

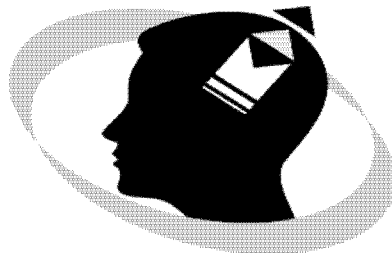
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DISCOVER MATERIAL ON INCOME TAX

(COVERS PAST EXAM QUESTION PAPERS UPTO MAY – 2019)



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DISCOVER 2E / INCOME TAX

WE HAVE INCLUDED THE PAST EXAM QUESTION PAPERS OF 5 RECENT ATTEMPTS UNDER IPCC & 3 RECENT ATTEMPTS CA INTER UPTO MAY 2019

1. INTRODUCTION TO INCOME TAX**PART1: PROBLEMS**

- Miss Himanshi (68 years) is a resident individual. During the Assessment year 2019-20, she has income from Long-term capital gain on transfer of equity shares Rs.1,80,000 (securities transaction has been paid on acquisition and transfer of the said shares) and income from Other sources Rs 2,75,000. Compute her tax liability for Assessment year 2019-20 **[M19 (O) – 3M]**
- Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2018-19: **[N18 (N) – 5M]**

Particulars	Rs.
Income from Salaries	27,88,000
Income from House Property (Computed)	15,80,000
Interest Income from FDR's	7,22,000

He has not claimed any deduction under Chapter VI-A. You are required to compute tax liability of Mr.Rajat Saini as per the provisions of Income -tax Act, 1961.

2. RESIDENTIAL STATUS - I**PART1: PROBLEMS**

- Mr. Bachhan has provided the following details of his income for the year ended 31.03.2019 **[M19 (O) – 4M]**
 - Short term capital gains on sale of shares in Indian 85,000 company received in Japan.
 - Dividend from a Chinese company received in 30,000 china
 - Rent from property in Bangladesh deposited in a 96,000 bank at Dhaka, later on remitted to Indian through approved banking channels.
 - Dividend from ABC Ltd., an Indian company 22,000 compute his total income for the assessment Year 201-20 in Case of he is :
 - Resident and ordinary resident:
 - Resident but not ordinarily resident: or
 - Non- resident
- Compute the Gross Total Income in the hands of an individual, if he is **[M18 (N) – 10M]**
 - a resident and ordinary resident; and
 - a non-resident for the A. Y. 2018-19.

S.NO	PARTICULARS	AMOUNT
(i)	Interest from German Derivatives Bonds (1/3 received in India)	21,000
(ii)	Income from agriculture land situated in Malaysia, remitted to India	51,000
(iii)	Income earned from business in Dubai controlled from India (RS 20,000 received in India)	75,000
(iv)	Profit from business in Mumbai, controlled from Australia	1,75,000
(v)	Interest received from Mr. Ashok (NRI) on loan provided to him for business in India	35,000
(vi)	Dividend from Brown Ltd., an Indian Company, u/s 115-O of Income-tax Act,1961	30,000
(vii)	Profit from business in Canada controlled from Mumbai (60% of profits deposited in a bank in Canada and 40% remitted to India)	60,000

- (viii) Amount received from an NRI for the use of know-how for his business in Singapore 8,00,000
- (ix) Dividend received from foreign company in India. 25,000
- (x) Past years untaxed foreign income brought to India. 50,000

3) Following incomes are derived by Mr. Krishna Kumar during the year ended 31-3-2018: [N18 (N) – 6M]

Pension received from the US Government	3,20,000
Agricultural income from lands in Malaysia	2,70,000
Rent received from let out property in Colombo, Sri Lanka	4,20,000

Discuss the taxability of the above items where the assessee is (i) Resident, (ii) Non-resident

4) Mrs. Karuna Kapoor is a Hollywood actress. Her passport reveals the following information about her stay in India. [M18 (O) – 5M]

2017-18	From April 3 rd	to	July 11 th
2016-17	From June 22 nd	to	July 11 th
2015-16	From Feb 10 th	to	March 26 th
2014-15	From Sept. 7 th	to	March 26 th
2013-14	From May 17 th	to	September 30 th
2012-13	From April 3 rd	to	July 11 th
2011-12	From April 3 rd	to	July 11 th
2010-11	From April 3 rd	to	July 11 th
2009-10	From April 3 rd	to	July 11 th

Find out her residential status for the assessment year 2018-19.

5) DAISY Ltd. a foreign company incorporated in USA and engaged in the manufacturing and distribution of diamonds set up a branch office in India in June 2016. The branch office was required to purchase uncut and unassorted diamonds from the dealers of Mumbai and export them to USA. During the Previous Year 2016 -17, profit from such export amounted to Rs. 75 lakhs. [N17 (O) – 5M]

Out of 20 shareholders of DAISY Ltd., 12 shareholders are non-resident in India. All the major decisions were taken through Board Meetings held at USA.

(i) Determine the residential status of DAISY Ltd. for the Assessment Year 2017 -18.

(ii) Discuss the tax treatment of profit from export business.

6) During the last four years preceding the financial year 2016-17, Mr. Damodhar, a citizen of India, was present in India for 430 days. During the last seven previous years preceding the previous year 2016-17, Mr. Damodhar is a member of crew of a Dubai bound Indian ship, carrying passengers in the international waters, which left Kochi port in Kerala, on 12th August, 2016. [M17 (O) – 5M]

Following details are made available to you for the previous year 2016 –

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Damodhar	12 th August, 16
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Damodhar	21 st January, 17

In May, 2016, he had gone out of India to Singapore and Malaysia on a private tour for a continuous period of 29 days.

You are required to determine the residential status of Mr. Damodhar for the previous year 2016-17

3. INCOME FROM HOUSE PROPERTY**PART1-PROBLEMS**

1. Mr. Madhavan is a finance manager in a Star Private Ltd. He gets a salary of Rs. 30,000 per month. He owns two houses, one of which has been let out to his employer which is in-turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the FY 2018-19 [M19 (N) – 7M]

Particulars	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let out to Star Private Ltd	Let out to Ms. Puja

Rs. 17,000 were paid as interest on loan taken by mortgaging house 1 for construction of house 2 During the PY 2018-19 Mr. Madhavan purchased a rural agricultural land for Rs. 2,50,000. Stamp valuation of such property is Rs. 3,00,000.

Determine the taxable income of Mr. Madhavan for the AY 2019-20. All workings should form part of your answer.

2. Mrs. Disha Khanna, a resident of India, owns a house property at Bhiwani in Haryana. [N18 (N) – 7M]

The Municipal value of the property is 7,50,000. Fair Rent of the property is Rs. 6,30,000 and Standard Rent is Rs.7,20,000 per annum.

The property was let out for Rs. 75,000 per month for the period April 2017 to December 2017. Thereafter, the tenant vacated the property and Mrs. Disha Khanna used the house for self-occupation. Rent for the months of November and December 2017 could not be realized from the tenant. The tenancy was bonafide but the defaulting tenant was in occupation of another property of the assessee, paying rent regularly. She paid municipal taxes @ 12% during the year and paid interest of Rs. 35,000 during the year for amount borrowed towards repairs of the house property. You are required to compute her income from "House Property" for the A.Y. 2018-19.

3. Mr. Chakrobarty, a resident, aged 35 years, works as a deputy manager in Dews Limited, located in Noida since April 2010. He own two houses and uses it for self -purpose. The following information relates to the houses for the previous year 201 7-18; [N18 (O) – 5M]

Location	House-I	House-II
	Noida	Gurgaon
	(He a (He and his family reside)	(His parents reside)
Municipal value per annum (Rs.)	8,00,000	9,00,000
Fair rent (Rs.)	9,20,000	8,80,000
Standard rent per annum (Rs.)	8,40,000	9,20,000
Actual rent (per month) (Rs.)	-	-
Municipal taxes paid during the year	8%	10%
Date of completion of construction of properties	31st March, 2010	25th May, 2017

He had taken a loan of Rs. 18,00,000 for the construction of the House-II on 1st April, 2015. Interest was payable @ 10% per annum. Till date, no payment was made towards the principal amount.

Mr. Chakrobarty, seeks your professional advice to plan his tax liability. Give suggestions to Mr. Chakrobarty which house should be considered and treated as a self-occupied property so that his house property income is minimum for the assessment year 2018-19

4. Mr. Aditya, a resident but not ordinarily resident in India during the Assessment Year 2017-18. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1 DHS = INR 18). The entire rent is received in India. He paid property tax of DHS 2,500 and sewerage tax DHS 1,500 there, for the Financial Year 2016-17. The house in Mumbai is self-occupied. He had taken a loan of Rs. 25,00,000 to construct the house on 1st June, 2013 @12%. The construction was completed on 31st May, 2015 and he occupied the house on 1st June, 2015. The entire loan is outstanding as on 31st March, 2017. Property tax paid in respect of the second house is Rs. 2,400 for the Financial Year 2016-17. Compute the income chargeable under the head "Income from house property" in the hands of Mr. Aditya for the Assessment Year 2017-18. [N17 (O) – 5M]

PART-2 DESCRIPTIVE QUESTIONS

5. Mr. Rohan, a resident individual, owns 3 houses in Chennai. One house is self occupied by him, second house is self occupied by his major son and the third house is vacant during the year.

You are required to highlight the steps involved to compute "Income from house property" for Mr. Rohan under deemed to be let out concept [M18 (O) – 5M]

4A. GENERAL PROVISIONS IN CAPITAL GAINS

PART1-PROBLEMS

1. Mr. Roy owned a residential house in Noida. It was acquired on 09.09.09 for Rs. 30,00,000. He sold it for Rs. 1,57,00,000 on 07.01.16 [M19 (N) – 6M]

Mr. Roy utilized the sale proceeds of the above property to acquire a residential house in Panchkula for Rs. 2,05,00,000 on 20.07.16. The said house property was sold on 31.10.18 and he purchased another residential house in Delhi for Rs. 2,57,00,000 on 02.03.19. The property at panchkula was sold for Rs. 3,25,00,000.

Calculate capital gains chargeable to tax for the AY 2016-17 and 2019-20. All workings should form part of your answer

Cost inflation index for various Financial years are as under

2009-10	-	148	2015-16	-	254
2016-17	-	264	2018-19	-	280

2. Star Enterprises has transferred its unit R to A Ltd. by way of Slump Sale on January 23, 2018. The summarised Balance Sheet of Star Enterprises as on that date is given below: [M18 (N) – 10M]

Liabilities	Amount (Rs In lacs)	Assets	Amount (Rs In lacs)
Own Capital	1,750	Fixed Assets:	
Accumulated P & L balance	670	Unit P	200
Liabilities:		Unit Q	150
Unit P	90	Unit R	600
Unit Q	160	Other Assets:	
Unit R	140	Unit P	570
		Unit Q	850
		Unit R	440
Total	2,810	Total	2,810

Using the further information below, compute the Capital Gains arising from slump sale of Unit R for Assessment year 2018-19 from slump sale of Unit R for Assessment year 2018-19.

1. Slump sale consideration on, transfer of Unit R was RS 930 lacs.
2. Fixed Assets of Unit R includes land which was purchased at RS110 lacs in the year 2008 and was revalued at RS140 lacs.
3. Other fixed assets are reflected at RS 460 lacs, (i.e., RS 600 lacs less value of land) which represents written down value of those assets as per books. The written down value of these assets is RS 430 lacs.
4. Unit R was set up by Star Enterprises in Oct, 2006.

Note: Cost Inflation Indices for the financial year 2006-07 and financial year 2017-18 are 122 and 272, respectively.

3. Mr. Subramani sold a house plot to Mrs. Vimala for Rs. 45 lakhs on 12-5-2017. The valuation determined by the stamp valuation authority was Rs. 53 lakhs. Discuss the tax consequences of above, in the hands of each one of them, viz, Mr. Subramani & Mrs. Vimala. Mrs. Vimala has sold this plot to Ms. Padmaja on 21-3-2018 for Rs. 55 lakhs. **[N18 (N) – 6M]**

The valuation as per stamp valuation authority remains the same at Rs. 53 lakhs.

Compute the capital gains arising on sale of the house plot by Mrs. Vimala

Note: None of the parties viz Mr. Subramani, Mrs. Vimala & Ms. Padmaja are related to each other; the transactions are between outsiders

4. Mrs. Mahalakshmi, an individual aged 68 years, mortgaged her Residential Property, purchased for Rs. 3 lakhs on 01-10-2002, with a bank, under a notified reverse mortgage scheme and was sanctioned a loan of Rs. 20 lakhs. As per the said scheme, she was receiving the loan amount in equal monthly installments of Rs. 30 thousand per month from the bank. Mrs. Mahalakshmi was not able to repay the loan on maturity and in lieu of settlement of the loan, surrenders the residential property to the bank. Bank sold the property for Rs. 25 lakhs on 22-02-2018. She had no other income during the year. **[M18 (O) – 5M]**

Discuss the tax consequences and compute tax for the Assessment Year 2018-19.

Cost inflation index 2002-03 – 105 2017-18 – 272

4B. CAPITAL GAINS IN SPECIAL CASES AND ITS EXEMPTIONS

PART1-PROBLEMS

1. Mr. Deepak has a residential house property u/s 22. Such property was acquired on 12-08-2005 for Rs 2,00,000. The property is sold for Rs 23,00,000. The sub-register refused to register the documents for the said value, as according to him, stamp value valuation, based on State Government guidelines was 28,00,000. Mr. Deepak preferred an appeal to the revenue divisional officer who fixed the value of the house Rs 25,00,000. He Acquired another residential house on 31-03-2019 for Rs 17,00,000 for self-occupation. On 01-03-2020, he sold such new residential house for Rs 30,00,000. Compute his capital gain for the A.Y. 2019-20 and 2020-21. (Cost of indexation; 2005-2006 and 2018-2019 are, 100; 117 and 280) **[M19 (O) – 4M]**
2. Mr. Yuthistra bought a vacant land for Rs. 80 lakhs in May 2004. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for Rs. 100 lakhs during the financial year 2006-07. **[M18(O) – 8M]**

He entered into an agreement for sale of the above said residential house with Mr. John (not a relative) in April 2015. The sale consideration was fixed at Rs. 700 lakhs and on 23-4-2015, Mr. Yuthistra received Rs. 20 lakhs as advance in cash by executing an agreement.

The sale deed was executed and registered on 14-1-2017 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was Rs. 770 lakhs. Mr. Yuthistra paid 1% as brokerage on sale consideration received

Subsequent to sale, Mr. Yuthistra made following investments:

Acquired a residential house at Delhi for Rs. 110 lakhs.

Acquired a residential house at London for Rs. 190 lakhs.

Subscribed to NHA capital gains bond (approved under section 54EC) for Rs. 45 lakhs on 29-3-2017 and for Rs. 50 lakhs on 12-5-2017.

Compute the income chargeable under the head 'Capital Gains'. The choice of exemption must be in the manner most beneficial to the assessee

Cost Inflation Index

F.Y. 2004-05	480	F.Y. 2006-07	519
F.Y. 2016-17	112		

5A. BUSINESS INCOME AND ALLOWABLE EXPENSES

PART1-PROBLEMS

- M/s. Keshav enterprises, a sole proprietorship own four machines, put in use for business in March, 2017. The depreciation on these machines is charged @ 15 %. The written down value of these machines were as on 1st April, 2018 was Rs 7,70,000. Two of the old machines were sold on 15th July, 2018 for Rs 10,00,000. A second hand plant was bought for Rs 6,10,000 on 30th December, 2018. You are required to: [M19 (O) – 4M]
 - Determine the claim of depreciation for assessment year 2019-20.
 - Compute the capital gains liable to tax for Assessment Year 2019-20
 - If Keshav Enterprise had sold the two machines in July, 2018 for Rs 15,00,000, explain, will there any difference in your above working?
- Mr. Sharad, set up a manufacturing unit of detergent powder in notified backward area on 20th April, 2017. He purchased the following machineries (falling under 15% block) during the previous year 2017-18. [N18 (O) – 5M]

		Amount (Rs. lakhs)
(i)	Machinery A, Machinery B and Machinery C from XYZ Limited on credit (installed on 20th June, 2017)	45
(ii)	Machinery D from Suyog Limited (installed on 5th September, 2017). The Invoice was paid through a cash payment on the same day.	25
(iii)	Machinery E from Den Limited (a second hand Machine dealer) on 15th December, 2017 (The payment for the purchase invoice was made through NEFT on 2nd January, 2018)	5

Compute the depreciation allowance under section 32 of the Income-tax Act, 1961 for the assessment year 2018-19.

5B. DISALLOWANCES AND PRESUMPTIVE TAXATION

PART1-PROBLEMS

- Mr. Dheeraj, a resident individual, is a dealer of food grains. During the previous year 2017-18, total turnover of his business was Rs. 80 lakhs (out of which Rs. 15 lakhs was received in account payee cheques and balance in cash). He estimates similar turnover in the previous year 2018-19. As suggested by his tax consultant, Mr. Dheeraj wants to opt for computation of profit and gains of business on presumption basis under section 44AD for the previous year 2018-19. [N18 (O) – 5M]

Guide Mr. Dheeraj relating to the provisions of advance tax with its due date along with the amount payable, if he opts for the above mentioned presumptive taxation

2. Mr. Querashi is a business man. During the year ended 31-03-2018, he was engaged in the business of Hypermarket and Super Market. He maintains proper books of accounts for both businesses in mercantile system. Sales from Hypermarket achieved a turnover of Rs. 75 Lakhs and all receipts were in cash. However, Supermarket business is through online and entire receipts of Rs. 50 lakhs during the year were received online in his bank account. The expenses were incurred in the ratio 65:35.

Following additional information is furnished:

[N18 (O) – 10M]

PARTICULARS	Rs.
To Salary	10,00,000
To Repairs on building	1,81,000
To Interest	1,10,000
To Travelling	1,30,550
To Depreciation	8,12,000
Net profit	3,93,950

- In addition to the above, repairs of Rs. 1,00,000 was incurred for building a new room which was debited to P & L A/c.
- Depreciation as per Income-tax Act, 1961 is Rs. 7,17,000.
- Rs. 75,000 was paid in cash on 30-09-17 to Mrs. Ann, accountant for preparation of the accounts for the year ended 31-03-2017 and adjusted under the head "expenses payable" account.
- He was forced to shutdown his furniture business in the year 2015 as his accountant absconded with cash of Rs. 5 Lakhs and fully allowed in that year. Unabsorbed business loss of furniture business is Rs. 3 lakhs. Rs. 4 lakhs was received as insurance compensation on 31-03-2018 for the cash theft.
- Mr. Querashi wants to declare income under "Presumptive income" basis.

Compute the income chargeable under the head "Profits and gains of business or profession" of Mr. Querashi under presumptive Income scheme under section 44AD and his Total Income for the year ended 31-03-2018

6. INCOME FROM SALARIES

PART1-PROBLEMS

1. Mr. Honey is working with a domestic company having a production unit in the U.S.A. for last 15 years. He has been regularly visiting India for export promotion of company's product. He has been staying in India for atleast 184 days every year.

[M18 (N) – 10M]

He submits the following information:

Salary received outside India (For 6 months) Rs .50,000 P.M

Salary received in India (For 6 months) Rs.50,000 P.M.

He has been given rent free accommodation in U.S.A. for which company pays Rs15,000 per month as rent, but when he comes to India, he stays in the guest house of the company. During this period he is given free lunch facility.

During the previous year, company incurred an expenditure of Rs48,000 on this facility.

He has been provided a car of 2000 cc capacity in U.S.A. which is used by him for both office and private purposes. The actual cost of the car is Rs. 8,00,000. But when he is in India, the car is used by him and the members of his family only for personal purpose. The monthly expenditure of car is Rs. 5,000. His elder son is studying in India for which his employer spends Rs.12,000 per year whereas his younger son is studying in U.S.A. and stays in a hostel for which Mr. Honey gets RS3,000 per month as combined allowance.

The company has taken an accident insurance policy and a life insurance policy. During the previous year, the company paid premium of Rs.5,000 and Rs.10,000, respectively.

Compute Mr. Honey's taxable income from salary for the Assessment Year 2018-19.

2. Mr. Janakaraj, employed as General Manager in Rajus Refractories Pvt. Ltd., furnishes you the under mentioned information for the year ended 31-03-2018 : **[N18 (N) – 6M]**

(i) Basic salary upto 30-11-2017 Rs 70,000 p.m. Basic salary from 01-12-2017 Rs80,000 p.m.

Note: Salary is due and paid on the last day of every month.

(ii) Dearness allowance @ 50% of basic salary (not forming part of salary for retirement benefits).

(iii) Bonus equal to one month salary. This was paid in November, 2017 on basic salary plus dearness allowance applicable for that month.

(iv) Contribution of employer to recognized provident fund account of the employee @ 18% of basic salary, employee also contributing an equivalent amount.

(v) Profession tax paid Rs 6,000 of which Rs 3,000 was paid by the employer.

(vi) Facility of laptop was provided to Janakaraj for both official and personal use. Cost of laptop Rs 65,000 and was purchased by the company on 11-10-2017

(vii) Leave travel concession given to Janakaraj, his wife and three children (one daughter aged 6 and twin sons aged 4). Cost of air tickets (economy class reimbursed by the employer Rs20,000 for adults and lumpsum of Rs 25,000 for three children. Janakaraj is eligible for availing exemption this year to the extent it is permissible under the Income-tax Act, 1961.

Compute the taxable salary of Mr. Janakaraj .

3. Ms. Jaya is the marketing manager in XYZ limited. She gives you the following particulars: **[N17 (O) – 10M]**

Basic Salary	Rs. 65,000 p.m.
Dearness Allowance	Rs. 22,000 p.m. (30% is for retirement benefits)
Bonus	Rs. 17,000 p.m.

Her employer has provided her with an accommodation on 1st April, 2016 at a concessional rent. The house was taken on lease by XYZ Ltd. for Rs. 12,000 p.m. Ms. Jaya occupied the house from 1st November, 2016. Rs. 4,800 p.m. is recovered from the salary of Ms. Jaya. The employer gave her a gift voucher of Rs. 8,000 on her birthday. She contributes 18% of her salary (Basic Pay + DA) towards recognised provident fund and the company contributes the same amount.

The company pays medical insurance premium to effect insurance on the health of Ms. Jaya Rs. 18,000.

Motor car owned by the employer (cubic capacity of engine exceeds 1.6 litres) provided to Ms. Jaya from 1st November, 2016 which is used for both official and personal purposes. Repair and running expenses of Rs. 50,000 were fully met by the company. The motor car was self-driven by the employee.

Compute the income chargeable to tax under the head "Salaries" in the hands of Ms. Jaya for the Assessment Year 2017-18

4. Mr. Nambi, a salaried employee, furnishes the following details for the financial year 2016-17 **[M17 (O) – 8M]**

Particulars	Rs.
Basic salary	6,00,000
Dearness allowance	3,20,000
Commission	50,000
Entertainment allowance	7,500

Medical expenses reimbursed by the employer	21,000
Profession tax (of this, 50% paid by employer)	7,000
Health insurance premium paid by employer	9,000
Gift voucher given by employer on his birthday	12,000
Life insurance premium of Nambi paid by employer	34,000
Laptop provided for use at home. Actual cost of Laptop to employer Children of the assessee are also using the Laptop at home]	30,000
Employer company owns a Tata Nano car, which was provided to the assessee, both for official and personal use. No driver was provided. (Engine cubic capacity less than 1.6 litres).	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes; details of usage are not available]	2,000

You are required to compute the income chargeable under the head Salaries for the assessment year 2017-18

7. INCOME FROM OTHER SOURCES

PART1-PROBLEMS

1. Discuss the taxability of the following receipts in the hands of Mr. Sanjay Kamboj under the Income-tax Act, 1961 for A.Y. 2018-19: [M18 (N) – 3M]

- (i) Rs.51,000 received from his sister living in US on 1-6-2017.
- (ii) Received a car from his friend on payment of Rs2,50,000, the FMV of which was Rs5,50,000. Provisions of taxability or non-taxability must be discussed.

2. Mr. Rangamannar resides in Delhi. As per new rule in the city, private cars can be plied in the city only on alternate days. He has purchased a car on 21-09-2017 for the purpose of his business as per following details: [N18 (N) – 4M]

Particulars	Amount (Rs.)
Cost of car (excluding GST)	12,00,000
Add: Delhi GST at 14%	1,68,000
Add: Central GST at 14%	1,68,000
Total price of car	15,36,000

He estimates the usage of the car for personal purposes will be 25%. He is advised that since the car has run only on alternate days, half the depreciation, which is otherwise allowable, will be actually allowed.

He has started using the car immediately after purchase. Determine the depreciation allowable on car for the A.Y. 2018-19, if this is the only asset in the block. Rate of depreciation may be taken at 15% If this car were to be used in the subsequent Assessment Year 2019-20 on the same terms and conditions above, what will be the depreciation allowable? Assume that there is no change in the legal position under the Income-tax Act, 1961

3. Mrs. and Mr. Vinod Amin have two minor children M and N. The following are the receipts in the hands of M and N during the year ended 31-3-2018: [N18 (N) – 5M]

- (i) M received a gift of Rs. 70,000 from her friend's father on the occasion of her birthday.
- (ii) M won a prize money of Rs.3,00,000 in National Quiz competition. This was invested in debentures of a company, from which interest of Rs19,000 (gross) accrued during the year.
- (iii) N won prize in a lottery. The net amount received after deduction of tax at source was Rs 1,05,000. Mr. Vinod Amin's income before considering clubbing provisions is higher than that of his wife. Discuss how these items will be considered for taxation under the provisions of the Income-tax Act, 1961. Detailed computation of income is not required

PART2-DESCRIPTIVE QUESTIONS

4. Discuss with brief reasons, whether rent received for letting out agricultural land for a movie shooting and amounts received from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assessee can be regarded as agricultural income, as per the provisions of the Income-tax Act,

[M17 (O) – 5M]

8. CLUBBING PROVISIONS**PART1 PROBLEMS**

1. Mr. Jaji is a chartered accountant and his income from profession for the year 2017-18 is Rs. 10,00,000. He provides you with the following information for the year 2017-18. [M18 (O) – 5M]

Particulars	Rs.
Income of minor son Biju from company deposit	1,50,000
Income of minor daughter Chitra (professional dancer)	20,00,000
Interest from SBI received by Chitra on deposit made in 2015 out of her special talent	20,000
Gift received by Chitra on 30-09-2017 from friends of Mr. Jaji on winning National award	45,000
Short term capital loss of Mr. Jaji	6,00,000
Long term capital gain of Mr. Jaji	4,00,000
Long term capital gains from shares (STT paid) of Mr. Jaji	10,00,000
Short term capital loss under section 111A of Mr. Jaji	10,00,000

Compute the Total Income of Mr. Jaji for Asst. Year 2018-19 and the losses to be carried forward assuming that he files his income tax returns every year before due date.

2. XYZ Ltd. A domestic company, declared dividend of Rs. 150 lakh for the Financial Year 2016-17 and distributed the same on 31-07-2017. Mr. A holding 10% share in XYZ Ltd. Received dividend of Rs. 15 lakh in July, 2017. Mr. B holding 5% share in XYZ Ltd. Received dividend of Rs. 7.5 lakh in July, 2017. Discuss the tax liabilities in the hands of Mr. A and Mr. B assuming that Mr. A and Mr. B have not received dividend from any other domestic company during the year. [M18 (O) – 3M]
3. Kamal gifted Rs. 10 lakhs to his wife, Sulochana on her birthday on, 1st January, 2016. Sulochana lent Rs. 5,00,000 out of the gifted amount to Krishna on 1st April, 2016 for six months on which she received interest of Rs. 50,000. The said sum of Rs. 50,000 was invested in shares of a listed company on 15th October, 2016, which were sold for Rs. 75,000 on 30th December, 2016. Securities transaction tax was paid on such sale. The balance amount of gift was invested as capital by Sulochana in a business. She suffered loss of Rs. 15,000 in the business in Financial Year 2016-17. [N17 (O) – 5M]

In whose hands the above income and loss shall be included in Assessment Year 2017 – 18? Support your answer with brief reasons.

PART2-DESCRIPTIVE QUESTIONS:

4. Briefly explain with example, the meaning of Cross Transfer, the Objective to make such transactions thereof under the Income Tax Laws. [M19 (O) – 3M]

9.SET OFF AND CARRY FORWARD OF LOSSES**PART1-PROBLEMS**

1. Mr.Rahman furnishes the following information for the financial year 2018-19 [M19 (O) – 4M]

Particular	Rs
Loss from speculation business-A	70,000
Profit from speculation business-B	30,000

Loss from self-occupied house property	2,20,000
Income from let out house property	4,20,000
Income from trading and manufacturing business @ 8%	2,00,000
Salary income	3,70,000
Interest on PPF deposit	65,000
Long term capital gain on sale of vacant site	1,10,000
Short term capital loss on sale of jewellery	50,000
Investment in tax saver deposit on 31-03-2019	60,000
Brought forward loss of business of assessment year 2013-2014	1,00,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G	1,40,000
Enhancement compensation received from government for compulsory acquisition of lands in the year 2006	3,00,000

Compute total income of Mr. Rahman for the assessment year 2019-20 and loss he is eligible to carry forward.

2. Ms. Geeta, a resident individual, provides following details of her income/losses for the year ended 31.03.19
[M19 (N) – 10M]

	Particulars	Amount
(i)	Income salary (computed)	41,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Interest on loan taken for purchase of above property. Loan was taken from a friend	7,50,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for house property in Mumbai which is self occupied. Loan was taken from PNB on 01.01.99 for purchase of this property	1,57,000
(vi)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. Loan was taken on 01.04.17 and was utilized 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vii)	Long term capital gains on sale of equity shares computed in accordance with section 112A	8,95,000
(viii)	Interest on fixed deposit	73,000
(ix)	Loss from textile business	7,50,000
(x)	Speculation profit	2,30,000
(xi)	Lottery income	75,000
(xii)	Loss incurred by the firm in which she is a partner	1,60,000
(xiii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiv)	Brought forward short-term capital loss on sale of gold	2,75,000
(xv)	Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000
(xvi)	Life insurance premium paid for her son who is 30 years of age and is working in USA	15,000

Compute total income of Ms. Geeta for the AY 2019-20 and the amount of loss that can be carried forward.

For the above solution, you may assume principal repayment of loan as under

- Loan taken for purchase of house property in Delhi Rs. 2,50,000
- Loan taken for purchase of house property in Mumbai Rs. 50,000
- Loan taken for repair of house properties in Delhi and Mumbai Rs. 75,000

Working notes should form part of your answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

3. Mr. Rakesh Gupta has derived the following income/loss, as computed below, for the previous year 2017-18: [N18 (N) – 5M]

Particulars	Rs.
Loss from let out house property	2,50,000
Loss from non-speculation business	3,20,000
Income from speculation business	12,45,000
Loss from specified business covered u/s 35AD	4,10,000
Winnings from lotteries (Gross)	1,50,000
Winnings from bettings	90,000
Loss from card games	3,40,000

You are required to compute the total income of the assessee for the assessment year 2018-19, showing clearly the manner of set-off and the items eligible for carry forward. The return of income has been filed on 30-7-2018.

4. Mr. Rajeev submits the following information for the previous year 2017-18: [N18 (O) – 10M]

	Amount (in Rs.)
(i) Income from salary	6,50,000
(ii) Income from House-I	55,000
(iii) Loss from House-II (self-occupied property)	1,25,000
(iv) Loss from House-III	190,000
(v) Loss from leather business	68,000
(vi) Profit from cloth business	1,70,000
(vii) Business loss of chemical business acquired by inheritance	45,000
(viii) Brought forward loss of discontinued business of textile relating to financial year 2012-13	50,000
(ix) Long term capital gain on transfer of listed equity shares on which STT was paid	75,000
(x) Short term capital loss in equity oriented funds on which STT was paid	35,000
(xi) Income from crossword puzzles	12,000
(xii) Dividend from foreign company	8,500
(xiii) Loss on owning and maintenance of race horses	7,500
(xiv) Income from owning and maintenance of race bulls	9,000
(xv) Mr. Rajeev had taken an education loan from XYZ Bank for his niece who is dependent on him for pursuing full time MBA course on 2nd April, 2017. During the year, interest on loan was due for Rs. 55,000. However, he paid towards principal and interest Rs. 90,000 and Rs. 30,000 respectively.	

Compute the gross total income and losses to be carried forward of Mr. Rajeev for assessment year 2018-19

5. Mr. Prakash furnishes you the following details in respect of the Financial year 2016 -17. [M17 (O) – 4M]

Loss from the business carried on by him as a proprietor: Rs. 11,20,000(*)

Deduction u/s 80-IB : Rs. 5,50,000

Unabsorbed Depreciation: Rs. 4,80,000 (*)

Loss from House property: Rs. 2,50,000 (*) (*)

Computed as per the Income-tax Act, 1961

The due date for filing the return for Mr. Prakash was 31st July, 2017 under section 139(1). However, he filed the return on 29.9.2017. Discuss with reference to the relevant provisions of Income-tax Act, 1961 if the losses and deductions could be carried forward/claimed by Mr. Prakash.

6. Mr. Shyam, a resident of Chandigarh, provides the following information for the financial year 2016-17:

[M 17 (O) – 4M]

Particulars	Rs.
Income from textile business	4,60,000
Income from speculation business	25,000
Loss from gambling	12,000
Loss on maintenance of race horse	15,000
Eligible current year depreciation of textile business not adjusted in the income given above.	5,000
Unabsorbed depreciation of assessment year 2016-17 brought forward	10,000
Speculation business loss of assessment year 2016-17	30,000

Compute the Gross Total Income of Mr. Shyam for the Assessment year 2017 -18 and any other item of expense or loss eligible for carry forward.

10.DEDUCTIONS UNDER CHAPTER - VI A

PART1-PROBLEMS

1. Prakash is retired Government Officer aged 65 years, resides in Cochin, derived following income;

[M19 (O) – 4M]

Particulars	Rs
Pension	6,60,000
Interest from bank on fixed deposits (Gross)	55,000

Compute the total income of Mr. Prakash for the assessment year 2019-20 from the following particulars:

- Life insurance premium paid by cheque Rs 22,500 for insurance of his life. The Insurance policy was taken on 08-09-2015 and the sum assured is Rs 2,00,000.
 - Premium of Rs 26,000 paid by cheque for health insurance of self and his wife.
 - .Rs 1,500 paid in cash for his health check-up and Rs 4,500 paid through cheque for preventive health check-up of his parents, who are senior citizens.
 - Paid interest Rs 6,500 on loan taken from bank for MBA course pursued by his daughter
 - A sum of Rs 15,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.
2. Srivastava, aged 40 years, a salaried employee of Nirja Ltd. was contributing to National Pension Scheme Rs. 50,000 every year since 2014 and was claiming deduction under section 80CCD. In December 2016, he opted out of the pension scheme and withdrew a lump sum amount of Rs. 2,00,000. [N17 (O) – 5M]
- Is the amount so withdrawn taxable? If yes, how much is the taxable amount?
3. Ms. Jyoti purchased a house property costing Rs. 49 lakhs on 1st May, 2016. The property is used exclusively for her residential purpose. For this purpose, she obtained loan from DHFL of Rs. 35 lakhs bearing interest @ 14% p.a. on 1st April, 2016. She does not own any other house. [N17(O) – 5M]

State with brief reasons the deductions that can be claimed by Ms. Jyoti in respect of interest on loan for Assessment Year 2017-18.

11.PROBLEMS ON TOTAL INCOME**PART1-PROBLEMS**

1. Mr. X working in a private company from last 10 years. His salary details for the financial year 2018-19 are:

I. BaBasic salary	1,50,000 p.m.	[M 19 (O) – 14M]
II. DeDearness allowance	55,000 p.m.	
III. CoCommission	35,000 p.m.	
IV. TrtTransport Allowance	5,000 p.m.	
V. M Medical reimbursement	20,000 paid during the year	

Mr. X resigned from the services on 30th September, 2018. He was paid gratuity of Rs 20 lakhs on his retirement. A lumpsum amount of Rs 36 lakhs was also paid from unrecognized provident fund. The provident fund amount consisted of employer's contribution Rs 13.20 lakhs and interest thereon Rs 3 lakhs. The employee's contribution was Rs 16.20 lakhs and interest thereon was Rs 3.60 lakhs.

He had taken the possession of house on 28th February, 2019 after making payment of final installment of housing loan to bank. Loan was taken on 01.04.2017. The accumulated interest as on 31st March, 2018 was Rs 1.5 lakh. He made payment of Rs 2,20,000 during the year which included interest Rs 1,10,000 for 11 months.

He started business of hiring of goods vehicle, purchased 3 small goods vechile on 15th November, 2018 and 3 heavy vechile having gross weight of 15 MTs each on 1st December, 2018. He did not maintain books of accounts for income and expenditure of hiring of goods vechile. One of his friend gifted him Rs 6 lakhs to purchase the vehicles.

He was holding 25% equity shares in CMF Ltd., an Indian company. The paid up share capital of company as on 31st March, 2018 was Rs 20 lakhs divided into 2 lakh shares of Rs 10 each which were issued at premium of Rs 30 each. Company allotted shares to shareholders on 1st October, 2013. Provisions of Companies Act, 2013 on making payment of 60 per share. He paid insurance premium of Rs 20,000 on his life policy during the financial year 2018-2019. The policy was taken in April 2011 and sum assured was Rs 1,50,000. He also made payment of Rs 25,000 L. I. c pension fund and premium of 40,000 towards med claim policy for self and wife.

Compute total income and tax payable thereon for the Assessment year 2019-20. There was no change in salary of Mr. X from last two years. Cost inflation index is:

Financial year	Cost inflation Index
2013-2014	220
2018-2019	280

2. From the following particulars of Shri Jagdish (aged 59 years) for the AY 2019-20, you are required to find out his taxable income and net tax liability **[M19 (N) – 14M]**

- Basic salary @ Rs.51,000 per month, Dearness allowance @ Rs.10,000 per month(part of salary for retirement benefits), House rent allowance @ Rs.4,000 per month and rent paid for house in Mumbai is @ Rs.7,000 per month.
- He owns a commercial building at New Delhi, which is let out on 01.07.18 at a monthly rent of Rs.46,000. He paid for municipal taxes of Rs.27,000 and Rs.25,000 for the FY 2017-18 and 2018-19 on 31.03.19 and 20.04.19 respectively.
- He deals in shares during FY 2018-19 he earned Rs.1,70,000 from his share business and paid Rs.30,000 as security transaction tax.
- He purchased 4000 unlisted shares of Shyam Ltd on 16.01.08 for Rs.80,000. Company declared bonus in the ratio of 1:1 on 01.02.08. shri jagdish sold 3000 bonus shares on 28.12.18 for Rs.2,00,000 to his friend Mr. Mehel through unrecognized stock exchange. (cost inflation index : 2007-08 = 129, 2018-19 = 280).

5. He received dividend of Rs.13,00,000 as dividend income from listed domestic company (on which dividend distribution tax is paid), interest from saving bank account deposits with IDBI Bank Rs.15,000 and lottery winnings (net of TDS@30%) is Rs.21,000.
6. He paid the following amount out of his taxable income
Deposits in public provident fund Rs.2,00,000
7. Medical insurance premium paid for health of his wife Rs.19,000 and for health of dependent son Rs.12,000 through cheque
3. Mr. Hari, aged 55 years, a resident individual and practicing Chartered Accountant, furnishes you the receipts and payments account for the financial year 2017-18. **[M18 (N) – 10M]**

Receipts	Rs.	Payments	Rs.
Opening Balance (01-04-2017)		Staff salary, bonus and stipend to articulated clerks	20,50,000
Cash & Bank	20,000	Other general and administrative expenses	12,00,000
Fee from professional service	39,60,000	Office rent	48,000
Motor car loan from SBI@10% interest per annum	2,00,000	Life Insurance Premium	23,000
		Motor car (Acquired in January 2018 by way of online payment)	4,00,000
		Books bought (annual publication by credit card)	22,000
		Computer acquired on 1-11-2017 for professional use	25,000
		Domestic drawings	2,50,000
		Motor car maintenance	12,000
		Public Provident Fund subscription	1,40,000
		Closing balances (31-03-2018)	
		Cash & bank	10,000
	41,80,000		41,80,000

The Suggested Answers for Paper 4A: Income-tax law are based on the provisions of income-tax law as amended by the Finance Act, 2017. The relevant assessment year is A.Y.2018-19.

Other information:

- (i) Motor car was put to use for both official and personal purposes. 1/4th of the motor car is for personal purpose. No interest on car loan was paid during the year.
- (ii) Mr. Hari purchased a flat in Jaipur for Rs.15,00,000 in July 2012 cost of which was partly financed by a loan from State Bank of India of Rs.10,00,000@10% interest, his own-savings Rs.1,00,000 and a deposit from Bank of Baroda for Rs.4,00,000. The flat was given to Bank of Baroda on lease for 10 years @ Rs.40,000 per month. The following particulars are relevant:
- (a) Municipal taxes paid by Mr. Hari Rs.4,200 per annum
- (b) House insurance Rs.1,000
- (c) He earned Rs.1,00,000 in share speculation business and lost Rs.1,50,000 in commodity speculation business.
- (d) Mr. Hari received a gift of Rs.15,000 each from four of his family friends.
- (e) He contributed Rs.1,11,000 to Prime Minister's Draught Relief Fund by way of bank draft.
- (f) He donated to a registered political party Rs.3,00,000 by way of cheque.
- Compute the total income of Mr. Hari and the tax payable for the Assessment year 2018-19.

4. Mr. Madhav made a gift of Rs. 2,50,000 to his handicapped son, Master Tapan who was aged 12 years as on 31st March 2016, which he deposited in a fixed deposit account in a Nationalised bank at 10% interest p.a. 'compounded' annually. The balance in this **[M18 (N) – 5M]**

account as on 1st April, 2017 was Rs. 2,75,000 and the bank credited a sum of Rs. 27,500 as interest on 31st March, 2018.

Madhav's father gifted equity shares worth Rs. 50,000 of an Indian company to Master Manan, another son of Mr. Madhav (Date of birth 10th April, 2010) in July 2010 which were purchased by him on 8th December, 2004 for Rs. 80,000. Manan received a dividend of Rs. 5,000 on these shares in October 2017. He sold these shares on 1st November, 2017 for Rs. 5,00,000 and deposited Rs. 3,00,000 in a company at 15% interest per annum.

Cost Inflation Index

Financial Year	Cost Inflation Index
2004-05	113
2010-11	167
2017-18	272

Mr. Madhav has a taxable income of Rs. 3,50,000 from his profession during the financial year 2017-18.

Compute his Gross Total Income for the A.Y. 2018-19.

5. Ms Sakshitha, a resident individual, aged 32 years, furnishes the following relating to the year ended 31-3-2018: **[N18 (N) – 10M]**

Analysis of her bank account in her ledger reveals the under-mentioned data:

(a)	(i)	Winnings from a TV Game show (Net)	70,000
	(ii)	Gift received from mother's father	80,000
	(iii)	Gift received from Ramya, her close friend	60,000
	(iv)	Interest on capital received from Vidya & Co., a partnership firm in which she is a partner (@15% p.a.)	3,00,000
	(v)	Rent received for a vacant plot of land	2,00,000
	(vi)	Amount received from Shark Pvt. Ltd., for a house at Salem for which she had been in negotiation for enhanced rent three years back. This has not been taxed in any earlier year. The house was, however, sold off in March, 2017.	1,50,000
	(vii)	Amount received under Key man Insurance Policy	2,20,000
	(viii)	Amount forfeited by a buyer of her vacant plot, since the buyer could not finalize the deal as per agreement.	3,10,000
(b)		Donation given in cash to a charitable trust registered u/s 12AA	12,000
(c)		She owns agricultural lands at Colombo, Sri Lanka. She has derived agricultural income therefrom	1,80,000
(d)	(i)	Public Provident Fund paid in the name of her minor daughter	75,000
	(ii)	Interest credited in the said PPF account during the year	8,900
(e)		Share of profits received from Vidya & Co.,	1,90,000

You are required to compute the total income of the assessee and the tax payable for the assessment year 2018-19.

Computation should be made under proper heads of income.

6. Mr. Murari, a resident individual, age 48 years provides consultancy services in the field of accountancy. His Income and Expenditure account for the year ended 31st March, 2018 is as follows: **[N18 (O) – 10M]**

Income and Expenditure account for the year ending 31st March, 2018

Expenditure	Amount (Rs)	Income	Amount (Rs)
To Salary	3,00,000	By Consulting fees	8,00,000

To Motor car expenses	58,000	By Share of Profit from HUF	25,000
To Depreciation	47,500	By Interest on saving bank deposits	15,000
To Medical expenses	70,000	By Interest on income tax refund	8,000
To Purchase of computer	80,000		
To Bonus	10,000		
To General expenses	55,000		
To Office & administrative	75,000		
To Excess of income over Expenditure	1,52,500		
	8,48,000		8,48,000

The following other information relates to the financial year 2017-18:

- Salary includes a payment of Rs.12,000 per month to his brother-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is Rs. 10,000 per month
- Interest on saving bank deposit belongs to his wife who has deposited the money out of the pocket money given to her every month.
- Written down value of the assets as on 1st April, 2017 are as follows:
- Motor Car (40% used for personal use) Rs2,00,000
- Furniture and Fittings Rs.50,000
- Medical expenses includes:
- Family planning expenditure Rs. 15,000 incurred for the employees which was revenue in nature.
- Medical expenses for his father Rs35,000. (Father's age is 65 years)
- The computer was purchased on 5th June, 2017 on credit. The total invoice was paid in the following manner:
- Rs 18,000 paid in cash as down payment on the date of purchase. Remaining amount was paid through account payee cheque on 10th August, 2017. Bonus was paid on 30th September, 2018.
- General expenses include commission payment of Rs22,000 to Mr. Sridhar for the promotion of business on 17th September, 2017 without deduction of tax at source.
- He also received gold coins from a family friend on the occasion of marriage anniversary on 5th December, 2017. The market value of the coins on the said date was Rs55,000.

Compute the total income and the tax liability of Mr. Murari for the assessment year 2018-19

7. Mr. Surya, an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Mumbai airport on 15th May 2017 as stamped in the passport. He has been in India for less than 365 days during the 4 years immediately preceding the previous year and has not been in India for at least 60 days in the previous year. [N18 (O) – 5M]

Determine:

- Residential status of Mr. Surya and
- Total income for the assessment year 2018-19 from the following information:
 - Dividend amounting to Rs.20,000 received from Sassy Ltd., a Switzerland based company, which was transferred to his Swiss bank account. He had borrowed money from Mr. Sundarlal, a non-resident Indian, for the above mentioned investment on 2nd April, 2017. Interest on the borrowed money for the previous year 2017-18 amounted to Rs.2,500.
 - Short term capital gain on the sale of shares of Trena India Ltd. a listed Indian Company amounting to Rs.35,000. The sale proceeds were credited to his Swiss bank account.
 - Interest on fixed deposit with State Bank of India (Mumbai) amounting to Rs. 8,000 was credited to his saving account.

8. Ms. Nandini, a resident individual, aged 48 years, is an assistant manager of Dye Hard Ltd. She was appointed on 1st June, 2015 at a salary of Rs.32,000 per month. During the previous year 2017-18, she received the following amounts from her employer. **[N18 (O) – 5M]**
- (i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).
 - (ii) Bonus for the previous year 2016-17 amounting to Rs.32,000 was received on 1st October, 2017.
 - (iii) Fixed Medical allowance of Rs. 20,000 for meeting medical expenditure.
 - (iv) She was also reimbursed the medical bill of her father-in-law dependent on her amounting to Rs. 3,000.
 - (v) Ms. Nandini was provided; a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2015 at Rs.15,000. a domestic servant at a monthly salary of Rs. 1,000 which was reimbursed by her employer.
 - (vi) Dye Hard Ltd. allotted 500 equity shares in the month of December 2017 @ Rs.150 per share against the fair market value of Rs. 250 per share on the date of exercise of option by Ms. Nandini. The fair market value was computed in accordance with the method prescribed under the Act.
 - (vii) Professional tax Rs.2,500 (out of which Rs.1,800 was paid by the employer).

Compute the total Income of Ms. Nandini for the assessment year 2018-19. (Assume that Ms. Nandini pays tax on the receipt basis).

9. Mr. Sharma, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2017-18; **[N18 (O) – 5M]**
- He had written a book for Himalaya Publication on "Yoga and its benefits". A lump sum amount of royalty income earned in the previous year 2017-18 amounted to Rs. 6,00,000. Expenses incurred for writing the book amounted to Rs. 20,000.
- His friends gifted a statue of Lord Ganesh to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is Rs. 55,000.
- The following gift was received on the occasion of his son's (aged 10 years) thread ceremony; from in-laws a gold chain worth Rs. 35,000
- He had deposited Rs. 50,000 in fixed deposit with Bank of Baroda in the name of his son in March 2016. Interest earned on such deposit Rs. 5,000.
- (i) He donated Rs. 5,000 in cash to Swabhiman, a NGO set up for the destitute (the association was registered under section 80G of the Income-tax Act, 1961).
 - (ii) He paid life insurance premium on his life Rs. 10,000 (sum assured Rs. 1,00,000) Compute the gross total income of Mr. Sharma for the assessment year 2018 -19.

10. Mrs. Babu, working as journalist with ABC Limited, provides the following information for the year ended 31-03-2018. **[M18 (O) – 10M]**

Basic salary	Rs. 25,000 p.m.
DA (50% of it is meant for retirement benefits)	50% Basic Pay Own contribution to
Recognized Provident Fund (R.P.F.)	Rs. 30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F account@15% p.a.,	Rs. 15,000
Arrears of rent received from ABC Limited	Rs. 69,000

- (i) Received interest Rs. 10,000 from Axis Bank Savings account during the year, and interest of Rs. 12,040 from the debentures of M/s. Coal India Ltd.
- (ii) She made payment through cheque Rs. 12,500 for Mediclaim Insurance Policy for her major daughter.
- (iii) She had contributed Rs. 1,196 p.m. towards Atal Pension Yojana and Rs. 5,000 p.m. towards Sukanya Samridhi account.

(iv) M/s. ABC Limited has taken residential house of Mrs. Babu as Company's guest house and later purchased from her in the year 2016 at market value for Rs. 75 lakhs. Purchase cost was only Rs. 10 lakhs in April, 2004.

During August, 2017, Mrs. Babu had lost her gold chain and a diamond ring which she had purchased in April, 2004 for Rs. 1,13,000 and market value of these two items were Rs. 2,50,000 and she has received insurance compensation of Rs. 2,75,000 during Feb., 2018.

Compute Total Income for the Assessment Year 2018-19.

(CII for 2004-05:113, 2016-17: 264, and 2017-18: 272)

11. Mr. Pandey, a resident individual, aged 45 years, is a Chartered Accountant in practice. He maintains his accounts on cash basis. His Profit & Loss Account for the year ended 31st March, 2017 is as follows: [N17 (O) – 10M]

Profit & Loss Account for the year ending March 31st, 2017

Expenditure	Amount (Rs)	Income	Amount (Rs)
Staff Salary	18,25,000	Fees earned	
Rent of the office premises	6,00,000	Audit	23,00,000
Administrative expenses	5,75,000	Taxation	14,50,000
Stipend to Articled clerks	1,85,000	Consultancy services relating to syndication of loan from financial institution	10,00,000
Meeting, seminars and conferences	36,500		<u>47,50,000</u>
Depreciation	55,000	Gifts	1,00,000
Printing and Stationery	8,75,000	Dividends from Indian companies	12,00,000
Net Profit	19,13,500	Interest on deposit certificates issued under Gold Monetization Scheme, 2015	15,000
	<u>60,65,000</u>		<u>60,65,000</u>

Other Information:

- (1) Depreciation allowable under Income-tax Act, 1961 Rs. 1,25,000.
- (2) Administrative expenses include Rs. 55,000 paid to a tax consultant in cash for assisting Mr. Pandey in one of the professional assignments.
- (3) Gifts represent fair market value of a LED TV which was given by one of the clients for successful presentation of case in the Income Tax Appellate Tribunal.
- (4) Last month's rent of Rs. 50,000 was paid without deduction of tax at source.
- (5) Mr. Pandey had taken a loan of Rs. 32,00,000 for the purchase of a house property valuing Rs. 45,00,000 from a recognized financial institution on 1st May, 2016. He repaid Rs. 1,50,000 on 31st March, 2017 out of which Rs. 1,00,000 is towards principal payment and the balance is for interest on loan. The possession of the property will be handed over to him in October 2017.
- (6) Mr. Pandey paid medical insurance premium of his parents (senior citizens and not dependent on him) by cheque amounting to Rs. 27,000. He also paid Rs. 8,500 by cash towards preventive health checkup for himself and his spouse.

Compute the total income of Mr. Pandey and tax payable by him for Assessment Year 2017-18, assuming that Mr. Pandey does not want to opt for presumptive taxation scheme under section 4

12. Ms. Rekha, a resident individual aged 50, provides the following information for the financial year 2016-17: [M17 (O) – 10M]

She is a partner in AK & Co. and received the following amounts from the firm:

Share of profit from the firm	Rs. 35,000
Interest on capital @15% p.a.	Rs. 3,00,000
Salary as working partner (fully allowed in the hand of the firm)	Rs. 1,00,000

(i) She is running a rice mill as proprietor. The Net profit as per Profit & Loss account is Rs. 4,50,000. The following items are debited to Profit and Loss account:

(ii) Advance Income-tax paid Rs. 1,00,000

(iii) Personal drawings Rs. 50,000

The following items are credited to Profit and Loss Account:

a) Interest on savings bank account with SBI Rs. 12,000

b) Interest on savings account with post office Rs. 5,000

c) Dividend from listed Indian Company (DDT paid) Rs. 80,000

d) She owned a house property in Mumbai which was sold in January, 2015.

e) She received

f) Rs. 90,000 by way of arrear rent in respect of the said property in October, 2016. (iv) She made the following investments:

g) Life insurance premium on a policy in the name of her married daughter Rs. 60,000. (The policy was taken on 1-10-2013 and the sum assured being Rs. 5,00,000).

h) Health insurance premium on a policy covering her mother aged 75. She is not dependant on Ms. Rekha. Premium paid by cheque Rs. 35,000.

i) Compute the total income and the tax liability of Ms. Rekha for the Assessment year 2017-18

12.RESIDENTIAL STATUS - II

PART1-PROBLEMS

1. The following are the incomes of Shri Subhash Chandra, a citizen of India for the PY 2018-19

[M19 (N) – 7M]

a) Income from business in India Rs.2,00,000. The business is controlled from London and Rs.60,000 were remitted to London.

b) Profits from business earned in Japan Rs.70,000 of which Rs.20,000 were received in India. This business is controlled from India.

c) Untaxed income of Rs.1,30,000 for the year 2016-17 of a business in England which was brought in India on 03.03.19.

d) Royalty of Rs.4,00,000 received from Shri Ramesh, a resident for technical service provided to run a business outside India.

e) Agriculture income of Rs.90,000 in Bhutan

f) Income of Rs.73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute gross total income of Shri Subhash Chandra for the AY 2019-20, if he is-

A Resident and ordinary Resident, and

A Resident and Not Ordinarily Resident

2. A Korean Company Damjung Ltd. entered into the following transactions during the financial year 2016-17:

(a) Received Rs. 20 lakhs from a non-resident for use of patent for a business in India. [M17 (O) – 4M]

- (b) Received Rs. 15 lakhs from a non-resident Indian for use of know-how for a business in Sri Lanka and this amount was received in Japan. [Assume that the above amount is converted/stated in Indian Rupees].
- (c) Received Rs. 7 lakhs from RR Co. Ltd., an Indian company for providing technical know-how in India.
- (d) Received Rs. 5 lakhs from R & Co., Mumbai for conducting the feasibility study for a new project in Nepal and the payment was made in Nepal

Explain briefly, whether the above receipts are chargeable to tax in India.

13.ADVANCE TAX AND INTEREST

PART1-PROBLEMS

- What is the fee for default in furnishing return of income u/s 234F? [M19 (N) – 2M]
To whom the provisions of section 139AA relating to quoting of Aadhar number do not apply [M19 (N) – 2M]
- Mr. Subramany is engaged in the business of producing and selling toys. During the previous year 2016-17, his turnover was Rs. 1.80 crores. He opted for paying tax as per presumptive taxation scheme laid down in section 44AD. He has no other income during the previous year. Is he liable to pay advance tax and if so, what is the minimum amount of advance tax to be paid and the due date for payment of such advance tax? [N17 (O) – 3M]
- Pallavi Bank Ltd., has paid interest of Rs. 9,000 to Mr. A, a resident Indian, from its Chennai branch and Rs. 8,000 from Bangalore branch. If there is no core banking services in the bank, is tax required to be deducted at source from such interest payments made on 31-3-2017? Will your answer be different if there is core banking service present in the bank? Also, explain the provisions of the Income-tax Act, 1961 in this regard [M17 (O) – 4M]

14.EXEMPTED INCOMES

PART1-PROBLEMS

- Krishna furnishes the following particulars for the previous year 2017-2018 and 2018-2019 in respect of an industrial undertaking established in the "Special Economic Zone" during the financial year 2013-2014. [M19 (O) – 3M]

Particulars	2017-2018 (Rs)	2018-2019 (Rs)
Total sales	60,00,000	85,00,000
Export sales	48,00,00	55,00,000
Domestic sales	12,00,000	30,00,000
Money received in or brought to India in convertible foreign exchange up to 30-09-2018/30-09-2019.	43,20,000	40,00,000
Profit from the above undertaking	6,00,000	10,00,000

Total sales of F.Y. of 2018-2019 include freight of Rs 5 lacs for delivery of goods outside Indian. Compute the amount of deduction available to Mr. Krishna under section 10AA

- Examine with brief reasons, whether the following are chargeable to income-tax and the amount liable to tax with reference to the provisions of the Income-tax Act, 1961: [N18 (N) – 4M]
 - Allowance received by an employee Mr. Ram working in a transport system at Rs.12,000 p.m. which has been granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer
 - During the previous year 2017-18, Mrs. Aishwarya, resident, received a sum of Rs.8,50,000 as dividend from Indian companies and Rs.4,00,000 as dividend from Indian equity oriented mutual fund units.

3. Mrs. Vibha Gupta, a resident individual, is running a SEZ unit, as well as a unit in Domestic Tariff Area (DTA). She furnishes the following details relating to the year ended 31-3-2018, pertaining to these two units

	DTA Unit (Rs. in lakhs)	SEZ Unit (Rs. in lakhs)
Export turnover	100	1000
Total turnover	400	1100
Net profit	50	220

Compute the deduction available u/s 10AA:

- (i) When the SEZ unit had been set up on 12-3-2010, and
(ii) When the SEZ unit had been set up on 12-8-2015.
4. Under section 208, obligation to pay advance tax arises in every case where the advance tax payable is Rs. 10,000 or more. State exception to this rule. [N17(O) – 2M]

15.RETURN OF INCOME

PART1 DESCRIPTIVE QUESTIONS

1. Discuss the provisions of section 139A(1) which provides the persons who are compulsorily required to apply for allotment of Permanent account number (PAN) with the assessing officer [M19 (N) – 4M]
2. Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act. [M18 (N) – 5M]
3. State whether quoting of PAN in the following transactions is mandatory or not, as per the provisions of Income-tax Act, 1961 for A.Y. 2018-19: [M18 (N) – 3M]
 - (i) Mr. A makes cash payment to a hotel Radisson Blu, Ahmedabad of Rs. 50,000 against the bill raised by the hotel.
 - (ii) Mr. Abhishek, in a single transaction, makes contract of Rs.1,20,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.
 - (iii) Payment to Mutual Funds of Rs. 70,000 for purchase of its units.

Your answers must be supported with reasons.
4. Briefly mention the concept of self-assessment tax u/s 140A of the Income-tax Act, 1961 and its components. [M18 (N) – 2M]
5. Explain the quantum of late fees under section 234F for delay in furnishing return of income within the prescribed time limit under section 139(1) for A.Y. 2018-19 [N18 (N) – 2M]
6. Every person is required to file a return of income on or before due date in the prescribed form and manner as per section 139(1). What is the meaning of due date of filing Income-tax Returns for different categories of assesseees as per section 139(1) of the Income-tax Act 1961? [N18 (N) – 4M]
7. [N18 (O) – 5M]
 - (a) Mr. Subramanyam, due to inadvertent reasons failed to file his Income Tax return for assessment year 2017-18.
 - (b) Can he file the above return in the year 2018-19? If yes, when is the last date to file the above return?
 - (c) What are the consequences of non-filing the return within the due date under section 139(1)?
8. Explain the amount of fees to be paid for default in furnishing return of income under section 234F of the Income-tax Act, 1961 [M18 (O) – 2M]
9. Pertaining to the following transactions, what is the minimum amount above which quoting of Permanent Account Number is mandatory? [M18 (O) – 5M]
 1. Sale or purchase of car.

2. Payment to a hotel or restaurant against a bill or bills at any one time.
 3. Payment in connection with travel to any foreign country.
 4. Payment to the Reserve Bank of India for acquiring bonds issued by it.
 5. A Time Deposit with a Post Office.
 6. Payment as Life Insurance Premium to an insurer.
 7. Sale or purchase of shares of a company not listed in a recognized stock exchange.
 8. Sale or purchase of any immovable property.
10. Mr. Sachin filed return on 30th September, 2017 related to Assessment Year 2017-18. In the month of October 2017, his tax consultant found that the interest on fixed deposit was omitted in the tax return.
- What is the time limit for filing a belated return? [M17 (O) – 5M]
- Can Mr. Sachin file a revised return?
- Justify the above with the relevant provisions under section 139.
- Assume that the due date for furnishing return of income was 31 st July, 2017 and the assessment was not completed till the month of October 2017.
11. By whom should the return of income be signed in the case of following persons: [M17 (O) – 4M]
- (i) Political party;
 - (ii) Company which is being wound up;
 - (iii) Hindu Undivided Family, when karta is unable to sign, and
 - (iv) Scientific research association.

PART 2 PROBLEMS

12. Mr. Sachal, a resident individual aged 54, furnishes income details as under: [M17 (O) – 4M]
- (i) Wholesale Cloth business, whose turnover is Rs. 150 lakhs, for which accounts are audited u/s 44AB. Income from such business Rs. 8,10,000.
 - (ii) Income from other sources Rs. 2,70,000.
 - (iii) Tax deducted at source Rs. 25,000.
 - (iv) Advance tax paid Rs. 1,03,000 on 14-3-2017

Return of income will be filed on 11-12-2017. The assessee is willing to pay the requisite self-assessment tax. Calculate the interest payable under section 234B of the income-tax Act, 1961. Assume that the return of income would be processed on the same day of filing of return

16. TAX DEDUCTED AT SOURCE

PART1-PROBLEMS

1. The following issues in connection with the deduction of tax at sources under chapter XVII-B. Discuss the liability for tax deduction in these case : [M19 (O) – 3M]
 - (1). An employee of the Central Government receives arrears of salary for the earlier 3 years. He inquires whether amount will be received after deduction of tack at source during the current year.
 - (2). A.T.V. channel pays Rs 10 Lacs as prize money to the winner of a quiz programme.
 - (3). A Nationalized bank pays Rs 50,000 per month as rent to the Central Government for a building in which one of its branch is situated.
 - (4). A television company pays Rs 50,000 to cameraman for shooting of a documentary film.
2. Examine the TDS implications in the following cases along with reasons thereof: [M19 (N) – 7M]
 1. Ms. Varsha received a sum of Rs.95,000 on 31.12.18 towards maturity proceeds of LIC taken on 01.10.13 for which sum assured was Rs.80,000 and annual premium was Rs.10,000

2. Mr. Deepak transferred a residential house property to Mr. Karan for Rs.45 lakhs. The stamp duty value of such property is Rs.55 lakhs
 3. XYZ Private Ltd. Pays the following amounts to Mr. Narayan during PY 2018-19
 4. Rs. 22,000 towards fee for professional services
 5. Rs. 18,000 towards royalty
 6. Payment of Rs. 1,75,000 made to Mr. Vaibhav for purchase of calendar according to specifications of M/S ABC Ltd. However, no material was supplied for such calendar by ABC Ltd to Mr. Vaibhav
 7. Talent Private Ltd pays Rs. 12,000 to Ms. Sudha, its director, towards sitting fee which is not taxable u/s 192
 8. Radha Ltd is engaged for Shyam Ltd only in the business of operation of call centre. On 18.03.19, the total amount credited by Shyam Ltd in the ledger account of Radha Ltd is Rs. 70,000 regarding service charges of call centre. The amount is paid through cheque on 28.03.19 by Shyam Ltd.
3. Mr. Dhanapal wishes to purchase a residential house costing Rs. 60 lakhs from Ms. Saipriya. The house is situated at Chennai. He also wants to purchase agricultural lands in a rural area for Rs.65 lakhs. He wants to know whether there will be any obligation to deduct tax at source in these two situations. Both the buyer as well as the sellers are residents in India. Advise Mr. Dhanapal suitably
[N18 (N) – 2M]
4. Rahil & Co., a partnership firm is having a car dealership showroom. They have purchased cars for Rs. 2 crores from XYZ Ltd. car manufacturers, the cost of each car being more than Rs.12 lakhs. They sell the cars to individual buyers at a price yielding 10% margin on cost. State whether there will be any obligation to collect tax in the above two situations.
[N18 (N) – 2M]
5. Examine the applicability of the provisions for tax deduction at source under Income-tax Act, 1961.
[N18 (O) – 5M]
- (I). Mr. Z, a resident, is due to receive Rs. 95,000 on 01.10.2017 towards maturity proceeds of LIC policy taken on 01.10.2012 for which sum assured was Rs. 90,000 and the annual premium was Rs. 15,000.
 - (II). Mudra Ltd., an advertising company, has retained a sum of Rs. 15 Lakhs, towards charges for procuring and canvassing advertisement, from payment of Rs. 1 crore due to Cloud TV, A television channel and remitting the balance amount of Rs. 85 Lakhs to the television channel. Would the provisions of Tax deduction at source under section 194H be attracted on the sum of Rs. 15 Lakhs retained by the advertising company?
- Mr. X is salaried Individual pays rent of Rs. 55,000 per month to Mr. Y (does not have PAN) from June 2017. Is he required to deduct TDS? If so, when is he required to deduct tax? Mr. X vacated the premises on 31st December, 2017.
6. Discuss the applicability of provisions of Tax Deduction at Source, the rate and amount of tax deduction to be made in the following cases for the financial year 2017-18. [M18 (O) – 5M]
- Mr. Bobby, a resident whose turnover during the previous financial year is Rs.205 Lakhs and for the current year 2017-18 it is Rs. 80 Lakhs.
- (a) Shop rent paid to Mr. Rajasekharan, a resident, Rs. 20,000 per month.
 - (b) On 1-11-2017 paid towards fee for technical services Rs. 25,000 and royalty of Rs.20,000 to Mr. Swamy, a resident who is having PAN. No other payment made to Mr. Swamy.
 - (c) On 01-10-2017, payment of Rs. 2,00,000 made to Mr. A for purchase of diaries according to specifications. However, no material was supplied for such diaries
 - (d) Contract payments made to Mr. Satheesan on 01-05-2017 for painting Rs. 25,000 and another contract for interior furnishing on 22-03-2018 for Rs. 20,000.
- (B) Mr. Thrilok, an individual not assessed to tax, pays towards rent Rs. 60,000 per month.

PART2-DESCRIPTIVE QUESTIONS

7. Write any four cases where seller of certain goods is required to collect tax from buyers and also state the circumstances where TCS is not applicable [M18 (O) – 5M]

17.MISCELLANEOUS TOPICS**PART1-PROBLEMS**

1. Mr. Avani, a resident aged 25 years, manufactures tea leaves from the Tea plants grown by him in India. These are then sold in the India market for Rs. 40 lakhs. The cost of growing tea plants was Rs. 15 lakhs and the cost of manufacturing tea leaves was Rs. 10 lakhs.
- (i) Compute her tax liability for the Assessment Year 2018-19. [M18 (N) – 7M]
2. Miss. Kavita, a resident and ordinarily resident in India, has derived the following income for the year ended 31-3-2018:

(i)	Income from sale of centrifuged latex processed from rubber plants grown in Darjeeling.	1,00,000
(ii)	Income from sale of coffee grown and cured in Yercaud, Tamil Nadu	2,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iv)	Income from sale of tea grown and manufactured in Shimla.	10,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to compute the business income and agricultural income of Miss. Kavita for the Assessment Year 2018-19. [M18 (O) – 5M]

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THE END

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