CASE 13.4

Shri Nikhil Deshpande

Mumbai · Below 60 years · salary, allowances, two houses and Chapter VIII

THE QUESTION

A. The case, in paragraphs

1. Shri Nikhil Deshpande, son of Shri Anant Rao Deshpande, was born on 3 June 1978 and is resident and ordinarily resident in India — PAN AFTPD6132J, Aadhaar 2298-6741-3305, mobile 9820451163, e-mail nikhil.deshpande@gmail.com. He lives at 1204, Sagar Darshan, Veera Desai Road, Andheri West, Mumbai 400053, Maharashtra, and has no other address.

2. He was in employment throughout the tax year 2026-27 with Konkan Chemicals Limited, a company in the private sector, whose tax deduction account number is MUMK02845D. 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	₹ 1,40,000	₹ 16,80,000	Conveyance allowance [a]	₹ 6,000	₹ 72,000
Dearness allowance [b]	₹ 28,000	₹ 3,36,000	Uniform allowance [c]	₹ 2,000	₹ 24,000
House rent allowance	₹ 50,000	₹ 6,00,000	Medical allowance	₹ 1,250	₹ 15,000
Children education allowance [d]	₹ 8,000	₹ 96,000	City compensatory allowance	₹ 3,000	₹ 36,000
Hostel expenditure allowance [e]	₹ 10,000	₹ 1,20,000	Entertainment allowance	₹ 2,000	₹ 24,000
Performance bonus (March 2027)	—	₹ 2,00,000	**Gross salary for the year**		**₹ 32,03,000**

(a) No free conveyance is provided; he spent ₹ 60,000 on conveyance in the performance of his duties. (b) One-half enters into retirement benefits under the terms of employment. (c) He spent ₹ 18,000 on the safety uniform worn at the plant at Taloja. (d) ₹ 4,000 a month for each of his two children. (e) For the elder child, in a school hostel at Panchgani. He received no perquisite and no profit in lieu of salary, and paid tax on employment of ₹ 2,500 to the Municipal Corporation of Greater Mumbai.

3. The flat in which he lived throughout the year is not his own. It belongs to Smt. Asha Mehta, PAN BQZPM4417C, to whom he paid rent of ₹ 48,000 a month, ₹ 5,76,000 for the year, by transfer to her bank account.

4. He is the sole owner of two houses, each acquired with a home loan and let out for the whole year; the whole rent was realised, and no arrears or unrealised rent were received —

	Property 1 — Bandra West, Mumbai	Property 2 — Dundahera, Ghaziabad
Address	8, Shivneri Apartments, S. V. Road, Bandra West, Mumbai 400050, Maharashtra	D-212, Crossings Republic, NH-24 Service Road, Dundahera, Ghaziabad 201016, Uttar Pradesh
Tenant · PAN	Shri Vikram Chandra Joshi · AJTPJ6318K	Smt. Rekha Bhardwaj · CKMPB2298N
Rent · municipal taxes paid	₹ 8,40,000 · ₹ 42,000	₹ 4,80,000 · ₹ 24,000
Loan: bank · account · sanctioned	ICICI Bank Limited · 602405018734 · 10/06/2017	Axis Bank Limited · 920020047812365 · 16/11/2020
Loan · outstanding 31/03/2027 · interest	₹ 45,00,000 · ₹ 36,42,800 · ₹ 3,25,000	₹ 28,00,000 · ₹ 23,56,200 · ₹ 2,10,000
Tax deducted by the tenant	₹ 16,800, against the tenant's own PAN	Nil — the rent is below ₹ 50,000 a month

5. He earned interest of ₹ 19,000 on his savings bank accounts; interest of ₹ 2,20,000, gross, on fixed deposits with the State Bank of India; interest of ₹ 13,200 on an income-tax refund; and a dividend of ₹ 1,60,000, gross, on listed equity shares of Bharat Cements Limited, declared and paid on 28 May 2026.

6. Without any consideration, he received on his birthday, 3 June 2026, ₹ 15,000 by UPI from Shri Rohan Kulkarni, a colleague; ₹ 11,000 by UPI from Shri Kedar Deshpande, his cousin, the son of his father's brother; and ₹ 1,00,000 by cheque from Shri Madhav Gokhale, his mother's brother; and on Diwali, in November 2026, ₹ 25,000 by cheque from Shri Sameer Joshi, a friend.

7. He claims a deduction under Chapter VIII for every payment in Part B, and under section 153 for the interest of ₹ 19,000 on his savings accounts; and credit in this year for all the tax deducted from him at source (none was collected at source). His bank accounts are in Part B. He has no income from business or profession, no capital gain and no agricultural income; is not a director in any company; holds no unlisted equity share; has had no tax deducted on a cash withdrawal; and has no asset or signing authority outside India. He verifies and furnishes the return himself at Mumbai on 25 July 2027, the due

Advocate Dr. S. B. Rathore

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/2011/005862, issued in 2011 · sum assured ₹ 5,00,000	₹ 42,000
	Life insurance premium — Tata AIA Life	Policy TAIA/2018/447193, issued in 2018 · sum assured ₹ 10,00,000	₹ 24,000
	Contribution to provident fund	Document identification number PF/TDS/2026-27/ND/0052197	₹ 72,000
	Tuition fees — first child	Residential school at Panchgani · receipt PRS/2026-27/00817, which also shows boarding and lodging charges of ₹ 1,38,000	₹ 21,000
	Tuition fees — second child	Day school at Andheri · receipt SVS/2026-27/02164	₹ 21,000
	Housing loan repaid — Property 1	ICICI Bank Limited · Home Loan Account No. 602405018734	₹ 1,18,000
	Housing loan repaid — Property 2	Axis Bank Limited · Home Loan Account No. 920020047812365	₹ 82,000
S-126 section 126	Health insurance — himself, his wife, aged 45, and their two children	ICICI Lombard General Insurance Company Limited · policy ICL/2023/H518236 · receipt ICL/R/2026/774512 · by net banking	₹ 25,000
	Health insurance — his parents, aged 79 and 74	Care Health Insurance Limited · policy CHI/2022/SC40918 · receipt CHI/R/2026/119384 · by cheque · the parents live on their own pension	₹ 47,000
	Preventive check-up — both parents	Paid in cash	₹ 5,000
S-129-132 section 129	Interest — education loan for his wife's two-year M.B.A.	HDFC Bank Limited, IFSC HDFC0001234 · a/c 89120004517326 · sanctioned 18/02/2023 · loan ₹ 15,00,000 · outstanding 31/03/2027 ₹ 7,46,200 · interest paid since the year 2023-24	₹ 78,600
	Interest — his brother's education loan	Axis Bank Limited · sanctioned 09/08/2024 · for his brother's B.Tech.	₹ 42,000
S-133 section 133	National Defence Fund	PMO, Seva Teerth, New Delhi 110011 (09-DELHI) · PAN AAAGN0009F · NEFT 15/08/2026, ref. HDFCN26228459013, IFSC HDFC0001234	₹ 25,000
	Sankalp Shiksha Foundation — a registered non-profit organisation approved under section 354	Plot 41, Paud Road, Kothrud, Pune 411038 (19-MAHARASHTRA) · PAN AAETS5417M · ARN AAETS5417MF2026000458 · cheque no. 004518 of 05/09/2026, IFSC HDFC0001234	₹ 60,000
	The same Foundation, at its annual day	Paid in cash on 14/11/2026	₹ 5,000
S-137 section 137	Lok Kalyan Party — registered under section 29A of the RP Act, 1951	PAN AAAAL7392J · UPI on 02/10/2026, reference 627514839201, IFSC HDFC0001234	₹ 40,000
	The same party, at a public meeting	Paid in cash on 26/01/2027	₹ 10,000
Schedule IT BSR code 0230118	Advance tax	Deposited on 15/09/2026 · challan no. 00592	₹ 35,000
	Advance tax	Deposited on 15/12/2026 · challan no. 01807	₹ 40,000
	Advance tax	Deposited on 15/03/2027 · challan no. 03264	₹ 40,000
	Self-assessment tax	Deposited on 10/06/2027 · challan no. 04933	₹ 9,590
TDS	Salary (Form 130)	Konkan Chemicals Limited · TAN MUMK02845D · section 392	₹ 5,30,000
	FD interest ₹ 2,20,000 (Form 131)	State Bank of India · TAN MUMS03917E · TDS code 1021	₹ 22,000
	Dividend ₹ 1,60,000 (Form 131)	Bharat Cements Limited · TAN MUMB07219C · TDS code 1029	₹ 16,000
	Rent ₹ 8,40,000 (Form 132)	Shri Vikram Chandra Joshi · PAN AJTPJ6318K · TDS code 1007	₹ 16,800
Bank accounts	Savings account — HDFC Bank	Account no. 50100234567 · IFSC HDFC0001234 · selected for the refund	—
	Savings account — State Bank of India	Account no. 30418762295 · IFSC SBIN0001492	—
	Savings account — ICICI Bank	Account no. 004801529836 · IFSC ICIC0000048	—

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.

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