FOR CA IPCC/INTER

PAPER 4 - TAXATION

FOR MAY & NOVEMBER 2013

QUESTION BANK
ALONGWITH SOLUTIONS

by

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Questions

Question 1

Discuss the taxability of agricultural income under the Income-tax Act, 1961. How will income be computed where an individual derives agricultural and non-agricultural income?

Question 2

Mr. Shyam and Mr. Mohan are brothers and they earned the following incomes during the financial year 2012-13. Mr. Shyam settled in Australia in the year 1980 and Mr. Mohan settled in Hyderabad. Mr. Shyam visits India for 20 days every year. Mr. Mohan also visits Sydney every year for a month. Compute their total income for the Assessment Year 2013-14 from the following information:

Sl. No.	Particulars	Mr. Shyam	Mr. Mohan
1.	Interest on Australian Development Bonds, 50% of interest received in India	36,000	28,000
2.	Dividend from a Japanese Company received in Sydney	10,000	12,000
3.	Profit from a business in Mumbai, but managed directly from Sydney	13,000	-
4.	Profit on sale of shares of an Indian company received in India	65,000	96,000
5.	Income from a business in Chennai	28,000	32,000
6.	Fees for technical services rendered in Sydney and received in Sydney. The services were, however, utilized in India.	1,25,000	-
7.	Interest on savings bank deposit in Central Bank, Hyderabad	8,000	18,000
8.	Agricultural income from a land situated in Gujarat	40,000	40,000
9.	Rent received in respect of house property at Hyderabad	86,000	60,000
10.	Life insurance premium paid	-	35,000

Question 3

From the following details, find out the salary chargeable to tax for the assessment year 2013-14 -

Mr. A is a regular employee of Malpani Ltd. in Mumbai. He was appointed on 1.3.2012 in the scale of 25,000-2,500-35,000. He is paid dearness allowance (which forms part of salary for retirement benefits) @15% of basic pay and bonus equivalent to one and a half month's basic pay as at the end of the year. He contributes 18% of his salary (basic pay plus dearness allowance) towards his recognized provident fund and the company contributes the same amount.

He is provided free housing facility which has been taken on rent by the company at Rs. 15,000 per month. He is also provided with following facilities:

(i) The company reimbursed the medical treatment bill of his daughter of Rs. 40,000, who is dependent on him.

(ii) The monthly salary of Rs. 2,000 of a house keeper is reimbursed by the company.

(iii) He is getting telephone allowance @ Rs. 1,000 per month.

(iv) A gift voucher of Rs. 2,100 on the occasion of his marriage anniversary.

(v) The company pays medical insurance premium to effect an insurance on the health of Mr. A of Rs. 12,000.

(vi) Motor Car running and maintenance charges fully paid by employer of Rs. 36,600.
(The motor car is owned and driven by Mr. A. The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee.)

(vii) Value of free lunch provided during office hours is Rs. 1,000.

Question 4

Mr. Raju owns one residential house in Delhi. The house is having two identical units. First unit of the house is self-occupied by Mr. Raju and another unit is rented for Rs. 12,000 p.m. The rented unit was vacant for 3 months during the year. The particulars of the house for the previous year 2012-13 are as under:

Standard rent	Rs. 2,20,000 p.a.
Municipal valuation	Rs. 2,44,000 p.a.
Fair rent	Rs. 2,35,000 p.a
Municipal tax (paid by Mr. Raju)	12% of municipal valuation
Light and water charges	Rs. 800 p.m.
Interest on borrowed capital	Rs. 2,000 p.m.
Insurance charges	Rs. 3,500 p.a.
Repairs	Rs. 16,000 p.a.

Compute income from house property of Mr. Raju for the A.Y. 2013-14.

Question 5

Following gifts are received by Mrs. Sakshi, who is carrying on jewellery business, during the previous year 2012-13:

(i) On the occasion of her marriage on 07.09.2012, she has received Rs. 1,20,000 as gift out of which Rs. 85,000 are from relatives and balance from friends.
(ii) On 03.10.2012, she has received cash gift of Rs. 22,000 from cousin of her mother.
(iii) A mobile phone worth Rs. 15,000 is gifted by her friend on 21.09.2012.
(iv) She gets a cash gift of Rs. 32,000 from the elder brother of her husband's grandfather on 10.12.2012.
(v) She has received a cash gift of Rs. 18,000 from her friend on 27.01.2013.
(vi) She has received bullion, the fair market value of which was Rs. 75,000 on her birthday,19.01.2013.

Mrs. Sakshi purchased from her friend, who is also carrying jewellery business, jewellery at Rs. 2,50,000 on 25.01.2013, the fair market value of which was Rs. 5,00,000 on that date. Mrs. Sakshi sold these jewellery in the course of her business on 23.03.2013.
Further, on 2.03.2012, Mrs. Sakshi purchased a building at Rs. 20,00,000 from her friend. The Stamp duty value of the building as on 02.03.2013 was Rs. 25,00,000.
Compute the income of Mrs. Sakshi chargeable under the head 'Income from other sources' for A.Y.2013-14.

Question 6

The basic salary of Mr. A (aged 65 years) is Rs. 45,000 p.m. He is entitled to dearness allowance, which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr. A and his employer contribute 15% of basic salary to the pension scheme referred to in section 80CCD.
Mr. A has made the following investments/payments during the F.Y.2012-13 –

S.No.	Particulars	Rs.
(1)	Contribution to PPF	80,000
(2)	Payment of tuition fees to DPS for education of his daughter studying in Class X	35,000
(3)	Repayment of housing loan taken from Corporation Bank	20,000
(4)	Contribution to approved pension fund of LIC	15,000
(5)	Subscription to RGESS	40,000

Question 7

Mr. Amit, who does not maintain books of account for the year ended 31.3.2013, requests you to compute his total income and the tax payable thereon for the assessment year 2013-14 from the following information:

(i) Basic Salary - Rs. 35,000 p.m.
CCA - Rs. 1,500 p.m.
HRA - Rs. 7,000 p.m.

(ii) Amit resides in Delhi, paying a rent of Rs. 8,000 per month.
(iii) Amit is paid an education allowance of Rs. 600 per month per child for all the three of his children. Actual expenses (tuition fees only) amounts to Rs. 20,000, Rs. 14,000 and Rs. 10,000 respectively.
(iv) He bought a heavy goods vehicle on 25.8.2012 and has been letting it on hire from the same date. He declares an income of Rs. 29,800 from the same.
(v) Interest from company deposits is Rs. 22,000 and bank FD interest is Rs. 8,000.
(vi) Interest is payable on bank loans availed for buying the truck and making company deposits as follows:-

Purpose	Date of loan	Amount	Interest rate
Truck purchase	1.4.2012	6 lakhs	12% p.a.
Company deposit	1.10.2012	2 lakhs	10% p.a.

(vii) Brought forward loss arising from speculating in shares during the preceding previous year and eligible for set-off is Rs. 2,00,000.
(viii) Amit has invested Rs. 15,000 in notified equity linked saving scheme of UTI, Rs. 64,000 in PPF, Rs. 12,000 as life insurance premium on his own life (sum assured Rs. 1,00,000) and Rs. 18,000 towards pension fund of LIC.

Question 8

Paras is resident of India. During the F.Y. 2012-13, interest of Rs. 1,88,000 was credited to his Non-resident (External) Account with SBI. Rs. 30,000, being interest on fixed deposit with SBI, was credited to his saving bank account during this period. He also earned Rs. 3,000 as interest on this saving account. Is Paras required to file return of income?
What will be your answer, if he owns one shop in Kerala having area of 150 sq. ft.?

Question 9

Explain the treatment of unrealized rent and its recovery in subsequent years under the provisions of Income-tax Act, 1961.

Question 10

Anshu transfers land and building on 02-01-2013 and furnishes the following information:

	Particulars	(Rs.)
(i)	Net consideration received	14,00,000
(ii)	Value adopted by Stamp Valuation Authority	17,00,000
(iii)	Value ascertained by Valuation Officer on reference by the Assessing Officer	18,00,000
(iv)	This land was acquired by Anshu on 1-04-1981. Fair Market value of the land as on 01-04-1081 was	1,10,000
(v)	A Residential building was constructed on land by Anshu at a cost of Rs. 3,20,000 (construction completed on 01-12-2002 during financial year 2002-03)	
	Brought forward short term capital loss incurred on sale of shares during financial year 2008-09 Rs. 1,50,000,	

Anshu seeks your advice regarding the amount to be invested in NHAI bonds so as to be exempt from capital gain tax under the Income-tax Act, 1961.
Cost inflation index for FY 1981-1982 : 100
Cost inflation index for FY 2002-2003 : 447
Cost inflation index for FY 2012-2013 : 852

Question 11

Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2013 revealed the following information:
(1) The net profit was Rs. 11,20,000.
(2) The following incomes were credited in the profit and loss account :

(a) Dividend from UTI Rs. 22,000.
(b) Interest on debentures Rs. 17,500.
(c) Winnings from races Rs. 15,000.

(3) It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:
Opening stock Rs. 8,000.
Closing stock Rs. 12,000.

(4) Rs. 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified u/s 35(1)(ii).

(5) Salary includes Rs. 20,000 paid to his brother which is unreasonable to the extent of Rs. 2,500.

(6) Advertisement expenses include 15 gift packets of dry fruits costing Rs. 1,000 per packet presented to important customers.

(7) Total expenses on car was Rs. 78,000. The car was used both for business and personal purposes. ¾th is for business purposes.

(8) Miscellaneous expenses included Rs. 30,000 paid to A & CO., a goods transport operator in cash on 31-1-2013 for distribution of the company's product to the warehouses.

(9) Depreciation debited in the books was Rs. 55,000. Depreciation allowed as per Income-tax Rules, 1962 was Rs. 50,000.

(10) Drawings Rs. 10,000.

(11) Investment in NSC Rs. 15,000.

Compute the total income of Mr. Y for the assessment year 2013-14.

Question 12

During the previous year 2012-13, the following transactions occurred in respect of Mr. A.

(a) Mr. A had a fixed deposit of Rs. 5,00,000 in Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 1-4-2012 to 31-3-2013 to the savings bank account of Mr. B, son of his brother, to help him in his education.

(b) Mr. A holds 75% share in a partnership firm. Mrs. A received a commission of Rs. 25,000 from the firm for promoting the sales of the firm. Mrs. A possesses no technical or professional qualification.

(c) Mr. A gifted a flat to Mrs. A on April 1, 2012. During the previous year, the flat generated a net income of Rs. 52,000 to Mrs. A.

(d) Mr. A gifted Rs. 2,00,000 to his minor son who invested the same in a business and he got a share income of Rs. 20,000 from the investment.

(e) Mr. A's minor son derived an income of Rs. 20,000 through a business activity involving application of his skill and talent.

During the year, Mr. A got a monthly pension of Rs. 10,000. H had no other income. Mrs. A received salary of Rs. 20,000 per month from a part time job.

Discuss the tax implications of each transaction and compute the total income of Mr. A, Mrs. A and their minor child.

Question 13

MNP Ltd. commenced operations of the business of a new four-star hotel in Chennai on 1.4.2012. The company incurred capital expenditure of Rs. 40 lakh during the period January, 2012 to March, 2012 exclusively for the above business, and capitalized the same in its books of account as on 1st April, 2012. Further, during the previous year 2012-13, it incurred capital expenditure of Rs. 2.5 crore (out of which Rs. 1 crore was for acquisition of land) exclusively for the above business. Compute the income under the head "Profits and gains of business or profession" for the assessment year 2013-14, assuming that MNP Ltd. has fulfilled all the conditions specified for claim of deduction u/s 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes". The profits from the business of running this hotel (before claiming deducting u/s 35AD) for the assessment year 2013-14 is Rs. 80 lakhs. Assume that the company also has another existing business of running a four-star hotel in Kanpur, which commenced operations 5 years back, the profits from which was Rs. 130 lakhs for assessment year 2013-14.

Question 14

Mr. Mohit is employed with XY Ltd. on a basic salary of Rs. 10,000 p.m. He is also entitled to dearness allowance @ 100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of Rs. 6,000 p.m. which was increased to Rs. 7,000 p.m. with effect from 1.01.2013. He also got an increment of Rs. 1,000 p.m. in his basic salary with effect from 1.02.2013. Rent paid by him during the previous year 2012-13 is as under:
April and May, 2012 - Nil, as he stayed with his parents
June to October, 2012 - Rs. 6,000 p.m. for an accommodation in Ghaziabad
November, 2012 to March, 2013 - Rs. 8,000 p.m. for an accommodation in Delhi.
Compute his gross salary for assessment year 2013-14.

Question 15

Ms. Vaishali, employed in a private sector company, furnishes the following information for the year ended 31.03.2013.

Particulars	(Rs.)
Income from salary (computed)	3,45,000
Bank interest	15,000
Tax on non-monetary perquisite paid by employer	20,000
Amount contributed by her during the year are given below:	
Contribution to recognized provident fund	60,000
Subscription to eligible infrastructure bond	25,000
Health insurance premium-on self (paid by crossed cheque)	7,000
Medical expenditure for dependent sister with disability	20,000

Compute the total income of Ms. Vaishali for the assessment year 2013-14.

Question 16

Mr. Vaibhav owns five houses at Cochin. Compute the gross annual value of each house from the information given below:

	House-I	House-II	House-III	House-IV	House-V
Municipal Value	1,20,000	2,40,000	1,10,000	90,000	75,000
Fair Rent	1,50,000	2,40,000	1,14,000	84,000	80,000
Standard Rent	1,08,000	NA	1,44,000	NA	78,000
Actual Rent Received/Receivable	1,80,000	2,10,000	1,20,000	1,08,000	72,000

Question 17

Mr. Ramesh & Mr. Suresh are brothers and they earned the following incomes during the financial year 2012-13. Mr. Ramesh settled in Canada in the year 1995 and Mr. Suresh settled in Delhi. Compute the total income for the assessment year 2013-14.

S. No.	Particulars	Mr. Ramesh	Mr. Suresh
1.	Interest on Canada Development Bond (only 50% of interest received in India)	35,000	40,000
2.	Dividend from British company received in London	28,000	20,000
3.	Profit from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4.	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
5.	Income from a business in Chennai	80,000	70,000
6.	Fees for technical services rendered in India, but received in	1,00,000	---

SCHEDULE OF TEST SERIES FOR CA IPCC/INTER - TAXATION

VENUE

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DATE & TIME

Income-tax: April 10, 2013 – 3.00pm-6.00pm
Full course: April 15, 2013 – 3.00pm-6.00pm

FEES/CHARGES - FREE

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- As per latest applicable provisions
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	Canada		
7.	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9.	Rent received in respect of house property at Bhopal	1,00,000	60,000
10.	Life insurance premium paid	---	30,000

Question 18

Mr. Harish is the Production Manager of XYZ Ltd. From the following details, compute the taxable income for the assessment year 2013-14.

Basic salary	Rs. 50,000pm
Dearness allowance	40% of basic salary
Transport allowance (for commuting between place of residence and office)	Rs. 3,000pm
Motor car running and maintenance charges fully paid by employer (The motor car is owned by the company and driven by the employee. The engine cubic capacity is above 1.60 litres. The motor car is used for both official and personal purpose by the employee.)	60,000
Expenditure on accommodation in hotels while touring on official duties met by the employer	80,000
Loan from recognized provident fund (maintained by the employer)	60,000
Lunch provided by the employer during office hours. Cost to the employer	24,000
Computer (cost Rs. 35,000) kept by the employer in the residence of Mr. Harish from 1.06.2012	

Mr. Harish made the following payments:

Medical insurance premium:	Paid in Cash	4,800
	Paid by account payee crossed cheque	15,200

Question 19

Discuss the correctness or otherwise of the statement- "Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus".

Question 20

Mr. Ashok, an employee of a PSU, furnishes the following particulars for the previous year ending 31.03.2013.

Particulars	(Rs.)
(i) Salary income for the year	7,25,000
(ii) Salary for financial year 2009-10 received during the year	80,000
(iii) Assessed income for the financial year 2009-10	2,40,000

You are requested by the assessee to compute relief u/s 89 of the Income-tax Act, 1961 in terms of tax payable for assessment year 2013-14.

The rates of income tax for the assessment year 2010-11 are :

	Tax rate (%)
On first Rs. 1,60,000	Nil
On Rs. 1,60,000 – Rs. 3,00,000	10
On Rs. 3,00,000 – Rs. 5,00,000	20
Above Rs. 5,00,000	30
Education cess	3

Question 21

Will a charitable trust be forfeited of tax exemption granted to it, if it holds shares in public sector company? Will a charitable trust having business receipt and income of Rs. 20,00,000 and Rs. 2,00,000, respectively, be denied the tax exemption?

Question 22

Dr. Gurumoorthy, a resident individual at Madurai, aged 50 years is running a clinic. His Income and Expenditure Account for the year ending March 31st 2013 is as under:

Expenditure	Rs.	Income	Rs.
To Medicine consumed	8,40,000	By Consultation and Medical charges	21,00,000
To Staff salary	4,25,000	By Income-tax refund (principal Rs. 15,000, interest Rs. 1,500)	16,500
To Clinic consumables	1,55,000	By Dividend from Indian companies	27,000
To Rent paid	1,20,000	By Winnings from lottery (Net of TDS)	35,000
To Donation to IIT Delhi for Research approved u/s 35(2AA)	1,00,000	By Rent	54,000
To Administrative expenses	3,00,000		
To Net Profit	2,92,500		
	22,32,500		22,32,500

(i) Rent paid includes Rs. 36,000 paid by cheque towards rent for his residence.

(ii) Clinic equipments are:
01.04.2012 Opening WDV Rs. 4,50,000
07.02.2013 Acquired (cost) Rs. 1,00,000

(iii) Rent received relates to property let out at Madurai. Gross Annual Value Rs. 54,000. The municipal tax of Rs. 9,000, paid in January 2013 has been included in "administrative expenses".

(iv) Dr. Gurumoorthy availed a loan of Rs. 5,50,000 from a bank for higher education of his daughter. He repaid principal of Rs. 50,000, and interest thereon Rs. 65,000 during the year 2012-13.

(v) He paid Rs. 60,000 as tuition fee to the university for full time education of his son.

From the above, compute the total income of Dr. Gurumoorthy for the assessment year 2013-14.

Question 23

Dinesh received a vacant site as gift from his friend in November 2002. The site was acquired by his friend for Rs. 3,00,000 in April 1990. Dinesh constructed a residential building during the year 2004-05 in the said site for Rs. 15,00,000. He carried out some further extension of the construction in the year 2007-08 for Rs. 5,00,000.

Dinesh sold the residential building for Rs. 55,00,000 in January 2013 but the State stamp valuation authority adopted Rs. 65,00,000 as value for the purpose of stamp duty.

Compute his long term capital gain, for the assessment year 2013-14 based on the above information. The cost inflation index are as follows:

Financial Year	Cost inflation index
1990-91	182
2002-03	447
2004-05	480
2007-08	551
2012-13	852

Question 24

A car purchased by Dr. Soman on 10.08.2010 for Rs. 5,25,000 for personal use is brought into professional use on 1.07.2012 by him, when its market value was Rs. 2,50,000.

Compute the actual cost of the car and the amount of depreciation for the assessment year 2013-14 assuming the rate of depreciation to be 15%.

Question 25

Mr. Abhishek, a senior citizen, pledged his residential house with a bank under a notified reverse mortgage scheme. He was getting loan from bank in monthly installments. Mr. Abhishek did not repay the loan on maturity and hence, gave possession of the house to the bank to discharge his loan. How will the treatment of long-term capital gain be on such reverse mortgage transaction?

Question 26

Sanjay engaged in various types of activities gives the following information for the year ended 31.03.2013.

	(Rs.)
Loss from automobile business (Total turnover Rs. 6,00,000)	1,10,000
Profit from wholesale trade in furniture items at the prescribed percentage of turnover as per section 44AD	4,00,000
Brought forward loss relating to discontinued textile business (discontinued w.e.f. 01.06.2008)	2,00,000
Short term capital loss on sale of vacant site during the year	70,000
Profit from speculation business related to oil seeds.	1,10,000
Loss from speculation business brought forward and related to cotton (brought forward from assessment year 2012-13)	50,000
Brought forward unabsorbed depreciation of trade in furniture items related to assessment year 2012-13	60,000

Note: Aggregate total business turnover of Sanjay to be assumed as below the limit prescribed u/s 44AB.

Compute the total income of Sanjay for the assessment year 2013-14.

Question 27

Explain how contributions to political parties are deductible in the hands of corporate and non-corporate assessees under the income-tax law.

Question 28

Compute the total income of Mr. Ankit for the assessment year 2013-14 from the following particulars of income furnished by him, if he is:

(i) Resident and ordinary resident;
(ii) Resident but not ordinarily resident;
(iii) Non-resident

	Particulars	(Rs.)
(a)	Rent from property in New York deposited in a bank in New York, later on remitted to India through approved banking channels.	90,000
(b)	Fees for technical services rendered in Japan and received in Japan. The services were, however, utilized in India.	50,000
(c)	Dividend from an Australian Company received in Australia	15,500
(d)	Profit on sale of shares in Indian Company received in Canada	27,500
(e)	Dividend from Indicom Ltd., an Indian Company	15,000
(f)	Agricultural income from land in Rajasthan	46,000

Question 29

Mr. Rupesh is the Finance Manager of Vaibhav Construction Pvt. Ltd. and he is in receipt of the following emoluments from his employer. Compute his taxable salary for the Assessment year 2013-14.

Particulars	Rs.
Basic Salary	
Up to 30.9.2012	28,000 p.m.
From 1.10.2012	35,000 p.m.
D.A. (forming part of retirement benefits)	16,000 p.m
Transport allowance	2,800 p.m.

Employer's contribution to recognised provident fund (R.P.F.)	18% of basic salary and dearness allowance
Interest credited to recognized provident fund @10%	40,000
Children education allowance (total p.m.)	240 p.m. (See Note below)
Entertainment allowance	450 p.m.
Hostel expenses allowance (total p.m.)	600 p.m. (See Note below)
Tiffin allowance	7,500 p.a.
Professional tax paid (Rs. 2,500 was paid by his employer)	3,200

Note: Children education allowance and hostel expenditure allowance have been given for two children of Mr. Rupesh, aged 16 years and 14 years, in accordance with the policy of the employer. As per the said policy, the eligible children education allowance and hostel expenditure allowance in respect of an employee's child above 15 years of age would be double the eligible children education allowance/hostel expenditure allowance, as the case may be, in respect of an employee's child up to 15 years of age.

Question 30

Two brothers, Vinay and Nitesh, are co-owners of a house property with equal share. The property was constructed during the financial year 1997-98. The property consists of four identical units and is situated at Jodhpur.

During the financial year 2012-13, each co-owner occupied one unit for residence and the remaining two units were let out at a rent of Rs. 18,000 per month per unit. The municipal value of the house property is Rs. 8,00,000 and the municipal taxes are 15% of municipal value, which were paid during the year by the owners. The other expenses were as follows:

		Rs.
(i)	Repairs and maintenance charges	32,000
(ii)	Light and water charges	15,000
(iii)	Insurance premium paid	20,000
(iv)	Interest on borrowed capital for construction of house	1,80,000

One of the let out units remained vacant for one month during the year.

Vinay could not occupy his unit for six months as he was transferred to Jaipur. He does not own any other house.

You are required to compute the income under the head 'Income from House Property' of Vinay and Nitesh for the assessment year 2013-14.

Question 31

Mr. Sanjay is engaged in wholesale trade, having turnover of Rs. 40,00,000 for the financial year 2012-13. His income from the said business as per books of account is computed at Rs. 2,55,000. Wholesale trade is the only source of income of Mr. Sanjay.

(i) Is Mr. Sanjay eligible to opt for presumptive determination of his income chargeable to tax for the assessment year 2013-14?

(ii) If so, determine his income from wholesale trade as per the applicable presumptive tax provisions.

(iii) In case Mr. Sanjay does not opt for presumptive taxation of income from wholesale trade, what are his obligations under the Income-tax Act, 1961?

(iv) What is the due date for filing his return of income under both the options?

Question 32

Mr. Tata is engaged in the business of growing and curing coffee in Yercaud, Tamil Nadu. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31.3.2013 are given below:

Particulars	(Rs.)
WDV of car as on 1.4.2012	5,00,000
WDV of machinery as on 1.4.2012 (15% rate)	20,00,000
Expenses incurred for growing coffee	4,25,000
Expenditure for curing coffee	5,33,000
Sale value of cured coffee	31,00,000

The car is used both for agricultural operations and for personal purposes. 50% is attributable to personal use. The expenses incurred for car running and maintenance are Rs. 1,10,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the assessment year 2013-14. Show the WDV of the assets as on 31.3.2013.

Question 33

Mr. Shivam purchased a residential house in February, 1979 for Rs. 2,40,000. In addition, he also paid stamp duty at the rate of 10% on stamp duty value of Rs. 2,50,000. Fair market value of property on 1.4.1981 is Rs. 2,60,000.

In January 1985, Mr. Shivam entered into an agreement with Mr. Namit for sale of such property for Rs. 4,20,000 and received an amount of Rs. 50,000 as an advance. However, as Mr. Namit did not pay the balance amount, Mr. Shivam forfeited the advance.

In March, 1988, Mr. Shivam constructed the first floor by incurring a cost of Rs. 1,35,000. He sold the said house on 25th January, 2013 for Rs. 25,00,000. Stamp duty is paid by purchaser at the rate of 12% of stamp duty value of Rs. 34,00,000. Shivam has paid brokerage @ 1% to the broker on sale transaction.

He purchased a residential house on 12th May, 2013 for Rs. 6,00,000. He invested Rs. 3,50,000 in NHAI Bonds on 29th September, 2013

Compute the capital gains chargeable to tax in the hands of Mr. Shivam for the assessment year 2013-14.

Financial Year	Cost Inflation Index
1981-82	100
1984-85	125
1987-88	150
2012-13	852

Question 34

Compute the income chargeable under the head "Income from other sources" from the following details furnished by Mrs. Tripti pertaining to the year ended 31.3.2013 :

(i) Cash gift of Rs. 1,01,000 received from her friend on the occasion of her 25th wedding anniversary.

(ii) On the above occasion, a diamond necklace worth Rs. 10 lacs was presented by her brother living in Canada.

(iii) On the occasion of her birthday, she gets a gift of a car worth Rs. 2,40,000 from her friend.

(iv) Interest on enhanced compensation received amounting to Rs. 3,50,000. Out of this interest, Rs. 75,000 relates to the previous year 2009-10, Rs. 1,10,000 relates to the previous year 2010-11 and Rs. 1,65,000 relates to the previous year 2011-12.

(v) She has received interest of Rs. 7,000 on post office savings bank account during the year.

Question 35

Compute the total income of Mr. & Mrs. Shah from the following information for the Assessment Year 2013-14:

Particulars	(Rs.)
(i) Income from profession of Mr. Shah	4,80,000
(ii) Salary income (computed) of Mrs. Shah	3,00,000

(iii)	Long term capital gain (computed) of Mrs. Shah (through sale of land which has been gifted by Mr. Shah on their wedding anniversary)	2,20,000
(iv)	Income of minor son 'A' who suffers from disability specified in Section 80U	95,000
(v)	Income of minor daughter 'B' from a music talent show	75,000
(vi)	Interest from bank received by 'B' on deposit made out of income earned from a music talent show	5,000
(vii)	Income of minor married daughter 'C' from company deposit	25,000

Question 36

Mr. Vivek furnished the following information for the assessment year 2013-14:

Particulars	(Rs.)
Income from salaries	4,50,000
Loss from house property	(50,000)
Income from business (before providing for depreciation)	1,65,000
Short term capital gain from sale of land	54,000
Long term capital loss from sale of building	(86,000)
Long term capital gain from shares (STT paid)	32,000
Short term capital loss u/s 111A	(25,000)
Share of profit in a firm in which he is a partner	45,000
Winnings from lottery (Gross)	58,000
Loss on gambling	(8,000)
Dividend from a domestic company carrying on agricultural operation	15,000
Income from betting	10,000
Current year depreciation	60,000
Brought forward business loss relating to assessment year 2011-12	1,20,000

You are required to:

(a) Compute the gross total income and

(b) Ascertain the amount of losses that can be carried forward.

Question 37

The gross total income of Mr. Chetan for the A.Y. 2013-14 is Rs. 4,88,000. He has made the following investments/payments during the F.Y. 2012-13 -

(i) Deposited Rs. 30,000 in fixed deposit in the name of minor son in IDBI bank.

(ii) Paid Rs. 18,000 towards premium to effect an insurance on the life of his wife.

(iii) Purchased IDFC infrastructure bonds for Rs. 32,000 in November 2012.

(iv) Contributed Rs. 15,000 to National Defence fund.

(v) Donated Rs. 24,000 to a Government recognized institution for scientific research.

You are required to compute the total income of Mr. Chetan for the assessment year 2013-14, assuming that his gross total income does not include any income under the head 'Profits and gains of business or profession', 'Capital gains' and income taxable at flat rate of 30% u/s 115BB.

Question 38

Mr. Manik, a resident individual aged 60 years has retired from the services of the Central Government on 31.8.2012. You are required to compute the total income of Mr. Manik from the following particulars of his income and other details:

1. Salary @ Rs. 10,000 p.m.
2. Pension @ Rs. 6,000 p.m. for September 2012 to December 2012.
3. On 1.01.2013, he got 1/3rd of his pension commuted for Rs. 2,40,000.
4. A house plot at Kanpur sold on 27.11.2012 for Rs. 10,50,000. Mr. Manik purchased the same on 24.02.1980 for Rs. 57,000. The stamp valuation authority had assessed the value of said house plot at Rs. 12,00,000 which was neither disputed by the buyer nor by him. The value of this

house plot as on 1.4.1981 was Rs. 1,05,000 (The cost inflation index for the year 2012-13 is 852).

5. Received interest of Rs. 47,250 on bank FDRs, dividend of Rs. 8,500 on mutual fund units, specified u/s 10(23D) and interest on maturity of NSC of Rs. 82,500, out of which an amount of Rs. 67,500 was already disclosed by him on accrual basis in the returns upto assessment year 2012-13.
6. Investment in purchase of NSC for Rs. 65,000 and payment of premium of Rs. 16,000 (by way of a cheque) to effect an insurance on the health of self and wife. Payment of premium of Rs. 53,000 for insuring the life of self and spouse.

Question 39

Examine the applicability of the provisions for deduction of tax at source in the following cases for the assessment year 2013-14 :

(i) Saurav, an employee of the Central Government is due to receive arrears of salary for the earlier three years in the P.Y. 2012-13. He enquires whether such amount of arrears would be subject to deduction of tax during the previous year 2012-13.

(ii) X Ltd. entered into an agreement with ABC Consultants for providing engineering services to the company for a consideration of Rs. 7,500 per month. ABC Consultants requires X Ltd. to deduct tax at source @ 2% u/s 194C. The accountant of X Ltd. states that tax deduction should be @ 10% u/s 194J. State the correct position.

(iii) Mr. Sharma has to make payment of Rs. 5 lacs to Mr. Y, a contractor (for business purposes) during the last two quarters of the year ended 31.03.2013. Mr. Sharma's turnover for the year ended 31.3.2012 was Rs. 62 lacs. Is there any obligation on Mr. Sharma to deduct tax at source on payment to be made to Mr. Y?

(iv) Nishant has to pay Rs. 1 lac to DSM Ltd., a resident contractor who, under the contract dated 15th October, 2012, manufactures a product according to specification of Nishant by using materials purchased from Nishant. Nishant's turnover from business for the year ended 31.03.2012 was Rs. 80 lacs.

(v) Interest amounting to Rs. 55,000 payable to Corporation Bank by A Ltd.

Question 40

State whether filing of income-tax return is mandatory for the assessment year 2013-14 in respect of the following cases:

(i) Mr. Chauhan, a non-resident (aged 82 years) having total income of Rs. 1,60,000 after deduction of Rs. 1,20,000 under Chapter VI-A. His total income comprises of Income from house property and interest income.

(ii) Registered trade union eligible for exemption u/s 10(24) having following incomes:

Income from house property (computed)	Rs. 1,10,000
Income from other sources (computed)	Rs. 50,000

(iii) A Limited Liability Partnership (LLP) with business loss of Rs. 1,80,000 during the previous year 2012-13.

Question 41 — 10 marks

Mr. Hari provides the following information for the year ending 31-03-2013:

		Rs.
(i)	Rent from vacant site let on lease	1,12,000
(ii)	Rent from house property at Delhi	20,000pm
(iii)	Turnover from retail trade in grains (No books of account maintained)	24,37,500
(iv)	Arrears of salary received from ex-employer	40,000
(v)	Purchase of 10,000 shares of X Co. Ltd., on 01-01-2009	1,00,000
	He received a 1:1 bonus on 01-01-2010. Sale of 5,000 bonus shares in September, 2012	2,20,000

(vi) Received Rs. 1,50,000 on 12-02-2013 being amount due from Mr. A relating to goods supplied by Hari's father, which was written off as bad debt by his father in Assessment Year 2011-12 and allowed as deduction. Hari's father died in July 2011.
(vii) Brought forward business loss relating to discontinued textile business of Hari relating to the Assessment Year 2011-12. 1,97,500
(viii) Brought forward depreciation relating to discontinued textile business of Hari 1,50,000
(ix) Hari contributed Rs. 30,000 to Prime Minister's National Relied Fund and Rs. 40,000 to Charitable Trust enjoying exemption u/s 80G

Compute the total income & the tax thereon of Mr. Hari for the Assessment Year 2013-14.

__Question 42__ 8 marks

Mr. B is the Kartha of a HUF, whose members derive income as given below:

		Rs.
(i)	Income from B's profession	45,000
(ii)	Mrs. B salary as fashion designer	76,000
(iii)	Minor son D (interest on fixed deposits with a bank which were gifted to him by his uncle)	10,000
(iv)	Minor daughter P's earnings from sports	95,000
(v)	D's winnings from lottery (gross)	1,95,000

Discuss the tax implications in the hands of Mr. and Mrs. B.

__Question 43__ 8 marks

Mr. C inherited from his father 8 plots of land in 1980. His father had purchased the plots in 1960 for Rs. 5 lakhs. The fair market value of the plots as on 1-4-1981 was Rs. 8 lakhs. (Rs. 1 lakh for each plot).

On 1st June 2001, C started a business of dealer in plots and converted the 8 plots as stock in trade of his business. He recorded the plots in his books and Rs. 45 lakhs being the fair market value on that date. In June 2005, C sold the 8 plots for Rs. 50 lakhs.

In the same year he acquired a residential house property for Rs. 45 lakhs. He invested an amount of Rs. 5 lakhs in construction of one more floor in his house in June 2006. The house was sold by him in June 2012 for Rs. 63,50,000.

The valuation adopted by the registration authorities for charge of stamp duty was Rs. 92,50,000. As per the assessee's request the assessing officer made a reference to a valuation officer. The value determined by the valuation officer was Rs. 94,20,000. Brokerage of 1% of sale consideration was paid by C. The relevant Cost Inflation Indices are

F.Y. 1981-82	100
F.Y. 2001-02	426
F.Y. 2005-06	497
F.Y. 2006-07	519
F.Y. 2012-13	852

Give the tax computation for the relevant assessment years with reasoning.

__Question 44__ 8 marks

Following is the profit and loss account of Mr. Q for the year ended 31-03-2013:

Particulars	Rs.	Particulars	Rs.
To Repairs on Building	1,81,000	By Gross Profit	6,01,000
To Interest	1,10,000	By I.T. Refund	8,100
To Amount paid to IIT, Mumbai for an approved Scientific research programme	1,00,000	By Interest on Company Deposits	6,400
To Travelling	1,30,550		
To Net Profit	93,950		
	6,15,500		6,15,500

Following additional information are furnished:

(1) Repairs on building includes Rs. 1,00,000 being cost of laying a toilet roof.

(2) Interest payments include Rs. 50,000 on which TDS has not been deducted and penalty for contravention of Central Sales Tax Act of Rs. 24,000.

Compute the income chargeable under the head "Profits and gains of Business or Profession" of Mr. Q for the year ended 31-03-2013 ignoring depreciation.

Question 45 8 marks

Mr. Rahul an assessee aged 61 years gives the following information for the previous year 31-03-2013:

Sr.	Particulars	Rs.
a.	Loss from profession	1,05,000
b.	Capital loss on the sale of property – short term	55,000
c.	Capital gains on sale of shares – long term	2,05,000
d.	Loss in respect of self-occupied property	15,000
e.	Loss in respect of let out property	30,000
f.	Share of loss from firm	1,60,000
g.	Income from card games	55,000
h.	Winnings from lotteries	1,00,000
i.	Loss from horse races in Mumbai	40,000
j.	Investment in Rajiv Gandhi Equity Saving Scheme	21,000
k.	Medical Insurance premium paid by cheque	18,000

Compute the total income of Mr. Rahul for the assessment year 2013-14.

Question 46 8 marks

Discuss whether he following receipts are taxable and also indicate the head of income under which the same is taxable:

(i) Bonus shares received by equity shareholder and preference shareholder.

(ii) Loan advanced by a company in which the public are not substantially interested to a person holding 15% of the beneficial ownership of the share capital of the company.

(iii) Medical allowance received by an employee, the entire amount of which has been spent by him for medical treatment.

(iv) Receipt of a cash gift of Rs. 60,000 from a friend on the occasion of wedding anniversary.

(v) Contribution to provident fund recovered from an employee by an employer.

(vi) Gift of a plot of land given to a chartered accountant by one of his clients. The chartered accountant has been fully compensated for his services and this gift has been given in appreciation of his personal qualities.

(vii) A lawyer closed down his profession. Subsequently he accepted a case on the insistence of his friend but advised his friend to pay the fee payable to him directly to a charitable trust.

(viii) Payment from unrecognised provident fund at the time of retirement which consists of employee's contribution, employer's contribution and interest on both contributions.

Question 47 4 marks

Bharghav doing textile business furnishes you the following information:

Total turnover for the financial year:

	Rs.
2011-12	1,01,00,000
2012-13	99,00,000

State whether the provisions of tax deduction at source are attracted for the following expenses incurred during the financial year 2012-13:

	Rs.
Interest paid to Indian Bank on Term Loan	92,800

Advertisement expenses to R (two individual payments of Rs. 24,000 and Rs. 34,000)	58,000
Factory rent paid to C	1,85,000
Brokerage paid to B	6,000

Question 48 4 marks

Enumerate the circumstances in which an individual assessee is empowered to sign & verify his return of income u/s 139 by himself or otherwise by an authorised signatory.

Question 49 4 marks

Discuss the tax implication arising consequent to conversion of a Capital Asset into stock-in-trade of business and its subsequent sale.

Question 50 4 marks

How is VAT computed under the subtraction method?

Question 51 4 marks

Enlist any six purchases eligible for availing input tax credit.

Question 52 4 marks

Discuss the compulsory and voluntary registration under VAT.

Question 53 4 marks

D & Co. has been providing taxable services for the past few years. Its gross value of taxable services provided during the financial year 2010-11 and 2011-12 is 12 lakhs and 8.75 lakhs respectively. During the financial year 2012-13 it provided service for Rs. 13 lakhs. Calculate the service tax liability of D & Co. for the financial year 2012-13. Rate of Service Tax 12%, Education cess 2% and Higher Education cess @ 1%.

Question 54 4 marks

Pranav Private Ltd., is engaged in providing a taxable service and furnishes you the following information:

<u>Services billed & received</u>	<u>Rs.</u>
December, 2012 (includes Rs. 2,00,000 for the services rendered to the United Nations Organisation)	5,00,000
January, 2013 (includes Rs. 1,50,000 for the services rendered within the Indian territorial waters)	4,00,000
February, 2013 (includes Rs. 1,75,000 for services rendered to the RBI)	5,00,000
March, 2013 Advance receipt for services to be rendered in April 2013 (includes Rs. 1,60,000 for services rendered in the State of Jammu & Kashmir)	5,00,000

Compute the taxable services for the year ended 31-03-2013.

Question 55 4 marks

Briefly explain the provision relating to advance payment of Service Tax.

Question 56 4 marks

Explain the treatment for excess amount of service tax collected from the recipient under Service Tax.

Question 57

Determine the taxability for the A.Y. 2013-14 of the following incomes in the hands of an individual whose residential status is -

(a) resident and ordinarily resident;

UPCOMING BATCHES SCHEDULE
FOR NOVEMBER 2013 & MAY 2014

by

CA. Pankaj Saraogi
Visiting faculty – ICAI
FCA, B. Com. (H) – SRCC, B. Ed.,
Licentiate ICSI, M. Com., DISA (ICAI)

CA IPCC/ INTERMEDIATE TAXATION

	Batch I	Batch II
Venue	AOC Laxmi Nagar & Satellite Centers	AOC North Campus
Days & Timings	TTS : 7.30am – 10.30am Sun. (optional – only 6 classes): 12.30pm – 3.30pm	MWF: 10.45am – 1.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm
Starting	June 20, 2013	June 19, 2013
Expected Completion Date	With Sunday – October 1st week Without Sunday – October 3rd week	With Sunday – October 1st week Without Sunday – October 3rd week
Contact no.	9310398133, 43010359	47528100, 47528101

	Batch III	Batch IV
Venue	AOC Connaught Place	AOC Laxmi Nagar & Satellite Centers
Days & Timings	MWF : 3.00pm – 5.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm	TTS : 7.30am – 10.30am
Starting	June 19, 2013	July 30, 2013
Expected Completion Date	With Sunday – October 1st week Without Sunday – October 3rd week	November 2nd week
Contact no.	9313830650, 23362250	9310398133, 43010359

	Batch V	**Batch VI**
Venue	AOC North Campus	AOC Connaught Place
Days & Timings	MWF: 10.45am – 1.30pm	MWF : 3.00pm – 5.30pm
Starting	July 31, 2013	July 29, 2013
Expected Completion Date	November 2nd week	November 2nd week
Contact no.	47528100, 47528101	9313830650, 23362250

	Batch VII	**Batch VIII**
Venue	AOC Laxmi Nagar & Satellite Centers	AOC North Campus
Days & Timings	TTS : 7.30am – 10.30am Sun. (optional – only 6 classes): 12.30pm – 3.30pm	MWF: 10.45am – 1.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm
Starting	December 19, 2013	December 20, 2013
Expected Completion Date	With Sunday – April 1st week Without Sunday – April 3rd week	With Sunday – April 1st week Without Sunday – April 3rd week
Contact no.	9310398133, 43010359	47528100, 47528101

	Batch IX	**Batch X**
Venue	AOC Connaught Place	AOC Connaught Place
Days & Timings	MWF : 3.00pm – 5.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm	MWF : 5.45pm – 8.30pm
Starting	December 20, 2013	September 23, 2013
Expected Completion Date	With Sunday – April 1st week Without Sunday – April 3rd week	January 2nd week
Contact no.	9313830650, 23362250	9313830650, 23362250

CA FINAL DIRECT TAX LAWS

Batch	**Starting**	**Days**	**Timings**	**Venue**
I	30/05/2013	TTS	5.45pm – 8.30pm	AOC Laxmi Nagar
II	30/11/2013	TTS	5.45pm – 8.30pm	AOC Laxmi Nagar

SCHEDULE OF TEST SERIES
FOR CA IPCC/INTER - TAXATION

VENUE

AOC Laxmi Nagar

1/17, Doctor Chawla Building, Lalita Park
Near Gurudwara, Main Vikas Marg, New Delhi-110092.
Phone: +91 11 32948133, 4301 0359
Mobile : +91 93103 98133

DATE & TIME

Income-tax: April 10, 2013 – 3.00pm-6.00pm
Full course: April 15, 2013 – 3.00pm-6.00pm

FEES/CHARGES - FREE

SALIENT FEATURES

- Question paper prepared by faculty himself
- As per latest applicable provisions
- Examination pattern
- Printed solutions after test
- Checking by faculty himself with individual evaluation

(b) resident but not ordinarily resident;
(c) non-resident.

	Particulars	Rs.
1.	Salary received in Canada for rendering service in Bangalore	50,000
2.	Capital gain on sale of a house situated in Surat (sale consideration is received in Canada)	2,00,000
3.	Dividend from foreign company received in Canada	8,000
4.	Income earned from business in London which is controlled from Mumbai (Rs. 1,00,000 is received in India)	4,00,000
5.	Profits from a business in Indore but managed entirely from Canada	1,25,000
6.	Rental Income (computed) from house property situated in Canada (rent is deposited in a bank at Canada and later on remitted to India)	1,20,000
7.	Interest received in London from the Government of India for project situated in London.	35,000
8.	Royalty from a non-resident company received in London in connection with business situated outside India.	5,00,000
9.	Past foreign untaxed income of 2011-12 earned and received there brought to India during the previous year	25,000
10.	Interest on savings bank deposit in Bank of India, Bhopal	10,000
11.	Share of income received in India from a partnership firm situated in Dubai	80,000
12.	Dividend from Dabur India Ltd., an Indian Company	19,000
13.	Agricultural income earned and received in Nepal from a land situated in Nepal.	1,50,000

Question 58

State, with reference to the provisions of the Income-tax Act, 1961, whether the following are chargeable to tax and if so, the amount liable to tax :

(i) Shivam received Rs. 45,000 as his share of income from a partnership firm.
(ii) Prasar Bharti (Broadcasting Corporation of India) has earned a net profit of Rs. 20 lacs during the financial year 2012-13.
(iii) Mr. Sameer received a sum of Rs. 10 lacs on 13.12.2012 from Life Insurance Corporation of India in respect of a policy, where the sum assured was Rs. 7.5 lacs, taken on 1.04.2004 and for which a one-time premium of Rs. 5 lacs was paid.
(iv) Leave travel concession of Rs. 1,25,000 (being the total cost of tickets) received by Mr. Ravi, employee of A Ltd. for his holiday (with spouse & one child) to Goa by Air India (executive class). The flight fare for executive class is 2.5 times the fare for economy class.
(v) Gratuity of Rs. 12 lacs received by Mr. B, a Government employee, on his retirement.
(vi) Income-tax of Rs. 25,000 paid by employer on non-monetary perquisites provided to employees.
(vii) Mr. Tata has derived an income of Rs. 1,00,000 derived from growing and manufacturing tea in India during the financial year 2012-13.

Question 59

Mr. Jatin, employed as General Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2013:

Basic salary	Rs. 25,000pm
Dearness allowance (forming part of salary for retirement benefits)	60% of basic salary
Transport allowance (for commuting between place of residence and office)	Rs. 1,600pm
Conveyance Allowance (reimbursement of actual expenditure incurred on conveyance in performance of duties of an office)	Rs. 1,000pm
Employer's contribution to recognized provident fund	15% of basic salary & DA
Interest credited to recognized provident fund @ 12%	Rs. 24,000

Rent free unfurnished accommodation provided to Mr. Jatin in Delhi which is owned by company.	
Motor car running and maintenance charges fully paid by employer (The motor car is owned and driven by the employee. The engine cubic capacity is above 1.60 litres. The motor car is used for both official and personal purpose by the employee.)	Rs. 50,000
Gift voucher given on the occasion of his birthday	Rs. 4,500
Value of medical facility in a hospital maintained by the company	Rs. 18,000
Reimbursement of salary of a domestic servant by the company which was engaged by Mr. Jatin at his residence	Rs. 2,500pm
Free education was provided to his three children in a school maintained and owned by the company. The cost of such education is computed at Rs. 800 per child per month.	
Housing loan of Rs. 10,00,000 given on 01.01.2013 at the interest rate of 8% p.a. (No repayment was made during the year). The rate of interest charged by State Bank of India as on 01.04.2012 in respect of housing loan is 10%.	

You are required to compute his taxable salary for the assessment year 2013-14.

<u>Question 60</u>

Mr. Sharma, a resident individual, owns a house in London, UK. He receives rent @ £ 500 per month. He paid municipal taxes of £ 400 during the financial year 2012-13. He also owns a two storied house in Delhi, ground floor is used for his residence and first floor is let out at a monthly rent of Rs. 20,000. Standard rent for each floor is Rs. 22,000 per month and fair rent is Rs. 18,000 per month. Municipal taxes paid for the house amounts to Rs. 15,000. Mr. Sharma had constructed the house by taking a loan from a nationalised bank on 01.4.2008. He repaid the loan of Rs. 1,08,000 including interest of Rs. 48,000 during the previous year 2012-13. The value of one pound is to be taken as Rs. 100.

You are required to compute income from house property of Mr. Sharma for the assessment year 2013-14.

<u>Question 61</u>

State with reasons the allowability or otherwise of the following items under the Income-tax Act, 1961 while computing income under the head "Profits and gains of business or profession" for the Assessment Year 2013-14:

(i) Payment made in cash Rs. 30,000 to a transporter in a day for carriage of goods.

(ii) Expenses incurred in providing freebees to medical practitioner by Medical enterprises, a pharmaceutical organisation.

(iii) Municipal tax relating to office premises Rs. 20,000 not paid till 30.09.2013 by Mr. Arun having turnover of Rs. 108 lacs during financial year 2012-13.

(iv) Capital expenditure of Rs. 15,00,000 on scientific research incurred by ABC Ltd., engaged in manufacturing of tyres, which includes cost of land Rs. 5,00,000.

(v) Tax deducted at source on salary paid to employees in India not remitted till the 'due date' for filing the return prescribed in section 139.

(vi) An electric generator has been purchased for Rs. 50 lakhs by an assessee engaged in the business of generation of power, on 01.04.2012 and installed on the same day.

<u>Question 62</u>

Rahul converts his plot of land purchased in March, 2003 for Rs. 1,50,000 into stock-in-trade on 23rd October, 2011. The fair market value as on 23.10.2011 was Rs. 4,00,000. The stock-in-trade was sold for Rs. 5,00,000 in the month of September, 2012.

Examine the tax implications of such transaction.

Cost Inflation Index:

F.Y. 2002 – 2003 - 447
F.Y. 2011 – 2012 - 785
F.Y. 2012 – 2013 - 852

Question 63

Harshit sold his house for a consideration of Rs. 200 lakhs on 1st January, 2013. However stamp valuation authorities registered it at Rs. 220 lakhs, being the sub registrar approved value. He paid 5% of sale value as commission. The house was purchased by Harshit on 1.4.1980 for Rs. 10 lakhs. He made some improvements by way of additional construction to the house, incurring expenditure of Rs. 2 lakhs in January 2005. The market value of the house on 1.4.1981 was Rs. 12 lakhs. He invested Rs. 30 lakhs in eligible bonds issued by Rural Electrification Corporation Ltd. (RECL) on 13.03.2013 and Rs. 20 lakhs in eligible bonds issued by National Highways Authority of India (NHAI) on 15.07.2013 (Assume that the NHAI Capital Gains bonds issue were open for subscription during the period from 2.4.2013 to 31.3.2014). Besides, he purchased a small dwelling house on 01.04.2012 for Rs. 20 lakhs.

Compute the capital gain chargeable to tax in the hands of Harshit for the assessment year 2013-14.

Cost Inflation Index:
F.Y. 1981 – 1982 - 100
F.Y. 2004 – 2005 - 480
F.Y. 2012 – 2013 - 852

Question 64

State whether the following are chargeable to tax under the head "Income from other sources" and if so, what is the amount liable to tax:

(i) Mr. Chirag received a cash gift of Rs. 75,000 from Jeevan Charitable Trust (registered u/s 12AA) in January 2013 for meeting his medical expenses.
(ii) Rakesh & Sons (HUF) received Rs. 60,000 in cash from elder son of Rakesh. Rakesh is the Karta of the HUF.
(iii) Interest on enhanced compensation of Rs. 1,00,000 was received as per court decree in March, 2013 by Mr. Atul. Out of the said amount, a sum of Rs. 70,000 relates to preceding financial years.
(iv) Anil took a loan of Rs. 18,00,000 from Reliance Power Ltd. in which he is holding 15% of equity shares. On the date of granting the loan, the company had accumulated profit of Rs. 75,00,000.
(v) Interest of Rs. 5,000 on bank FDRs received by minor son of Sneha (widow). These FDRs were made by the minor son out of his earnings from application of his painting skills.

Question 65

Mr. Sanjay furnishes the following particulars of his income relating to the assessment year 2013-14:

Particulars	Rs.
Income from Salaries	2,40,000
Business loss (non-speculation)	1,00,000
Brought forward business loss relating to A.Y. 2010-11	40,000
Loss from specified business (covered by section 35AD)	60,000
Long-term capital gain on sale of land	2,00,000
Short-term capital loss on sale of shares	40,000
Loss from betting	40,000
Winnings from lottery	60,000

Compute the gross total income of Mr. Sanjay for the Assessment Year 2013-14 and the loss to be carried forward.

Question 66

Compute the total income and tax liability of Dr. Naveen, a resident individual aged 38 years, from the following information:

Income and Expenditure Account for the year ending 31st March 2013

Expenditure	Rs.	Income	Rs.
To Staff salary	3,40,000	By Consultation fee	12,00,000
To Medicine consumed	6,72,000	By Cost of medicines recovered	4,80,000
To Clinic consumables	2,17,200	By Income-tax refund	13,200
To Administrative expenses	2,40,000	By Rent received	43,200
To Depreciation of clinic equipment	35,000	By Dividend from Indian companies	21,600
To Donation to Indian Institute of Science, Bangalore, for scientific research	80,000	By Winnings from lottery (Net of TDS)	28,000
To Net Profit	2,01,800		
	17,86,000		17,86,000

(i) Income-tax refund of Rs. 13,200 includes interest of Rs. 1,200.

(ii) Cost of lottery tickets amounting to Rs. 500 has not been debited to Income and Expenditure account.

(iii) Depreciation on clinic equipment, calculated as per the Income-tax Rules, 1962, is Rs. 60,000.

(iv) Rent received relates to residential house let out to a tenant. The municipal tax of Rs. 7,200, paid in December, 2012 in respect of the said house has been included in "administrative expenses".

(v) He received salary of Rs. 6,000 per month from a nursing home.

(vi) He sold a land in January 2013 for Rs. 50,00,000 which was inherited by him from his father in July, 2008. The site was acquired by his father in August, 2007 for Rs. 32,00,000.

(vii) Life insurance premium of Rs. 45,000 paid for the insurance of life of his major son who is not dependent on him. The insurance policy was taken on 05.06.2012 and the "minimum sum assured" is Rs. 4,00,000

(viii) He invested an amount of Rs. 75,000 in Public Provident Fund account during the year.

(ix) He paid Rs. 1,800 in cash for his health check-up and Rs. 4,000 through cheque for health check-up for his father aged 62 years. He also paid premium of Rs. 17,000 by cheque for health insurance of his father.

(Cost inflation index 2007-08 : 551; 2008-09 : 582 and 2012-13 : 852)

Question 67

Examine the applicability of the provisions for deduction of tax at source in the following cases for the assessment year 2013-14:

(i) Haryana Government has made a payment of Rs. 1.90 lacs on 30.05.2012 to Mr. Shyam as enhanced compensation for compulsory acquisition of his urban land.
Would your answer change if the said payment had been made on 08.07.2012 instead of 30.05.2012?

(ii) Kingfisher Ltd., the employer, credited in its books of account on 31.03.2013, salary of Rs. 2,20,000 due to its employee Mr. Shivam for the month of March, 2013. Mr. Shivam has not furnished any information about his income/loss from any other head or proof of investments/payments qualifying for deduction u/s 80C.

(iii) Commission of Rs. 25,000 paid to a director by the company on 13.03.2013 for standing as a guarantor to bankers.

(iv) Mr. Amit, a landlord, derived income of Rs. 50,000 per month as rent from letting a house property to XYZ Ltd. He also charged service tax @ 12.36% on rent.

(v) Samarth, an individual whose total sales in business during the year ending 31.03.2012 was Rs. 95 lacs, paid Rs. 10 lacs by cheque on 18.03.2013 to a contractor (an individual) for construction of his business premises, in full and final settlement. No amount was credited earlier to the account of the contractor in the books of Samarth. The turnover of Samarth for the P.Y. 2012-13 is estimated at Rs. 98 lacs.

Question 68

Return of loss of Mr. X for the assessment year 2013-14 was filed in December, 2013, in which he has claimed carry forward of current year non-speculation business loss of Rs. 1,00,000 and unabsorbed depreciation of Rs. 50,000 (relating to the assessment year 2009-10). What are the tax consequences with regard to carry forward of current year non-speculation business loss and brought forward unabsorbed depreciation?

Question 69

Mr. Y filed return of loss of Rs. 5,00,000 representing loss from a business for the assessment year 2012-13 in July, 2012. He filed a revised return enhancing the business loss to Rs. 8,00,000 in April, 2013. Mr. Y is not subject to tax audit. What is the quantum of loss which is eligible for carry forward and set off against business income of subsequent years?

Question 70

Mr. Joseph is resident and ordinarily resident in India. During the F.Y. 2012-13, he has a long-term capital gain of Rs. 80,000 from sale of a house property situated in London. He has no other income during the current year. Is Mr. Joseph required to file his return of income for the A.Y. 2013-14?

Question 71

Lakhanpur Post Office provided the following services to persons other than Government during the quarter ending 31.03.2013:-

Services rendered	Rs.
Basic mail services	1,00,000
Transfer of money through money orders	5,00,000
Operation of saving accounts	1,50,000
Rural postal life insurance services	2,00,000
Distribution of mutual funds, bonds and passport applications	5,00,000
Issuance of postal orders	3,00,000
Collection of telephone and electricity bills	1,00,000
Pension payment services	50,000
Speed post services	5,00,000
Express parcel post services	2,00,000

Compute the service tax liability of Lakhanpur Post Office for the quarter ending 31.03.2013.

Notes:

1. Point of taxation for all the aforesaid cases fall during the quarter ending 31.03.2013.
2. All the service charges stated above are exclusive of service tax.
3. Small Service Providers' exemption need not be taken into account while solving the aforesaid question.

Question 72

What would be the value of taxable service if US $ 9,000 are converted into UK £ 4,500. RBI reference rate at that time for US $ is Rs. 46 per US dollar and for UK £ is Rs. 88 per UK Pound.

Question 73

Sambhav Industries Ltd. (SIL) is an Indian Company. It has received taxable services from a UK based company-George Ltd. on 01.01.2013. George Ltd. raised on SIL an invoice of £ 45,000 on 27.01.2013. SIL debited its books of accounts on 07.02.2013 and made the payment on 25.03.2013. George Ltd. and SIL are associated enterprises. Determine the point of taxation using aforesaid details.

Question 74

Sidharth Enterprises, a dealer in Gujarat, purchased the raw material worth Rs. 80,00,000 (excluding VAT) and manufactured finished goods worth Rs. 1,50,00,000 from such raw material in the month of February, 2013. It received an order for the said finished goods from Mumbai in March, 2013. Hence, it transferred these finished goods to its branch in Mumbai in the same month. Compute the amount of input tax credit, net VAT payable under the State VAT Law by Sidharth Enterprises for the month of March, 2013 and the balance input tax credit carried forward to next month, if any. Input VAT rate is 12.5% and output VAT rate is 4%.

Question 75

Shiv Ltd. of West Bengal made a total purchases of input and capital goods of Rs. 55,00,000 during the month of January, 2013. The following further information is available:

(i) Goods worth Rs. 9,00,000 were purchased from Orissa on which C.S.T. @ 2% was paid.

(ii) The purchases made in January, 2013 include goods purchased from unregistered dealers amounting to Rs. 21,50,000.

(iii) It purchased capital goods (not eligible for input credit) worth Rs. 9,50,000 and those eligible for input credit for Rs. 9,00,000.

(iv) Sales made in West Bengal during the month of January, 2013 is Rs. 10,00,000 on which VAT @ 12.5% is payable.

Assuming that all purchases given are exclusive of tax and VAT @ 4% is paid on them, calculate

(i) the amount of input tax credit available for the month of January, 2013

(ii) VAT payable for the month of January, 2013 and

(iii) input tax credit carried forward.

Note: The input VAT credit on eligible capital goods is available in 36 equal monthly installments.

Question 76

What are the different rates under VAT system?

Question 77

State whether the following are true or false giving reasons to substantiate your answer:

(i) Under VAT, the tax is payable on the first sale price.

(ii) VAT would increase the working capital requirements and the interest burden.

(iii) VAT brings about certainty to a great extent in the matter of interpretational issues.

Question 78

State with reasons whether the following transactions attract income-tax in India in the hands of recipients:

(i) Salary paid by Central Government to Mr. John, a citizen of India Rs. 7,00,000 for the services rendered outside India.

(ii) Interest on moneys borrowed from outside India Rs. 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.

(iii) Post office savings bank interest of Rs. 12,000 received by a resident assessee say, Mr. Ram.

(iv) Royalty paid by a resident to a non-resident in respect of a business carried on outside India.

(v) Legal charges of Rs. 5,00,000 paid to a lawyer of United Kingdom who visited India to represent a case at the Delhi High Court.

Question 79

MNO Ltd. has one undertaking at Special Economic Zolie (SEZ) and another at Domestic Tariff Area (DTA). Following are the details given to you for the financial year 2012-13:

Rs. in lakhs

	Unit in SEZ	Unit in Domestic Tariff Area (DTA)
Total Sales	200	100
Export Sales	100	80
Net Profit	40	10

Compute the quantum of eligible deduction u/s 10AA for the assessment year 2013-14 in the following situations:

(i) Both the units were set up and began manufacturing from 25-07-2007.
(ii) Both the units were set up and began manufacturing from 10-04-2009.

Question 80

Smt. Laxmi reports the following transactions to you:

(i) Received cash gifts on the occasion of her marriage on 18-7-2012 of Rs. 1,20,000. It includes gift of Rs. 20,000 received from non-relatives.
(ii) On 1-8-2012, being her birthday, she received a gift by means of cheque from her mother's maternal uncle, the amount being Rs. 40,000.
(iii) On 1-12-2012 she acquired a vacant site from her friend for Rs. 1,05,000. The State stamp valuation authority fixed the value of site at Rs. 1,80,000 for stamp duty purpose.
(iv) She bought 100 equity shares of a listed company from another friend for Rs. 60,000. The value of share in the stock exchange on the date of purchase was Rs. 1,15,000.

Determine the amounts chargeable to tax in the hands of Smt. Laxmi for the Assessment year 2013-14. Your answer should be supported by reasons.

Question 81

Mr. Vishal is a resident individual. His Profit & Loss Account for the year ended 31st March, 2013 is given below:

Particulars	Rs.	Particulars	Rs.
To Staff Salary	3,57,500	By Gross profit	13,55,500
To Office Rent	78,000	By Interest on Post Office Monthly Income scheme	98,400
To Administrative Expenses	2,14,000	By Bank F.D. interest (Net of TDS off 7,000)	63,000
To Income-tax	1,60,000	By Rent (on let out property)	66,000
To Depreciation	67,500	By Winning from lotteries (Net of TDS of 7,500)	17,500
To Net Profit	7,23,400		
	16,00,400		16,00,400

Following further information is given to you:

(i) During the financial year 2012-13, he deposited Rs. 85,000 in to his Public Provident Fund Account (i.e. on 27-3-2013)
(ii) He received annual salary of Rs. 1,20,000 and annual Commission of Rs. 60,000 from a partnership firm in the capacity of working partner. It is fully chargeable to tax u/s 28(v).
(iii) Received annuity pension of Rs. 72,500 from LIC of India.
(iv) Paid medical insurance premium of Rs. 21,850. The medical insurance was on self. Mr. Vishal is not a senior citizen.

(v) Life Insurance Premium of Rs. 25,000 was paid on the policy standing in the name of his wife Sujatha.
(vi) Administrative expenses include Rs. 5,000 being municipal tax on let out property.
(vii) Depreciation eligible as per the Income-tax Act, 1961 amounts to Rs. 57,000.

Compute the total income of Mr. Vishal for the Assessment year 2013-14.

Question 82

Mr. Arvind furnishes you the following information:

Particulars	Rs.
Opening stock of finished goods and raw materials	Nil
Purchase of raw material within State (excluding VAT @ 5%)	1,80,000
Purchase of raw material: inter-state (including CST @ 2%)	51,000
Manufacturing expenses	70,000
Sales (excluding VAT 5%)	4,00,000
Closing stock of finished goods and raw materials	50,000

Compute the VAT liability of Mr. Arvind.

Question 83

Honest Industry furnishes you the following details pertaining to the financial year 2012-13:

Description	Plant & Machinery	Building	Intangible assets (patents)
Rate of depreciation	15%	10%	60%
Opening balance as on 01-04-2012	14,50,000	25,00,000	15,00,000
Acquired before 30-09-2012	12,00,000	Nil	5,00,000
Acquired after 01-12-2012	4,00,000	18,00,000	Nil
Transferred in March 2013, one of the patents held for the past 2 years	-	-	3,00,000

A machinery acquired in July 2012 original cost Rs. 1,50,000 was destroyed by fire and the assessee received compensation of Rs. 50,000 from the insurance company.

Newly acquired building given above includes value of land of Rs. 3,00,000.

Calculate the eligible depreciation claim for the assessment year 2013-14.

Note: Ignore additional/accelerated depreciation.

Question 84

Mr. Paari, a resident individual acquired a plot of land at a cost of Rs. 75,000 in June, 1999. He constructed a house for his residence on that land at a cost of Rs. 1,25,000 in the financial year 2001-02.

He transferred the house for Rs. 15,00,000 in May, 2012 and acquired another residential house in June, 2012 for Rs. 8,00,000.

He furnishes other particulars as under:

Insurance agency commission earned (Net of TDS of Rs. 5,000) Rs. 45,000

Investment in NSC VIII issue (i.e. on 20-3-2013) Rs. 20,000

Cost inflation index details are given below:

Financial Year	Cost Inflation Index
1999 – 2000	389
2001 – 2002	426
2012 – 2013	852

Compute the total income of Mr. Paari for the assessment year 2013-14.

Question 85

Explain the meaning of the expression 'Pure Agent' in the context of service tax.

Question 86

Mr. Alok, a Government employee, retired from service on 31-7-2012 after rendering service of 25 years and 7 months. He received gratuity of Rs. 7,00,000.

His salary at the time of retirement was as under:

Basic salary Rs. 16,000 p.m.

Dearness Allowance Rs. 8,000 p.m. (eligible for retirement benefits)

(i) Compute the taxable portion of gratuity.

(ii) If Mr. Alok is not a Government employee but covered by Payment of Gratuity Act, 1972. Determine the taxable and exempt portion of gratuity.

Question 87

Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are Rs. 96,000, Rs. 1,26,000 and 1,08,000 (per annum), respectively. During the Financial Year 2012-13, one-third of the portion of the house was let out for residential purpose at a monthly rent of Rs. 5,000. The remaining two-third portion was self-occupied by him. Municipal tax @ 11 % of municipal value was paid during the year. The construction of the house began in June, 2005 and was completed on 31-5-2008. Vikas took a loan of Rs. 1,00,000 on 1-7-2005 for the construction of building. He paid interest on loan @ 12% per annum and every month such interest was paid.

Compute income from house property of Mr. Vikas for the Assessment Year 2013-14.

Question 88

Compute the interest payable for the delayed payment of service tax by the service providers in the following cases:

Name of the service provider	XYZ Ltd.	Mr. Pravin
Service tax liability	1,23,600	2,16,000
Delay in payment of service tax	20 days	25 days

The aggregate value of taxable services rendered in the previous financial year 2011-12 by XYZ Ltd. was Rs. 40 lakhs and by the service provider Mr. Pravin was Rs. 62 lakhs.

Assume that the service tax liability and the delay given above relates to a period in the financial year 2012-13.

Question 89

State the conditions to be satisfied by an individual whose total income does not exceed Rs. 5,00,000 for availing exemption from filing of return of income for the Assessment Year 2012-13.

Question 90

Raghav Industries Ltd. furnishes you the following information for the year ended 31-03-2013:

(i) Scientific research expenditure related to its business Rs. 2,40,000 fully revenue in nature.

(ii) Building acquired for scientific research (including cost of land Rs. 5,00,000) in June 2012 for Rs. 12,00,000.

(iii) Amount paid to Indian Institute of Science, Bangalore for scientific research Rs. 50,000.

(iv) Demerger expenses incurred in financial year 2011-12 Rs. 5,00,000.

(v) Contribution to the account of employees as per pension scheme referred to in section 80CCD amounted to Rs. 30,00,000. Amount above 10% of the salary of employees is Rs. 7,00,000.

(vi) Amount recovered from employees towards provident fund contribution Rs. 12,00,000 of which amount remitted upto the end of the year was Rs. 7,00,000 and the balance was remitted before the 'due date' for filing the return prescribed in Section 139(1).

(vii) Tax on non-monetary perquisites provided to the employees, borne by the employer Rs. 4,50,000.

(viii) Gain due to change in the rate of exchange of foreign currency Rs. 1,00,000 related to import of machinery. The machinery was acquired two years ago and put to regular use since then.

Explain in brief how the above said items would be dealt with for the Assessment year 2013-14.

Note: Computation of total income not required.

Question 91

State with reasons whether the following are true or false in the context of service tax :

(i) Free after sales service is also liable for service tax.

(ii) Service tax returns have to be electronically filed by all service tax assessees on mandatory basis.

(iii) Service tax return need not be filed where no taxable services were rendered in the relevant half-year:

(iv) Service tax return can be revised within 120 days after it was filed.

Question 92

State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year.

Question 93

Calculate the income-tax liability for the assessment year 2013-14 in the following cases:

	Mr. A (age 45)	Mrs. B (age 62)	Mr. C (age 81)	Mr. D (age 82)
Status	Resident	Non-resident	Resident	Non-resident
Total income other than long-term capital gain	2,60,000	2,50,000	5,90,000	5,00,000
Long-term capital gain	15,000 from sale of vacant site	10,000 from sale of listed shares (STT* paid)	60,000 from sale of agricultural land in rural area	Nil

*Securities Transaction Tax.

Question 94

Mr. Rajmohan whose gross total income was Rs. 6,40,000 for the financial year 2012-13 furnishes you the following information:.

(i) Stamp duty paid on acquisition of residential house (self-occupied) Rs. 50,000.

(ii) Five year time deposit in an account under Post Office Time Deposit Rules, 1981 Rs. 20,000.

(iii) Donation to a recognized charitable trust Rs. 25,000 which is eligible for deduction u/s 80G at the applicable rate.

(iv) Interest on loan taken for higher education of spouse paid during the year Rs. 10,000.

(v) Investment in Rajiv Gandhi Equity Saving Scheme Rs. 40,000.

Compute the total income of Mr. Rajmohan for the Assessment year 2013-14.

Question 95

State the conditions to be satisfied for provisional payment of service tax.

Question 96

Mr. Balaji furnishes you the following information for the financial year ended 31st March, 2013:

Pension from Central Government	2,47,000
Rent from let out property	2,40,000
Interest on moneys borrowed for let out property – paid	1,60,000
Interest on moneys borrowed for let our property – unpaid	12,000
Income from business in trade in grains and pulses	4,10,000
Loss from speculation in grains and pulses	50,000
Loss from speculation in Jewellery	80,000
Unabsorbed depreciation of discontinued textiles business of assessment year 2011-12	2,00,000

He let out a factory building with machinery for a monthly rent of Rs. 20,000.

The WDV of factory building as on 01-04-2012 was Rs. 8,10,000 (depreciation rate 10%) and WDV of machineries being Rs. 4,91,300 (depreciation rate 15%).
Compute the total income of Mr. Balaji for the Assessment year 2013-14.

Question 97

State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2012-13:

(i) Winning by way of jackpot in a horse race Rs. 1,00,000.
(ii) Payment made by a firm to sub-contractor Rs. 3,00,000 with outstanding balance of Rs. 1,20,000 shown in the books as on 31-03-2013.
(iii) Rent paid for plant and machinery Rs. 1,50,000 by a partnership firm having sales turnover of Rs. 20,00,000 and net loss of Rs. 15,000.
(iv) Payment made to Ricky Ponting, an Australian cricketer, by a newspaper for contribution of articles Rs. 25,000.

Question 98

Explain the 'invoice method' of computing tax liability under V AT system.

Question 99

Do you agree that VAT being a consumption tax is a burden on the poor than the rich? Justify your view.

Answers

Answer 1

Agricultural income is exempt from tax as per section 10(1). However, aggregation of agricultural and non-agricultural income is to be done to determine the rate at which the non-agricultural income shall be chargeable to tax. In case the agricultural income is not more than Rs. 5,000 or the tax-payer has non-agricultural income less than the basic exemption limit, then no such aggregation needs to be done. Further, such aggregation has to be done only if the tax-payer is an individual, Hindu Undivided Family, body of individual, association of persons or an artificial judicial person.

Since the second part of the question requires the manner of computation of income where an individual derives agricultural and non-agricultural income, the same can be answered on the basis of Rules 7A, 7B and 8 of the Income-tax Rules, 1962 dealing with composite income.

Rule	Particulars	Business Income	Agricultural Income
Rule 7A	Income from manufacture of rubber in India	35%	65%
Rule 7B	Income from manufacture of coffee		
	- grown and cured by the seller in India	25%	75%
	- grown, cured, roasted and grounded by the seller in India	40%	60%
Rule 8	Income from manufacture of tea	40%	60%

Thereafter, income-tax shall be computed by aggregating the agricultural income and the non-agricultural income in the manner described below:

1) Aggregate the agricultural income with non-agricultural income and determine tax payable on such amount.
2) Aggregate the agricultural income with the basic exemption limit of the assessee i.e. Rs. 2,00,000/Rs. 2,50,000/Rs. 5,00,000, as the case may be, and determine tax on such amount.
3) Compute the difference between the tax computed in Step (1) and Step (2), which shall be the tax payable in respect of non-agricultural income.
4) The tax payable so computed in step (3) shall be increased by education cess of 2% and secondary and higher education cess of 1%.

Answer 2

Computation of total income of Mr. Shyam and Mr. Mohan for the A.Y. 2013-14

Sl. No.	Particulars	Mr. Shyam (Non-Resident)	Mr. Mohan (Resident)
1.	Interest on Australian Development Bonds (See Note-1)	18,000	28,000
2.	Dividend from Japanese Company received in Sydney (See Note-2)	-	12,000
3.	Profit from a business in Mumbai but managed directly from Sydney	13,000	-
4.	Profit on sale of shares of an Indian company received in India	65,000	96,000
5.	Income from a business in Chennai	28,000	32,000
6.	Fees for technical services rendered in Sydney but services utilized in India (See Note-3)	1,25,000	-
7.	Interest on savings bank deposit in Central Bank, Hyderabad	8,000	18,000
8.	Agricultural income from a land in Gujarat (See Note-4)	-	-
9.	Rent received in respect of house property at Hyderabad (See Note 5)	60,200	42,000
	Gross Total income	3,17,200	2,28,000
	Less : Deduction under Chapter VI-A		
	U/s 80C-Life insurance premium paid	-	35,000
	Total Income	3,17,200	1,93,000

Notes:

(1) Only interest received in India is taxable in the case of Mr. Shyam since he is a non-resident. However, in case of Mr. Mohan, the entire interest of Rs. 28,000 on Australian Development Bonds is taxable, since in case of a resident, his global income is taxable.

(2) Dividend received from a Japanese company in Sydney by a non-resident assessee is not taxable since it was received outside India and also did not accrue or arise in India. However, the dividend received by a resident assessee from a foreign company is taxable and is also not entitled to exemption u/s 10(34).

(3) As per the Explanation below section 9(2), fees for technical services utilized in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, irrespective of whether the services are rendered in India or not.

(4) Agricultural income from a land situated in the State of Gujarat, is exempt u/s 10(1) in case of both non-resident and resident assessees.

(5)

Income from house property	Mr. Shyam	Mr. Mohan
Rent received	86,000	60,000
Less : Deduction u/s 24(a) @ 30%	25,800	18,000
	60,200	42,000

UPCOMING BATCHES SCHEDULE
FOR NOVEMBER 2013 & MAY 2014

by

CA. Pankaj Saraogi

Visiting faculty – ICAI

FCA, B. Com. (H) – SRCC, B. Ed.,

Licentiate ICSI, M. Com., DISA (ICAI)

CA IPCC/ INTERMEDIATE TAXATION

	Batch I	**Batch II**
Venue	AOC Laxmi Nagar & Satellite Centers	AOC North Campus
Days & Timings	TTS : 7.30am – 10.30am Sun. (optional – only 6 classes): 12.30pm – 3.30pm	MWF: 10.45am – 1.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm
Starting	June 20, 2013	June 19, 2013
Expected Completion Date	With Sunday – October 1st week Without Sunday – October 3rd week	With Sunday – October 1st week Without Sunday – October 3rd week
Contact no.	9310398133, 43010359	47528100, 47528101

	Batch III	**Batch IV**
Venue	AOC Connaught Place	AOC Laxmi Nagar & Satellite Centers
Days & Timings	MWF : 3.00pm – 5.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm	TTS : 7.30am – 10.30am
Starting	June 19, 2013	July 30, 2013
Expected Completion Date	With Sunday – October 1st week Without Sunday – October 3rd week	November 2nd week
Contact no.	9313830650, 23362250	9310398133, 43010359

	Batch V	Batch VI
Venue	AOC North Campus	AOC Connaught Place
Days & Timings	MWF: 10.45am – 1.30pm	MWF : 3.00pm – 5.30pm
Starting	July 31, 2013	July 29, 2013
Expected Completion Date	November 2nd week	November 2nd week
Contact no.	47528100, 47528101	9313830650, 23362250

	Batch VII	Batch VIII
Venue	AOC Laxmi Nagar & Satellite Centers	AOC North Campus
Days & Timings	TTS : 7.30am – 10.30am Sun. (optional – only 6 classes): 12.30pm – 3.30pm	MWF: 10.45am – 1.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm
Starting	December 19, 2013	December 20, 2013
Expected Completion Date	With Sunday – April 1st week Without Sunday – April 3rd week	With Sunday – April 1st week Without Sunday – April 3rd week
Contact no.	9310398133, 43010359	47528100, 47528101

	Batch IX	Batch X
Venue	AOC Connaught Place	AOC Connaught Place
Days & Timings	MWF : 3.00pm – 5.30pm Sun. (optional – only 6 classes at AOC Laxmi Nagar): 12.30pm – 3.30pm	MWF : 5.45pm – 8.30pm
Starting	December 20, 2013	September 23, 2013
Expected Completion Date	With Sunday – April 1st week Without Sunday – April 3rd week	January 2nd week
Contact no.	9313830650, 23362250	9313830650, 23362250

CA FINAL DIRECT TAX LAWS

Batch	Starting	Days	Timings	Venue
I	30/05/2013	TTS	5.45pm – 8.30pm	AOC Laxmi Nagar
II	30/11/2013	TTS	5.45pm – 8.30pm	AOC Laxmi Nagar

SCHEDULE OF TEST SERIES FOR CA IPCC/INTER - TAXATION

VENUE

AOC Laxmi Nagar

1/17, Doctor Chawla Building, Lalita Park
Near Gurudwara, Main Vikas Marg, New Delhi-110092.
Phone: +91 11 32948133, 4301 0359
Mobile : +91 93103 98133

DATE & TIME

Income-tax: April 10, 2013 – 3.00pm-6.00pm
Full course: April 15, 2013 – 3.00pm-6.00pm

FEES/CHARGES - FREE

SALIENT FEATURES

- Question paper prepared by faculty himself
- As per latest applicable provisions
- Examination pattern
- Printed solutions after test
- Checking by faculty himself with individual evaluation