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

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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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Case 13.4 - *Generate the income-tax return in Form ITR-1 SAHAJ for the tax year 2026-27*

Required - **(a)** under the new regime, section 202(1); **(b)** under the old regime, option of section 202(4) exercised.
Interest under sections 423, 424 and 425 is not to be computed.

Name	Nikhil Deshpande
Father's Name	Anant Rao Deshpande
PAN	AFTPD6132J
Aadhaar No.	2298-6741-3305
Date of birth	03/06/1978
Address	1204, Sagar Darshan, Veera Desai Road, Andheri West, Mumbai - 400053 (Maharashtra) - he has no other address
Mobile No.	9820451163
e-mail ID	nikhil.deshpande@gmail.com
Residential status	Resident and ordinarily resident
Return to be filed under which section	263(1), original return (not a revised return; not in response to any notice)
Name of employer	Konkan Chemicals Limited (a company in the private sector)
TAN of employer	MUMK02845D
Nature of employment	Others
Return filed under the seventh proviso	No
Representative assessee	No
No. of bank accounts held in India	3
Details of bank accounts	Name of bank: HDFC Bank / State Bank of India / ICICI Bank Account No.: 50100234567 / 30418762295 / 004801529836 IFS Code: HDFC0001234 / SBIN0001492 / ICIC0000048 Type of account: Savings / Savings / Savings Refund to be credited: Yes / No / No
Date of filing	25/07/2027 (the due date being 31/07/2027)
Place of filing return	Mumbai
Verification	By the assessee himself, in the capacity of Self

Income details - Income details are given below –

	Rs.
Income from salary (as per Form No. 130 given by employer)	
Basic salary (Rs. 1,40,000 p.m.)	16,80,000
Dearness allowance (Rs. 28,000 p.m.) - one-half enters into retirement benefits under the terms of employment	3,36,000
House rent allowance (Rs. 50,000 p.m.)	6,00,000
Children education allowance (Rs. 8,000 p.m. - Rs. 4,000 p.m. for each of his two children)	96,000
Hostel expenditure allowance (Rs. 10,000 p.m.) - for the elder child, in a school hostel at Panchgani	1,20,000
Conveyance allowance (Rs. 6,000 p.m.) - no free conveyance; Rs. 60,000 spent on conveyance in the performance of duties	72,000
Uniform allowance (Rs. 2,000 p.m.) - Rs. 18,000 spent on the safety uniform worn at the plant at Taloja	24,000
Medical allowance (Rs. 1,250 p.m.)	15,000
City compensatory allowance (Rs. 3,000 p.m.)	36,000
Entertainment allowance (Rs. 2,000 p.m.)	24,000
Performance bonus (March 2027)	2,00,000
Gross salary for the year	**32,03,000**
Tax on employment paid to the Municipal Corporation of Greater Mumbai	2,500
(No perquisite and no profit in lieu of salary. He lives in a rented flat - rent paid is given under other information)	
Income from house property - Property 1, Bandra West, Mumbai (let out for the whole year)	
Address : 8, Shivneri Apartments, S. V. Road, Bandra West, Mumbai - 400050 (Maharashtra)	
Tenant : Shri Vikram Chandra Joshi (PAN : AJTPJ6318K)	
Rent received for the year (the whole of it realised)	8,40,000
Municipal taxes paid during the year	42,000
Interest on borrowed capital	3,25,000
Income from house property - Property 2, Dundahera, Ghaziabad (let out for the whole year)	
Address : D-212, Crossings Republic, NH-24 Service Road, Dundahera, Ghaziabad - 201016 (Uttar Pradesh)	
Tenant : Smt. Rekha Bhardwaj (PAN : CKMPB2298N)	
Rent received for the year (the whole of it realised)	4,80,000
Municipal taxes paid during the year	24,000

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	Rs.
Interest on borrowed capital	2,10,000
(No arrears of rent and no unrealised rent; sole owner of both houses, 100 per cent)	
Income from other sources	
Interest on savings bank accounts	19,000
Interest on fixed deposits with State Bank of India (gross, before TDS)	2,20,000
Interest on income-tax refund	13,200
Dividend on listed equity shares of Bharat Cements Limited (declared and paid on 28/05/2026)	1,60,000
Sums of money received without consideration	
- 03/06/2026 (his birthday), by UPI, from Shri Rohan Kulkarni, a colleague	15,000
- 03/06/2026, by UPI, from Shri Kedar Deshpande, his cousin (son of his father's brother)	11,000
- 03/06/2026, by cheque, from Shri Madhav Gokhale, his mother's brother	1,00,000
- Diwali, November 2026, by cheque, from Shri Sameer Joshi, a friend	25,000

	Rs.
Deductions claimed from gross total income (details under other information)	
Under section 123 [life insurance, provident fund, tuition fees, housing loan repaid]	3,80,000
Under section 126 [health insurance - self and family, and parents; preventive check-up]	77,000
Under section 129 [interest on education loans]	1,20,600
Under section 133 [donations]	90,000
Under section 137 [contributions to a political party]	50,000
Under section 153 [interest on savings accounts]	19,000

Taxes paid - Details of taxes paid are given below –

	Rs.
Tax deducted at source (the whole of it claimed in this tax year; no tax collected at source)	
- On salary (Form 130; Konkan Chemicals Limited, TAN : MUMK02845D; section 392)	5,30,000
- On FD interest Rs. 2,20,000 (Form 131; State Bank of India, TAN : MUMS03917E; code 1021)	22,000
- On dividend Rs. 1,60,000 (Form 131; Bharat Cements Limited, TAN : MUMB07219C; code 1029)	16,000
- On rent Rs. 8,40,000 (Form 132; Shri Vikram Chandra Joshi, PAN : AJTPJ6318K; code 1007)	16,800
Advance tax paid by assessee (BSR Code : 0230118)	
- Tax paid on 15/09/2026 (Challan No. : 00592)	35,000
- Tax paid on 15/12/2026 (Challan No. : 01807)	40,000
- Tax paid on 15/03/2027 (Challan No. : 03264)	40,000
Self-assessment tax paid by assessee (BSR Code : 0230118)	
- Tax paid on 10/06/2027 (Challan No. : 04933)	9,590

Other information - Based on the records submitted by the assessee, the following information has been noted –

House rent paid	Landlord	PAN of landlord	Rent
	Smt. Asha Mehta - for the flat in which he lived throughout the year (Rs. 48,000 p.m.), paid by transfer to her bank account	BQZPM4417C	Rs. 5,76,000

Interest on housing loan	Particulars	**Property 1** (let out)	**Property 2** (let out)
	Loan taken from bank/institution	Bank	Bank
	Name of bank	ICICI Bank Limited	Axis Bank Limited
	Loan account number	602405018734	920020047812365
	Date of sanction of loan	10/06/2017	16/11/2020
	Total amount of loan	Rs. 45,00,000	Rs. 28,00,000
	Loan outstanding as on 31/03/2027	Rs. 36,42,800	Rs. 23,56,200
	Interest for the year	Rs. 3,25,000	Rs. 2,10,000
	Principal repaid in the year	Rs. 1,18,000	Rs. 82,000

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Deduction under section 123	Nature of payment	Particulars	Rs.
	Life insurance premium - LIC of India	Policy LIC/2011/005862, issued in 2011; sum assured Rs. 5,00,000	42,000
	Life insurance premium - Tata AIA Life	Policy TAIA/2018/447193, issued in 2018; sum assured Rs. 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 Rs. 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
Deduction under section 126	**Payment**	**Particulars**	**Rs.**
	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
Deduction under section 129	**Interest on**	**Particulars**	**Rs.**
	Education loan for his wife's two-year M.B.A.	HDFC Bank Limited, IFSC HDFC0001234; a/c 89120004517326; sanctioned 18/02/2023; loan Rs. 15,00,000; outstanding on 31/03/2027 Rs. 7,46,200; interest paid since the year 2023-24	78,600
	His brother's education loan	Axis Bank Limited; sanctioned 09/08/2024; for his brother's B.Tech.	42,000
Deduction under section 133	**Donee**	**Particulars**	**Rs.**
	National Defence Fund	PMO, Seva Teerth, New Delhi 110011 (09-DELHI); PAN AAAGN0009F; NEFT on 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
Deduction under section 137	**Political party**	**Particulars**	**Rs.**
	Lok Kalyan Party - registered under section 29A of the Representation of the People 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

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