

Incomes Which Do Not Form Part of Total Income

Question 1

State whether the following are chargeable to tax and the amount liable to tax :

- (i) Arvind received ₹ 20,000 as his share from the income of the HUF.
- (ii) Mr. Xavier, a 'Param Vir chakra' awardee, received a pension of ₹ 2,20,000 during the financial year 2012-13.
- (iii) A political party registered under section 29A of the Representation of the People Act, 1951 earned rental income of ₹ 6,00,000 by letting out premises.

Answer

S.No.	Taxable/Not Taxable	Amount liable to tax (₹)	Reason
(i)	Not Taxable	-	Share received by member out of the income of the HUF is exempt under section 10(2).
(ii)	Not Taxable	-	Pension received by Mr. Xavier, who is a 'Param Vir Chakra' awardee, is exempt under section 10(18).
(iii)	Not Taxable	-	Any income of a political party registered under section 29A of the Representation of the People Act, 1951 which is chargeable, <i>inter alia</i> , under the head "Income from house property" is exempt under section 13A provided the political party maintains such books of account as would enable the Assessing Officer to properly deduce its income therefrom and the accounts are audited by a chartered accountant.

Question 2

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?

3.2 Income-tax

Answer

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 ₹ 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. ₹ 2,00,000 / ₹ 2,50,000 / ₹ 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%.

Question 3

Choose the correct answer with reference to the provisions of the Income-tax Act, 1961.

- (i) For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under section 10(14) is
 - (a) ₹ 10,800

- (b) ₹ 7,200
 - (c) ₹ 9,600
 - (d) ₹ 3,600
- (ii) A charitable or religious institution is required to file an application for registration -
- (a) within 1 year from its creation
 - (b) within 30 days from its creation
 - (c) within the financial year of its creation
 - (d) before the expiry of the financial year from which the benefit of exemption is sought
- (iii) Share of profit of Mr. Abhishek, who is a partner in M/s. Amar & Co. is:
- (a) Exempt from tax
 - (b) Taxable as his business income
 - (c) Taxable as his salary
 - (d) Taxable as income from other sources.
- (iv) The deduction allowable in respect of the family pension taxable under "income from other sources" is:
- (a) 33 1/3% of the pension
 - (b) 30% of the pension or ₹ 15,000 whichever is lower
 - (c) 33 1/3 % of the pension or ₹ 15,000 whichever is less
 - (d) Nil

Answer

- (i) (b) i.e. ₹ 7,200 [300 x 12 x 2]
- (ii) (d) before the expiry of the financial year from which the benefit of exemption is sought
- (iii) (a) exempt from tax
- (iv) (c) 33-1/3% of the pension or ₹ 15,000 whichever is less

Question 4

Fill in the blanks by choosing the correct answer from the brackets.

- (i) A compensation of ₹ 4 lakhs received by Mr. Jaimin from his employer, Indian Institute of Technology (is / is not) exempt under section 10(10C).
- (ii) In the case of a person being a partner of a firm which is separately assessed as such, his share of total income of the firm is(exempt/not exempt).

3.4 Income-tax

Answer

- (i) is
- (ii) exempt

Question 5

State with reasons in brief whether the following statements are true or false with reference to the provisions of the Income-tax Act, 1961:

- (i) *Exemption is available to a Sikkimese individual, only in respect of income from any source in the State of Sikkim.*
- (ii) *Where the Commissioner of Income-tax is satisfied that the activities of the charitable trust, which has been accorded registration, is not genuine, he can cancel the registration by passing an order in writing.*
- (iii) *In respect of voluntary contributions in excess of ₹ 20,000 received by a political party, exemption under section 13A is available where proper details about the donations are maintained; there is no need to maintain books of account.*
- (iv) *Pension received by a recipient of gallantry award is exempt from income-tax.*
- (v) *Mr. A, a member of a HUF, received ₹ 10,000 as his share from the income of the HUF. The same is to be included in his chargeable income.*
- (vi) *Mr. Roy received a sum of ₹ 20 lakh on 31.3.2013 from Life Insurance Corporation of India in respect of a policy, where the sum assured was ₹ 15 lakh, taken on 1.10.2003 and for which a one time premium of ₹ 10 lakh was paid. Mr. Roy claims that the amount is totally exempt under section 10(10D)(c) of the Income-tax Act, 1961.*
- (vii) *Voluntary contributions received by charitable trusts, universities and educational institutions are not taxable as the definition of income in section 2(24) does not cover the same.*
- (viii) *Compensation on account of disaster received from a local authority by an individual or his/her legal heir is taxable.*
- (ix) *Mr. P, a shareholder of a closely held company, holding 16% shares, received advances from that company which is to be deemed as dividend from an Indian Company, hence exempted under section 10(34) of the Income-tax Act, 1961.*

Answer

- (i) **False** : Exemption under section 10(26AAA) is available to a Sikkimese individual not only in respect of the said income, but also in respect of income by way of dividend or interest on securities.
- (ii) **True** : As per section 12AA(3), the Commissioner has power to cancel the registration of the trust, by passing a written order, where he is satisfied, *inter alia*, that the activities of

the trust are not genuine. However, the trust should be given a reasonable opportunity of being heard before such cancellation.

- (iii) **False** : The obligation under section 13A to maintain proper details of voluntary contributions in excess of ₹ 20,000 is over and above the obligation to maintain such books of account and other documents as would enable the Assessing Officer to properly deduce its income therefrom.
- (iv) **True** : Section 10(18) exempts any income by way of pension received by individual who has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as the Central Government, may, by notification in the Official Gazette, specify in this behalf.
- (v) **False** : Section 10(2) exempts any sum received by an individual as a member of a HUF where such sum has been paid out of the income of the family. Therefore, ₹ 10,000 should not be included in Mr.A's chargeable income.
- (vi) **False** : As per section 10(10D)(c), any sum received under an insurance policy issued on or after 1.4.2003 but before 31.03.2012, in respect of which the premium payable for any year during the term of the policy exceeds 20% of actual capital sum assured, shall not be exempt from tax. Hence, the contention of Mr. Roy is not correct since the one-time premium of ₹ 10 lakh paid by him is in excess of 20% of the sum assured [i.e. it exceeds ₹ 3 lakh, being 20% of ₹ 15 lakh].
- (vii) **False** : Section 2(24) defining the term 'income' includes voluntary contributions received by any trust, university or educational institution. Hence, the statement is not correct.
- (viii) **False** : As per section 10(10BC), any amount received or receivable as compensation by an individual or his/her legal heir on account of any disaster from the Central Government, State Government or a local authority is exempt from tax except the amount received or receivable to the extent such individual or legal heir has already been allowed as deduction under this act on account of such loss or damage caused by such disaster.
- (ix) **False** : As per section 10(34), only income by way of dividend referred to in section 115-O shall be exempt in the hands of shareholders. Corporate dividend tax under section 115-O is not leviable on deemed dividend under section 2(22)(e) and hence, such deemed dividend is not exempt under section 10(34).

Question 6

Which income of Sikkimese individual is exempted from tax under section 10(26AAA)?

Answer

Exemption of income of Sikkimese individual under section 10(26AAA)

The following income which accrues or arises to a Sikkimese individual would be exempt from income-tax :

- (a) income from any source in the State of Sikkim or

3.6 Income-tax

(b) income by way of dividend or interest on securities

This exemption will not be available to a Sikkimese woman who, on or after 1st April, 2008, marries a non-Sikkimese individual.

Question 7

Explain the provisions regarding exemption of compensation received on account of disaster under section 10(10BC) of the Income-tax Act, 1961.

Answer

Exemption of compensation received on account of disaster under section 10(10BC)

- (i) Section 10(10BC) exempts any amount received or receivable as compensation by an individual or his / her legal heir on account of any disaster.
- (ii) Such compensation should be granted by the Central or State Government or by a local authority.
- (iii) Exemption would not be available in respect of the compensation for alleviating any damage or loss, which has already been allowed as deduction under the Act.
- (iv) "Disaster" means a catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man made causes, or by accident or negligence.
- (v) It should have the effect of causing substantial loss of life or human suffering, or damage to, and destruction of, property, or damage to, or degradation of, environment.
- (vi) It should be of such a nature or magnitude, which is beyond the coping capacity of the community of the affected area.

Question 8

Mr. A is a resident Indian. During the F.Y. 2012-13, interest of ₹ 1,92,000 was credited to his Non-resident (External) Account with the SBI. ₹ 20,000 being interest on fixed deposit with SBI was credited to his savings bank account during this period. He also earned ₹ 4,000 as interest on this savings account. Is Mr. A required to file return of income?

What will be your answer, if he owns one shop in Mumbai of area 130 sq.ft. ?

Answer

Computation of total income of Mr. A for A.Y. 2013-14

Particulars	₹
Income from other sources	
Interest earned from Non-resident (External) Account ₹ 1,92,000 [Exempt u/s 10(4)(ii), assuming that Mr.A has been permitted by RBI to maintain the aforesaid account]	NIL

Interest on bank fixed deposit	20,000
Interest on savings bank account	4,000
Gross Total Income	24,000
Less: Deduction under section 80TTA – Interest on saving bank account	4,000
Total Income	20,000

An Individual is required to furnish a return of income under section 139(1) if his total income exceeds the maximum amount not chargeable to tax i.e. ₹ 2,00,000 (for AY. 2013-14). Hence, Mr. A is not required to file a return of income as his total income is below ₹ 2,00,000.

The aspect of Mr. A occupying / owning a shop area of 130 sq.ft in Mumbai, would not make any difference.

Question 9

Briefly explain about aggregation of agricultural income for rate purposes. How will income-tax be computed where an individual derives agricultural as well as non-agricultural income?

Answer

Agricultural income is exempt from tax under section 10(1). However, it is to be included for determining the rate at which non-agricultural income is chargeable to tax. This is provided for in the Finance Act of each year. The procedure for computation of tax payable on non-agricultural income after aggregation of agricultural income is as follows–

- (i) Aggregate the agricultural income with non-agricultural income and determine the tax payable on such amount.
- (ii) Aggregate the agricultural income with the basic exemption limit (i.e. ₹ 2,00,000/ ₹ 2,50,000/ ₹ 5,00,000) and determine the tax payable on such amount.
- (iii) The difference between the tax computed in step (i) and step (ii) will be the tax payable in respect of non-agricultural income.

Example :

Mr.A. (age below 60 years)

Assessment year 2013-14

Agricultural Income - ₹ 2,00,000	
Non Agricultural Income - ₹ 4,00,000	
Total Income + agricultural income (₹ 4,00,000 + ₹ 2,00,000)	6,00,000
Income tax on ₹ 6,00,000	50,000
Less: Income tax on basic exemption limit + agricultural income i.e. ₹ 2,00,000 + 2,00,000 = ₹ 4,00,000. Tax thereon	20,000
Tax before cess	30,000
Add : Education cess @ 2% and SHEC @ 1%	900
Total tax liability	<u>30,900</u>

3.8 Income-tax

In the case of assesseees such as partnership firms, companies etc, whose income is chargeable to tax at a flat rate, aggregation of agricultural income has no effect. In the case of every individual, HUF, AOP or BOI and every artificial juridical person, the Finance Act prescribes slab rates of income-tax and in such cases, agricultural income has to be aggregated for rate purposes.

Question 10

Whether the income derived from saplings or seedlings grown in a nursery is taxable under the Income-tax Act, 1961?

Answer

As per *Explanation 3* to section 2(1A) of the Act, income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income and exempt from tax, whether or not the basic operations were carried out on land.

Question 11

Nathan Aviation Ltd. is running two industrial undertakings, one in a SEZ (Unit S) and another in a normal area (Unit N). The brief summarized details for the year ended 31.3.2013 are as under:

Particulars	₹ (in lacs)	
	S	N
Domestic turnover	10	100
Export turnover	120	Nil
Gross profit	20	10
Less: Expenses and depreciation	7	6
Profits derived from the unit	13	4

The brought forward business loss pertaining to Unit N is ₹ 2 lacs. Briefly compute the business income of the assessee.

Assume F.Y. 2012-13 falls within the first 5 year period commencing from the year of manufacture or production of articles or things or provisions of services by the Unit S.

Answer

Computation of business income of Nathan Aviation Ltd.

Particulars	₹ (in lacs)
Total profit derived from Units S & N (₹ 13 lacs + ₹ 4 lacs)	17
Less: Exemption under section 10AA [See Working Note below]	<u>12</u>
	5
Less: Brought forward business loss	<u>2</u>
	<u>3</u>

Working Note-**Computation of exemption under section 10AA in respect of Unit S located in a SEZ**

Particulars	₹ (in lacs)
Domestic turnover of Unit S	10
Export turnover of Unit S	<u>120</u>
Total turnover of Unit S	<u>130</u>
Profit derived from Unit S	13
Exemption under section 10AA	
Profit of Unit S x $\frac{\text{Export turnover of unit S}}{\text{Total turnover of Unit S}} = 13 \times \frac{120}{130} =$	12

Question 12

Y Co. Ltd. furnishes you the following information for the year ended 31.3.2013:

Particulars	₹ (in lacs)
Total turnover of Unit A located in Special Economic Zone	100
Profit of the business of Unit A	30
Export turnover of Unit A	50
Total turnover of Unit B located in Domestic Tariff Area (DTA)	200
Profit of the business of Unit B	20

Compute deduction under section 10AA for the A.Y. 2013-14.

Answer

100% of the profit derived from export of articles or things or services is eligible for deduction under section 10AA, assuming that F.Y.2012-13 falls within the first five year period commencing from the year of manufacture or production of articles or things or provision of services by the Unit in SEZ. As per section 10AA(7), the profit derived from export of articles or things or services shall be the amount which bears to the profits of the business of the undertaking, being the Unit, the same proportion as the export turnover in respect of articles or things or services bears to the total turnover of the business carried on by the undertaking.

Deduction under section 10AA

$$\begin{aligned}
 &= \text{Profit of the business of Unit A} \times \frac{\text{Export Turnover of Unit A}}{\text{Total Turnover of Unit A}} \\
 &= ₹ 30 \text{ lakhs} \times \frac{50}{100} \\
 &= ₹ 15 \text{ lakhs}
 \end{aligned}$$

Question 13

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 ₹20,00,000 and ₹2,00,000, respectively, be denied the tax exemption?

Answer

- (i) Since investment or deposit in a public sector company is one of the permitted modes of investment mentioned in section 11(5), the exemption granted to a charitable trust under section 11 will not be forfeited if it holds shares in a public sector company.
- (ii) As per section 11(4), "property held under trust" includes a business undertaking so held. If the object of the trust is relief of the poor, education, medical relief etc. (other than advancement of any other object of general public utility) and the trust has a business undertaking, then, the income from such business would also be exempt from tax provided the following conditions, as mentioned in section 11(4A) are satisfied :
 - (i) such business is incidental to the attainment of the objects of the trust; and
 - (ii) separate books of accounts are maintained by such trust in respect of such business.
- (iii) Even if the main object of the charitable trust is "advancement of any other object of general public utility", tax exemption will not be denied in this case since the aggregate receipts from business has not exceeded ₹ 25 lakhs in the year.

Question 14

What are the conditions to be fulfilled by a Charitable Trust under section 12A for applicability of exemption provisions contained in sections 11 and 12?

Answer

Conditions for applicability of sections 11 and 12 [Section 12A]

The exemption provisions contained in sections 11 and 12 shall not apply in relation to the income of any trust or institution unless the following conditions are fulfilled -

- (i) An application for registration of the trust or institution in the prescribed form and in the prescribed manner should be made to the Commissioner and the trust or institution should be registered under section 12AA.
- (ii) The requirement of filing an application for registration within one year of creation of the religious or charitable trust or institution has been removed. The application can be filed at any time now.
- (iii) Accordingly, in respect of applications made on or after 1st June, 2007, the provisions of sections 11 and 12 shall apply from the assessment year relevant to the financial year in which the application is made i.e. the exemption would be available only with effect from

the assessment year relevant to the previous year in which the application is filed. It would not be available in respect of any earlier assessment year.

- (iv) Where the total income of the trust or institution, without giving effect to the provisions of sections 11 and 12, exceeds the maximum amount which is not chargeable to income-tax in any previous year, the accounts of the trust or institution must be audited by a chartered accountant and the report of such audit in the prescribed form duly signed and verified by such accountant setting forth such prescribed particulars, should be furnished along with the return of income.

Question 15

When can a charitable trust avail benefits under section 11 & 12 of the Income-tax Act, 1961?

Answer

A charitable trust can avail the benefits under section 11 & 12 of the Act if it satisfies the following conditions :

- (i) The trust has been granted registration by the Commissioner of Income-tax under section 12AA of the Income-tax Act, 1961 on an application in the prescribed form.
- (ii) The property from which income is derived should be held under a trust or other legal obligation.
- (iii) The property should be held for charitable purposes. According to section 2(15), charitable purpose includes relief of the poor, education, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest and the advancement of any other object of general public utility.

The proviso to section 2(15) of the Act provides that "advancement of any other object of general public utility" shall not be a charitable purpose, if it involves carrying on of:

- (i) any activity in the nature of trade, commerce or business, or
- (ii) any activity of rendering of any service in relation to any trade, commerce or business,

for a cess or fee or any other consideration, irrespective of the nature of use or application of the income from such activity or the retention of such income, by the concerned entity. However, "advancement of any other object of general public utility" would continue to be a "charitable purpose", if the total receipts from any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business does not exceed ₹ 25 lakh in the previous year.

3.12 Income-tax

- (iv) In the case of a charitable trust created on or after 1.4.1962, the further conditions are :
- (a) the trust should not be created for the benefit of a particular religious community or caste ;
 - (b) no part of the income should enure, directly or indirectly, for the benefit of the settlor or other specified persons ; and
 - (c) the property should be held wholly for charitable purposes.
- (1) Where the total income of the trust without giving effect to sections 11 & 12 exceeds the maximum amount which is not chargeable to income tax in any previous year (₹ 2,00,000 for the previous year 2012-13), then the accounts of the trust have to be audited and an audit report in the prescribed form must be filed along with the return of income.
- (2) At least 85% of the income is required to be applied for achieving the objects of the trust/ institution.
- (3) 15% of the income, which can be accumulated or set apart, should be preferably invested or deposited in the forms or modes specified in section 11(5).

Question 16

Will a charitable trust forfeit the exemption granted to it, if it holds shares in a public sector company?

Answer

According to section 13(1)(d), investment in shares in a public sector company is allowed to be made by a charitable trust. Therefore, a charitable trust holding shares in a public sector company can continue to claim exemption.

Question 17

When is a charitable trust required to file its audit report alongwith return of income?

Answer

A charitable trust is required to get its accounts audited by a Chartered Accountant and file the audit report in the prescribed form, duly signed and verified by such accountant, along with its return of income when the total income of the trust before giving effect to section 11 and 12 exceeds the maximum amount not chargeable to tax i.e. ₹ 2,00,000.

Question 18

Explain the meaning of expression "advancement of any other object of general public utility" in the context of "Charitable Purpose" defined under section 2(15) of the Act. Discuss its tax implication as well.

Answer

The expression "advancement of any other object of general public utility" includes any object which will be beneficial even to a segment of society and not necessarily to the whole mankind. However, the object should not be for the benefit of specified individuals.

The proviso to section 2(15) of the Act provides that "advancement of any other object of general public utility" shall not be a charitable purpose, if it involves carrying on of:

- (i) any activity in the nature of trade, commerce or business, or
- (ii) any activity of rendering of any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application of the income from such activity or the retention of such income, by the concerned entity. However, "advancement of any other object of general public utility" would continue to be a "charitable purpose", if the total receipts from any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business does not exceed ₹ 25 lakh in the previous year.

Question 19

Can a political party claim exemption of its income under section 13A of the Income-tax Act, 1961?

Answer

Under section 13A, a political party registered under section 29A of the Representation of the People Act, 1951, can claim exemption under the following heads - Income from house property, capital gains and income from other sources. The income by way of voluntary contributions received by such political party is also exempt under section 13A.

These exemptions are subject to the following conditions:-

- (i) The political party must keep and maintain such books of account and other documents as would enable the Assessing Officer to properly deduce its income therefrom.
- (ii) The political party should keep and maintain a record of each such voluntary contribution in excess of ₹ 20,000 and the names and addresses of such contributors.
- (iii) The accounts of the political party must be audited by a chartered accountant.

EXERCISES

1. *The maximum ceiling limit for exemption under section 10(10) in respect of gratuity for employees covered by the Payment of Gratuity Act, 1972 is -*
 - a) 3,50,000
 - b) 10,00,000
 - c) 5,00,000

3.14 Income-tax

2. *The maximum ceiling limit for exemption under section 10(10C) with respect to compensation received on voluntary retirement is -*
 - a) 3,00,000
 - b) 3,50,000
 - c) 5,00,000
3. *The HRA paid to an employee residing in Patna is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and -*
 - a) 40% of salary
 - b) 50% of salary
 - c) 60% of salary
4. *Anirudh stays in New Delhi. His basic salary is ₹ 10,000 p.m., D.A. (60% of which forms part of pay) is 6,000 p.m., HRA is ₹ 5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of ₹ 5,500 p.m. The turnover achieved by him during the current year is 12 lakhs. The amount of HRA exempt under section 10(13A) is –*
 - a) ₹ 48,480
 - b) ₹ 45,600
 - c) ₹ 49,680
5. *In case of a trade union registered under the Trade Unions Act, 1926 formed for regulating relations between workmen and employers or between workmen and workmen, the following incomes are exempt from tax -*
 - a) Capital gains and Income from other sources.
 - b) Income from house property and capital gains.
 - c) Income from house property and income from other sources.
6. *Voluntary contributions received by electoral trusts during the P.Y.2012-13 is -*
 - a) Fully taxable
 - b) Fully exempt from tax
 - c) Exempt only if the trust distributes to a registered political party during the year, 95% of the aggregate donations received by it
7. *The income derived from property held under trust wholly for charitable or religious purpose is exempt from tax under section 11 subject to fulfillment of certain conditions. One of the conditions is that -*
 - a) At least 75% of the income is required to be applied for the approved purposes.
 - b) At least 85% of the income is required to be applied for the approved purposes.

- c) *The entire income is required to be applied for the approved purposes.*
8. *Income by way of voluntary contributions of political parties is exempt provided -*
- a) *the political party keeps and maintains a record of each such voluntary contribution in excess of ₹ 10,000 and of the name and address of the person who made such contribution;*
 - b) *the political party keeps and maintains a record of each such voluntary contribution in excess of ₹ 20,000 and of the name and address of the person who made such contribution;*
 - c) *the political party keeps and maintains a record of each such voluntary contribution in excess of ₹ 30,000 and of the name and address of the person who made such contribution;*
9. *The Income-tax Act, 1961 grants exemption from tax to political parties in respect of their income. State the incomes so exempted as per the provisions of the Act.*
10. *Explain the meaning of the following terms in the context of section 10AA inserted by the Special Economic Zones Act, 2005 -*
- (a) *Export;*
 - (b) *Export turnover;*
 - (c) *Manufacture.*
11. (a) *Discuss the exemption available under the Income-tax Act in respect of specified income arising from any international sporting event in India.*
- (b) *What are the exemptions available under section 10 in respect of companies engaged in the business of generation or transmission or distribution of power and subsidiaries of such companies? What are the conditions to be fulfilled to avail such exemptions?*
12. *When can a charitable trust avail benefits under section 11 & 12 of the Income-tax Act, 1961?*
13. *Write short notes on :*
- (i) *Exemption for retrenchment compensation under section 10(10B).*
 - (ii) *Exceptions under section 10(10D) as regards exemption of any sum received under a life insurance policy.*
 - (iii) *'Encashment of Earned Leave' and its taxability under the Act.*
14. *State the provisions relating to the exemption in respect of long-term capital gains on transfer of listed equity shares.*
15. *Briefly discuss about the provisions relating to deductibility of expenditure incurred in relation to income not includible in assessee's total income.*
16. *How is exemption granted by section 10(10CC) in respect of income-tax paid by employer?*

3.16 Income-tax

17. *Explain the exemption of income received in a transaction of “reverse mortgage” entered into by an individual with a bank.*
18. *What are the incentives for newly established units in Special Economic Zone (Section 10AA)?*
19. *What is the procedure for registration of charitable trusts under section 12AA?*
20. *The Income-tax Act, 1961 grants exemption from tax to political parties in respect of their income. State the incomes so exempt, as per the provisions of the Act.*

Answers

- 1. b; 2. c; 3. a; 4. a; 5. c; 6. c; 7. b; 8. b**