whose tax deduction account number is BLRN04182D. His pay for the year was made up as follows —

Component of pay	Per month	For the year	Component of pay	Per month	For the year
Basic salary	₹ 1,20,000	₹ 14,40,000	Children education allowance ^(b)	₹ 7,000	₹ 84,000
Dearness allowance ^(a)	₹ 24,000	₹ 2,88,000	Special allowance	₹ 6,000	₹ 72,000
House rent allowance	₹ 40,000	₹ 4,80,000	Performance bonus (October 2026)	—	₹ 1,50,000
Employer's contribution to NPS ^(c)	₹ 14,400	₹ 1,72,800	Gross salary for the year	—	₹ 26,86,800

(a) The whole of the dearness allowance enters into retirement benefits under the terms of employment. (b) ₹ 3,500 a month for each of his two children, both at school in Bengaluru; no hostel allowance is paid. (c) Ten per cent of his basic salary and dearness allowance, credited by the employer to his account under the National Pension System; the employer's contributions to the provident fund and the pension scheme together are well within ₹ 7,50,000. He received no other perquisite and no profit in lieu of salary, and paid tax on employment of ₹ 2,500, deducted by his employer under the Karnataka law.

3. The flat in which he lives is not his own. It belongs to Smt. Lakshmi Narayanan, PAN AFZPN3368Q, to whom he paid rent of ₹ 42,000 a month, ₹ 5,04,000 for the year, by transfer to her bank account.

4. He is the sole owner of one other house — Flat 7B, Marine Heights, 5th Cross Road, Panampilly Nagar, Kochi 682036, Kerala — bought in 2019 with a home loan of ₹ 30,00,000 from Federal Bank Limited, Home Loan Account No. 16037300012894, sanctioned on 14/07/2019. It was let for the whole year to Shri Thomas Varghese, PAN ABHPV4721K, at ₹ 55,000 a month, ₹ 6,60,000 for the year, all of it realised; he paid municipal tax of ₹ 18,000 to the Kochi Municipal Corporation. In the year he paid interest of ₹ 1,80,000 on the loan and repaid ₹ 1,10,000 of its principal; ₹ 21,46,300 was outstanding on 31/03/2027. The tenant, an individual, deducted tax of 2 per cent, ₹ 13,200, from the rent for March 2027 against his own PAN, and gave him the certificate.

5. He earned interest of ₹ 9,400 on his savings account with Canara Bank and ₹ 6,100 on his savings account with HDFC Bank; and interest of ₹ 1,20,000, gross, on a fixed deposit with Canara Bank, from which ₹ 12,000 was deducted at source.

6. Without any consideration, he received ₹ 1,00,000 by cheque from his sister, Smt. Anjali Nair, on 2 November 2026; and, on his birthday, 27 January 2027, ₹ 35,000 by UPI from Shri Arvind Rao, a friend, and ₹ 25,000 by UPI from Shri Sunil Hegde, a colleague.

7. He sold listed equity shares on the National Stock Exchange. Securities transaction tax was paid when he bought them and again when he sold them; brokerage may be ignored —

Equity shares of	Number	Bought on	Cost	Sold on	Sale consideration
Kaveri Textiles Limited	400	12/05/2023	₹ 1,72,000	18/09/2026	₹ 2,36,000
Sahyadri Power Limited	250	03/02/2025	₹ 1,50,000	10/03/2027	₹ 2,05,000

8. He claims a deduction under Chapter VIII for every payment in Part B, for his employer's contribution to the pension scheme, and under section 153 for the interest on his savings accounts; and credit in this year for all the tax deducted from him at source (none was collected at source). He has no income from business or profession, no other capital gain and no agricultural income; is not a director in any company; holds no unlisted equity share; and has no asset or signing authority outside India. He verifies and furnishes the return himself at Bengaluru on 25 July 2027, the due date being 31 July 2027; it is neither a revised return nor one under the seventh proviso to section 263(1).

B. The particulars for the schedules

Sheet	Payment, or tax paid	Particulars for the schedule	Amount
S-123 section 123	Life insurance premium — LIC of India	Policy LIC/2014/118274, issued in 2014 · sum assured ₹ 6,00,000	₹ 36,000
	Public Provident Fund	Deposit in his account with Canara Bank · PPF/04212245781	₹ 60,000
	Tuition fees — first child	Sri Vidya Mandir School, Indiranagar · receipt SVM/2026-27/03318	₹ 32,000
	Tuition fees — second child	The same school · receipt SVM/2026-27/03319	₹ 24,000
	Housing loan repaid — principal	Federal Bank Limited · Home Loan Account No. 16037300012894	₹ 1,10,000
S-126 section 126	Health insurance — himself, his wife, aged 43, and their two children	Niva Bupa Health Insurance Company Limited · policy NBHI/2024/R672940 · by net banking	₹ 21,000
	Health insurance — his parents, aged 76 and 71	Care Health Insurance Limited · policy CHI/2023/SC51876 · by cheque · the parents live on their own pension	₹ 46,000
Part C 5e section 124	Employer's contribution to the pension scheme	Nandi Systems Limited · ten per cent of basic salary and dearness allowance	₹ 1,72,800
Schedule IT BSR code 0410562	Advance tax — Canara Bank, Indiranagar	Deposited on 15/12/2026 · challan no. 02986	₹ 15,000
	Advance tax — Canara Bank, Indiranagar	Deposited on 15/03/2027 · challan no. 04371	₹ 15,000
TDS	Salary (Form 130)	Nandi Systems Limited · TAN BLRN04182D · section 392	₹ 4,20,000
	FD interest ₹ 1,20,000 (Form 131)	Canara Bank · TAN BLRC02719E · TDS code 1021	₹ 12,000
	Rent ₹ 6,60,000 (Form 132)	Shri Thomas Varghese · PAN ABHPV4721K · TDS code 1007	₹ 13,200
Bank accounts	Savings account — Canara Bank	Account no. 04211234567 · IFSC CNRB0001842 · selected for the refund	—
	Savings account — HDFC Bank	Account no. 50100387216450 · IFSC HDFC0001715	—

What you are required to do

Fill Form ITR-1 SAHAJ from the facts above, and compute the total income and the amount payable or refundable twice over, under each regime of the tax year; then say which regime costs him less.

- Solution 1 — the **NEW** regime, which is the default. Answer **No** at (A20); income-tax is computed under section 202(1).
- Solution 2 — the **OLD** regime. Answer **Yes** at (A20); the option under section 202(4) is exercised.

Note. Interest under sections 423, 424 and 425 is NOT COMPUTED in this paper. The rows remain on the form, because they are on the notified return, but nothing is worked out against them. In practical life the interest is charged, and the return of a real assessee would carry it.