TAX LAWS

EXPECTED QUESTIONS

ALONGWITH SOLUTIONS

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by

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Questions

Question 1

Rao & Jain, a partnership firm consisting of two partners, reports a net profit of Rs. 7,00,000 before deduction of the following items:

(1) Salary of Rs. 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).

(2) Depreciation on plant and machinery u/s 32 (computed) Rs. 1,50,000.

(3) Interest on capital at 15% per annum (as per the deed of partnership). The amount of capital eligible for interest Rs. 5,00,000.

Compute:

(i) Book-profit of the firm u/s 40(b) of the Income-tax Act, 1961.

(ii) Allowable working partner salary for the assessment year 2013-14 as per section 40(b) of the Income-tax Act, 1961.

Question 2

Shri Madan (age 67 years) gifted a building owned by him to his son's wife Smt. Hema on 01-10-2012. The building fetched a rental income of Rs. 10,000 per month throughout the year. Municipal tax for the first half-year of Rs. 5,000 was paid in June 2012 and the municipal tax for the second half-year was not paid till 30-09-2013.

Incomes of Shri Madan and Smt. Hema other than income from house property are given below:

Name	Business income (Rs.)	Capital gain (Rs.)	Other sources (Rs.)
Shri Madan	1,00,000	50,000 (long term)	1,50,000
Smt. Hema	(75,000)	2,00,000 (short term)	50,000

Note: Capital gain does not relate to gain from shares and securities.

Compute the total income of Shri. Madan and Smt. Hema taking into account income from property given above and also compute their income-tax liability for the assessment year 2013-14.

Question 3

Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31-03-2013:

(i) Basic salary upto 31-10-2012 Rs. 50,000 p.m.
Basic salary from 01-11-2012 Rs. 60,000 p.m.
Note: Salary is due and paid on the last day of every month.

(ii) Dearness allowance @ 40% of basic salary.

(iii) Bonus equal to one month salary. Paid in October 2012 on basic salary plus dearness allowance applicable for that month.

(iv) Contribution of employer to recognized provident fund account of the employee @ 16% of basic salary.

(v) Profession tax paid Rs. 3,000 of which Rs. 2,000 was paid by the employer.

(vi) Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01-12-2012.

(vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01-11-2012 meant for both official and personal use. Repair and running expenses of Rs. 45,000 from 01-11-2012 to 31-03-2013, were fully met by the employer. The motor car was self-driven by the employee.

(viii) Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer Rs. 30,000 for adults and Rs. 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.

Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2013-14.

Question 4

Mr. Selvan, acquired a residential house in January, 2001 for Rs. 10,00,000 and made some improvements by way of additional construction to the house, incurring expenditure of Rs. 2,00,000 in October, 2005. He sold the house property in October, 2012 for Rs. 75,00,000. The value of property was adopted as Rs. 80,00,000 by the State stamp valuation authority for registration purpose. He acquired a residential house in January, 2013 for Rs. 25,00,000. He deposited Rs. 20,00,000 in capital gains bonds issued by National Highways Authority of India (NHAI) in June, 2013.

Compute the capital gain chargeable to tax for the assessment year 2013-14.

What would be the tax consequence and in which assessment year it would be taxable, if the house property acquired in January, 2012 is sold for Rs. 40,00,000 in March, 2014?

Cost inflation index:	F.Y. 2000-2001 = 406
	F.Y. 2005-2006 = 497
	F.Y. 2012-2013 = 852
	F.Y. 2013-2014 = 940 (assumed)

Question 5

Ramji Ltd., engaged in manufacture of medicines (pharmaceuticals), furnishes the following information for the year ended 31-03-2013:

(i) Municipal tax relating to office building Rs. 51,000 not paid till 30-09-2013.
(ii) Patent acquired for Rs. 20,00,000 on 01-09-2012 and used from the same month.
(iii) Capital expenditure on scientific research Rs. 10,00,000 which includes cost of land Rs. 2,00,000.
(iv) Amount due from customer X outstanding for more than 3 years written off as bad debt in the books Rs. 5,00,000.
(v) Income tax paid Rs. 90,000 by the company in respect of non-monetary perquisites provided to its employees.
(vi) Provident fund contribution of employees Rs. 5,50,000 remitted in July, 2013.
(vii) Expenditure towards advertisement in souvenir of a political party Rs. 1,50,000.
(viii) Refund of sales tax Rs. 75,000 received during the year, which was claimed as expenditure in an earlier year.

State with reasons the taxability or deductibility of the items given above under the Income-tax Act, 1961.

Note: Computation of total income is not required.

Question 6

Mr. Chandran (aged 38) owned 6 heavy goods vehicles as on 01-04-2012. He acquired 2 more heavy goods vehicles on 1-7-2012. He is solely engaged in the business of plying goods vehicles on hire since financial year 2008-09.

He did not opt for presumptive provision contained in section 44AE for the financial year 2011-12. His books were audited u/s 44AB and the return of income was filed on 5-8-2012. He has unabsorbed depreciation of Rs. 70,000 and business loss of Rs. 1,00,000 for the financial year 2011-12.

Following further information is provided to you:

(i) Deposited Rs. 20,000 in Tax Saver Deposit with UCO Bank in the name of married son.
(ii) Paid medical insurance premium of Rs. 23,000 for his parents (both aged above 70) by means of bank demand draft.
(iii) Paid premium on life insurance policy of his married daughter Rs. 25,000.
(iv) Repaid principal of Rs. 40,000 and interest of Rs. 15,000 to Canara Bank towards education loan of his daughter, who completed B.E. two years ago. She is employed after completion of her studies.

Assuming that Mr. Chandran has opted for presumptive provision contained in section 44AE of the Income-tax Act, 1961, compute the total income of Mr. Chandran for the assessment year 2013-14.

Question 7

Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. Find out his residential status for the assessment year 2013-2014.

Question 8

On 10-10-2012, Mr. Govind (a bank employee) received Rs. 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2007-08.

Out of this interest, Rs. 1,50,000 relates to the financial year 2009-10; Rs. 1,65,000 to the financial year 2010-11; and Rs. 1,85,000 to the financial year 2011-12. He incurred Rs. 50,000 by way of legal expenses to receive the interest on such enhanced compensation.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2013-14?

Question 9

State any four of the specified businesses eligible for deduction u/s 35AD of the Income-tax Act, 1961.

Question 10

State the applicability of TDS provisions and TDS amount in the following cases:

a) Rent paid for hire of machinery by B Ltd. to Mr. Raman Rs. 2,10,000.
b) Fee paid to Dr. Srivatsan by Sundar (HUF) Rs. 35,000 for surgery performed to a member of the family.

Question 11

State with reasons whether you agree or disagree with the following statements:

a) Return of income of Limited Liability Partnership (LLP) could be signed by any partner.
b) Time limit for filing return u/s 139(1) in the case of Mr. A having total turnover of Rs. 45 lakhs for the year ended 31-03-2013, whether or not opting to offer presumptive income u/s 44AD is 30th September 2013.

Question 12

Mr. Vaibhav started a proprietary business on 01-04-2011 with a capital of Rs. 5,00,000. He incurred a loss of Rs. 2,00,000 during the year 2011-12. To overcome the financial position, his wife Mrs. Vaishaly, a software Engineer, gave a gift of Rs. 5,00,000 on 01-04-2012, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of Rs. 4,00,000 during the year 2012-13. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the Assessment Year 2013-2014. If Mrs. Vaishaly gave the said amount as loan, what would be the amount to be clubbed?

Question 13

Mr. Batra furnishes the following details for year ended 31-03-2013:

Particulars	Rs.
Short term capital gain	1,40,000
Loss from speculative business	60,000
Long term capital gain on sale of land	30,000
Long term capital loss on sale of shares (securities transaction tax not paid)	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000

Income from salary	1,00,000
Loss from house property	40,000

Following are the brought forward losses:

(i) Losses from activity of owning and maintaining race horses-pertaining to A.Y. 2010-11 Rs. 25,000.

(ii) Brought forward loss from business of textile Rs. 60,000 - Loss pertains to A.Y. 2005-06.

Compute gross total income of Mr. Batra for the Assessment Year 2013-14. Also state the eligible carry forward losses for the Assessment Year 2014-15.

Question 14

The gross total income of Mr. Nepal for the Assessment Year 2013-14, was Rs. 12,00,000. He has made the following investment/payments during the year 2012-13-

	Particulars	Rs.
1.	L.I.C. premium paid (Policy value Rs. 2,00,000)	25,000
2.	P.P.F. amount paid	25,000
3.	Repayment of housing loan to Indian Bank	50,000
4.	Payment made to L.I.C. pension fund	20,000
5.	RGESS	40,000
6.	Medical insurance premium for self, wife and dependent children.	18,000
7.	Mediclaim premium for parents (aged over 80 years)	30,000

Compute eligible deduction under Chapter VI-A for the Assessment Year 2013-14.

Question 15

Ms. Rachna was gifted a land by her father in December, 2002 at the occasion of her marriage. The land was allotted to her father in November, 1992 at cost of Rs. 6 lac by DDA for commercial purpose. She set up a nursery on land, earns profit Rs. 2 lacs during the year 2012-13 from seedlings grown in nursery. She sold the nursery to her friend at Rs. 50 lacs in October, 2012. Her friend paid Rs. 20 lacs in cash and Rs. 30 lacs in the form of shares. Market value of land on date of sale was Rs. 90 lacs and shares Rs. 70 lacs. Rachna, with an intention to earn profit, invested Rs. 20 lacs in shares by purchasing shares for Rs. 15 lacs from National Stock Exchange and Rs. 5 lacs in subscription to equity shares forming part of eligible issue of capital by a public company. She spent Rs. 60,000 on purchase of computers, Rs. 20,000 on net connectivity and Rs. 2 lacs toward salary and other expenses. She paid monthly rent Rs. 2,500 for a shop which was taken in October 2012, for trading in shares. Depreciation rate on computers is 60%.

The value of shares purchased and sold during the year are as follows:

Purchases including received from friend	Rs. 80,00,000
Sales	Rs. 1,00,00,000

The market value of shares remains unsold as on 31-03-2013 is Rs. 40 lakhs. Ms. Rachna

- Made contribution of Rs. 20,000 to approved pension fund.
- Paid Rs. 25,000 to LIC for medical insurance premium of self and spouse.
- Repaid loan Rs. 1,00,000 and interest Rs. 45,000 to SBI taken in February, 2012 for her son's admission in Sri Ram College of Commerce B.Com.
- Invested Rs. 1,00,000 in RGESS.
- Contributed Rs. 25,000 to a research association, which has as its object undertaking of scientific research.

Rachna did not earn any short term capital gain during the year. Rachna has not celebrated her 40th birthday yet. Compute the total income of Ms. Rachna and tax thereon payable by her for the Assessment Year 2013-14. Cost inflation index for financial year 1992-93 is 223, 2002-03 is 447 and 2012-2013 is 852.

Question 16

Mrs. Deepali (aged 40 years), working with M/s Good Company Ltd., a manufacturer of tyres based at Mumbai, has received the following payments during the financial year 2012-13 from her employer:

Basic salary	Rs. 60,000 per month.
Dearness allowance	40% of basic salary.

Her employer has taken on rent her own house on a monthly rent of Rs. 15,000 and the same has been provided for residence of Mrs. Deepali. Company is recovering Rs. 2,000 per month as rent of house.

Mrs. Deepali has further furnished the following details:

(i) Subscription to RGESS of Rs. 40,000 u/s 80CCG of the Income-tax Act, 1961.

(ii) She has paid professional tax of Rs. 6,000 during financial year 2012-13.

(iii) She is owning only one house and payment of interest of Rs. 1,75,000 and principal of Rs. 1,00,000 was made for housing loan taken for purchase of house.

(iv) She has also taken a loan of Rs. 2,00,000 from her employer for study of her son. SBI rate for such loan is 10%. Her employer has recovered Rs. 10,000 as interest from her salary for such loan during the year.

Compute taxable income and tax liability for assessment year 2013-14.

Question 17

Mr. Mithun purchased 100 shares of M/s Goodmoney Co. Ltd. on 01-04-2006 at rate of Rs. 1,000 per share, in public issue of the company.

Company allotted bonus shares in the ratio of 1:1 on 01-12-2011. He has also received dividend of Rs. 10 per share on 01-05-2012.

He has sold all the shares on 01-10-2012 at the rate of Rs. 3,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02% to celebrate his 75th birthday. The cost inflation Index are as follows:

Financial Year	Cost Inflation Index
2006-07	519
2012-13	852

Compute his total income and tax liability for Assessment Year 2013-14 assuming that he is having no income other than given above.

Question 18

Mr. X retired from the services of M/s Y Ltd. on 31-01-2013 after completing service of 30 years and one month. He had joined the company in 1981 at the age of 30 years and received the following on his retirement :

(i) Gratuity Rs. 6,00,000. He was covered under the Payment of Gratuity Act, 1972.

(ii) Leave encashment of Rs. 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.

(iii) As per the scheme of the company, he was offered a car which was purchased on 01.02.2010 by the company for Rs. 5,00,000. Company has recovered Rs. 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.

(iv) An amount of Rs. 3,00,000 as commutation of pension for 2/3 of his pension commutation.

(v) Company presented him a gift voucher worth Rs. 6,000 on his retirement.

(vi) His colleagues also gifted him a Television (LCD) worth Rs. 50,000 from their own contribution.

Following are the other particulars :

(i) He has drawn a basic salary of Rs. 20,000 and 50% dearness allowance per month for the period from 01-04-2012 to 31-01-2013.

(ii) Received pension of Rs. 5,000 per month for the period 01-02-2013 to 31-03-2013 after commutation of pension.

Compute his gross total income from the above for Assessment Year 2013-14.

Question 19

Mr. Asim, a 58 year old individual, engaged in the business of roasting and grounding of coffee, derives income of Rs. 10 lacs during the financial year 2012-13. Compute the tax payable by him assuming he has not earned any other income during the financial year 2012-13.

Question 20

State with reasons the allowability of the following expenses under the Income-tax Act, 1961 while computing income from business or profession for the Assessment Year 2013-14:

(i) Provision made on the basis of actuarial valuation for payment of gratuity Rs. 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
(ii) Purchase of oil seeds of Rs. 50,000 in cash from a farmer on a banking day.
(iii) Tax on non-monetary perquisite provided to an employee Rs. 20,000.
(iv) Payment of Rs. 50,000 by using credit card for fire insurance.
(v) Salary payment of Rs. 2,00,000 outside India by a company without deduction of tax.
(vi) Sales tax deposited in cash Rs. 50,000 with State Bank of India.
(vii) Payment made in cash Rs. 30,000 to a transporter in a day for carriage of goods

Question 21

Mr. David, a Government employee serving in the Ministry of External Affairs, left India for the first time on 31-03-2012 due to his transfer to High Commission of Canada. He did not visit India any time during the previous year 2012-13. He has received the following income for the Financial Year 2012-13:

		Rs.
(i)	Salary	5,00,000
(ii)	Foreign Allowance	4,00,000
(iii)	Interest on fixed deposit from bank in India	1,00,000
(iv)	Income from agriculture in Pakistan	2,00,000
(v)	Income from house property in Pakistan	2,50,000

Compute his gross total income for Assessment Year 2013-14.

Question 22

Compute the amount of tax deduction at source on the following payments made by M/s. S Ltd. during the financial year 2012-13 as per the provisions of the Income-tax Act, 1961.

Sr. No.	Date	Nature of Payment
(i)	1-10-2012	Payment of Rs. 2,00,000 to Mr. "R" a transporter who is having PAN.
(ii)	1-11-2012	Payment of fee for technical services of Rs. 25,000 and Royalty of Rs. 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2012	Payment of Rs. 35,000 to M/s X Ltd. for repair of building.
(iv)	01-01-2013	Payment of Rs. 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd.
(v)	01-01-2013	Payment made Rs. 80,000 to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
(vi)	01-02-2013	Payment of commission of Rs. 6,000 to Mr. Y.

Question 23

Mr. Gupta is having a trading business and his Trading and Profit & Loss Account for the financial year 2012-13 is as under:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	1,00,000	By Sales	70,00,000
To Purchase	49,00,000	By Closing stock	50,000
To Gross profit	20,50,000		
Total	70,50,000	Total	70,50,000
Salary to employees (Including Contribution to PF)	5,00,000	By Gross Profit b/d	20,50,000
Donation to Prime Minister Relief Fund	1,00,000		
Provision for bad debts	50,000		
Bonus to employees	50,000		
Interest on bank loan	50,000		
Family planning expenditure incurred on employees	20,000		
Depreciation	30,000		
Income-tax	1,00,000		
To Net profit	11,50,000		
Total	20,50,000	Total	20,50,000

Other information:

(i) Depreciation allowable Rs. 40,000 as per Income-tax Rules, 1962.

(ii) No deduction of tax at source on payment of interest on bank loan has been made.

(iii) Payment of bonus to workers made in the month of October on the occasion of Diwali festival.

(iv) Out of salary, Rs. 25,000 pertains to his contributions to recognized provident fund which was deposited after the due date. Further, employees' contribution of Rs. 25,000 was also deposited after the due date.

Calculate gross total income of Mr. Gupta for the Assessment Year 2013-14.

Question 24

M/s. Dollar Ltd., a manufacturing concern, furnishes the following particulars:

		Rs.
(i)	Opening writing down value under Income-tax of block plant and machinery	5,00,000
(ii)	Purchase of plant and machinery (put to use before 01-10-2012)	2,00,000
(iii)	Sale proceeds of plant and machinery which became obsolete - the plant and machinery was purchased on 01-04-2010 for Rs. 5,00,000.	5,000

Further, out of purchase of plant and machinery:

a) Plant and machinery of Rs. 20,000 has been installed in office.

b) Plant and machinery of Rs. 20,000 was used previously for the purpose of business by the seller.

Compute depreciation and additional depreciation as per Income-tax Act, 1961 for the Assessment Year 2013-14.

Question 25

(i) State when a return of income can be treated as defective.

(ii) An Assessing Officer finds a defect in the return of income and intimated the defect vide letter dated 09-10-2012, which was received by Mr. Ram on 14-12-2012. What is the date by which Mr. Ram has to rectify the defect, assuming that Mr. Ram has not applied for extension of time.

Question 26

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 27

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 28

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 29

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 30

Mr. Sumit, a manufacturer at Gurgaon, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2013.

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2013

Particulars	Rs.	Particulars	Rs.
To Opening Stock	85,000	By Sales	35,00,000
To Purchase of Raw Materials	17,80,000	By Closing stock	2,60,000
To Manufacturing Wages & Expenses	6,13,000		
To Gross Profit	12,82,000		
	37,60,000		37,60,000
To Administrative charges	4,15,000	By Gross Profit	12,82,000
To Interest	1,40,000	By Income-tax Refund	1,27,500
To State VAT paid	1,24,000	By Interest on Income-tax Refund	12,300
To General Expenses	68,000	By Interest from Company deposits	85,000
To Interest to Bank (On machinery term loan)	90,000		
To Amount paid to IIT, Delhi for an approved Scientific Research Programme	1,00,000		
To Depreciation	1,69,800		
To Net Profit	4,00,000		
	15,06,800		15,06,800

Following are the further information relating to the financial year 2012-13:

(i) Administrative charges include Rs. 54,000 paid as commission to brother of the assessee. The commission amount at the market rate is Rs. 44,000.

(ii) The assessee paid Rs. 35,000 in cash to a transport carrier on 30.11.2012. This amount is included in manufacturing expenses. No tax was deducted at source since the transporter had furnished his PAN.

(iii) Interest payments include interest of Rs. 18,000 payable outside India to a resident Indian on which tax has not been deducted and penalty of Rs. 32,000 for contravention of Central Sales Tax Act.

(iv) Bank term loan interest actually paid upto 31.03.2013 was Rs. 50,000 and the balance was paid in October 2013.

(v) Depreciation allowable under the Act is to be computed on the basis of following information:

Plant & Machinery (Depreciation rate @ 15%)	Rs.
Opening WDV (as on 01.04.2012)	15,00,000
Additions during the year (used for more than 180 days)	3,00,000
Total additions during the year	5,00,000

Note: Ignore additional depreciation u/s 32(1)(iia)

Compute the income chargeable under the head 'Profits and Gains of Business or Profession' of Mr. Sumit for the Assessment Year 2013-14.

Question 31

Mr. X who transferred his land and building on 10.02.2013, furnishes the following information:

(i) Net consideration received Rs. 15 lakhs.

(ii) Value adopted by stamp valuation authority, which was not contested by Mr. X Rs. 21.5 lakhs.

(iii) Value ascertained by Valuation Officer on reference by the Assessing Officer Rs. 22 lakhs.

(iv) This land was distributed to Mr. X on the partial partition of his HUF on 1.4.1981. Fair market value of the land as on 1.4.81 was Rs. 1,60,000.

(v) A residential building was constructed on the above land by Mr. X at a cost of Rs. 3,50,000 (construction completed on 1.12.2002) during the financial year 2002-03.
(vi) Brought forward unabsorbed short-term capital loss (incurred on sale of shares during the financial year 2010-11) Rs. 80,000.

What should be the maximum amount to be invested by Mr. X in NHAI/RECL bonds so as to be exempt from clutches of capital gain tax? Cost inflation indices for the financial years 1981-82, 2002-03 & 2012-13 are 100, 447 and 852, respectively.

Question 32

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 33

Compute the tax liability of Mr. Vivek for the Assessment year 2013-14 from the following particulars:

S.No.	Particulars	Rs.
(i)	Salary received as a partner from a partnership firm	1,00,000
(ii)	Net house property income as computed under the head "Income from house property"	3,20,000
(iii)	Income from own business before adjusting the following	1,20,000
	a) Brought forward business loss	1,85,000
	b) Current depreciation	36,000
	c) Brought forward unabsorbed depreciation	1,60,000
(iv)	Short term capital gain – jewellery	1,90,000
(v)	Long term capital loss –listed equity shares (STT paid)	55,000
(vi)	Long term capital gains – Debentures	2,20,000
(vii)	Dividend on shares held as stock in trade	12,000
(viii)	Dividend from a company carrying on agricultural operation	15,000
(ix)	Income from growing and manufacturing coffee (cured and roasted)	1,20,000

During the previous year 2012-13, Mr. Vivek has donated Rs. 50,000 to an approved local authority for the promotion of family planning and purchased NSC VIII issue for Rs. 1,25,000.

Question 34

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 35

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 36

Discuss whether disallowance u/s 40(a)(ia) is attracted for not deducting tax at source or not depositing such tax within the prescribed time, as the case may be, in respect of each of the following payments during the P.Y.2012-13:

(i) ABC Ltd. paid Rs. 26,000 to Mr. Amit, a resident, towards fees for technical services and Rs. 29,000 towards fees for professional services in August, 2012. No tax has been deducted at source. No other payment has been made to Mr. Amit during the year.

(ii) Mr. Ravi has been running a sole proprietary business whose accounts are audited u/s 44AB of Income-tax Act, 1961. He pays a monthly rent of Rs. 12,000 for the office premises to Mr. Shiv, the owner of building and an individual. Besides, he also pays service charges of Rs. 8,000 per month to Mr. Shiv towards the use of furniture and fixtures. No tax has been deducted on above payments.

(iii) State Bank of India pays Rs. 45,000 per month without deducting tax at source as rent to the Central Government for a building in which one of its branches is situated.

(iv) X, an individual whose total sales in business during the year ending 31.03.2012 was Rs. 57 lacs, paid Rs. 5 lacs by cheque on 25.02.2013 to a contractor (an individual) without deducting tax at source, 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 X. The turnover of X for the P.Y.2012-13 is estimated at Rs. 102 lacs.

(v) Rs. 52,000 paid to Mr. Rahul, a resident, towards fees for professional services in April, 2012. Tax deducted at source u/s 194J was deposited on 2nd September, 2013.

(vi) A consultancy fees of Rs. 45,000 is paid by A Ltd. to the account of Mr. M on 31.03.2013 without tax deduction at source u/s 194J. Tax on the same was subsequently deducted on 07.04.2013 at the time of making the next payment to Mr. M. The same was deposited on 05.05.2013.

Question 37

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

(i) Where the Karta of a HUF is absent from India, the return of income can be signed by any male member of the family.

(ii) The Central Government is empowered to notify the class or classes of persons who will be exempted from the requirement of filing of return of income.

(iii) Mr. Yogesh, 80 years of age, carrying on retail trade business with turnover of Rs. 58 lakhs for previous year 2012-13, declares his business income from such trade as Rs. 4,50,000 (which also represents his taxable income) in his return of income. The due date of filing the return of income in the case of Mr. Yogesh is 30th September, 2013.

Question 38

Ms. Purvi is a Chartered Accountant in practice. She maintains her accounts on cash basis. Her Income and Expenditure account for the year ended March 31, 2013 reads as follows:

Expenditure	(Rs.)	Income	(Rs.)	(Rs.)
Salary to staff	5,50,000	Fees earned:		
Stipend to articled assistants	37,000	Audit	7,88,000	
Incentive to articled assistants	3,000	Taxation services	5,40,300	
Office rent	24,000	Consultancy	2,70,000	15,98,300
Printing and stationery	22,000	Income from Unit Trust of India		7,600
Meeting, seminar and Conference	31,600	Dividend on shares of Indian companies (Gross)		10,524
Purchase of car	80,000	Honorarium received from various institutions for valuation of answer papers		15,800
Travelling expenses	35,000			
Repair, maintenance and petrol of car	4,000	Rent received from residential flat let out		85,600
Municipal tax paid in respect of house property	3,000			
Net Profit	9,28,224			
	17,17,824			17,17,824

Other Information:

(i) Allowable rate of depreciation on motor car is 15%.

(ii) Value of benefits received from clients during the course of profession is Rs. 10,500.

(iii) Incentives to articled assistants represent amount paid to two articled assistants for passing IPCC Examination at first attempt.

(iv) Repairs and maintenance of car include Rs. 2,000 for the period from 1-10-2012 to 30-09-2013.

(v) Salary include Rs. 30,000 to a computer specialist in cash for assisting Ms. Purvi in one professional assignment.

(vi) The total travelling expenses incurred on foreign tour was Rs. 32,000 which was within the RBI norms.

(vii) Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to Rs. 5,000 and Rs. 10,000, respectively, paid in cash.
(viii) She invested an amount of Rs. 10,000 in National Saving Certificate.
Compute the total income and tax payable of Ms. Purvi for the assessment year 2013-2014.

Question 39
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 40
Mr. Sharma has four children consisting 2 daughters and 2 sons. The annual income of 2 daughters were Rs. 9,000 and Rs. 4,500 and of sons were Rs. 6,200 and Rs. 4,300, respectively. The daughter who has income of Rs. 4,500 was suffering from a disability specified u/s 80U.
Compute the amount of income earned by minor children to be clubbed in hands of Mr. Sharma.

Question 41
Explain the treatment of unrealized rent and its recovery in subsequent years under the provisions of Income-tax Act, 1961.

Question 42
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 43
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 44

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 45

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 46

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 47

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 48

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

(i) A sum of Rs. 1,20,000 was received as gift from non-relatives by Raj on the occasion of the marriage of his son Pravin.
(ii) Arvind received Rs. 20,000 as his share from the income of the HUF.
(iii) Mr. Xavier, a 'Param Vir chakra' awardee, received a pension of Rs. 2,20,000 during the financial year 2012-13.
(iv) Interest on enhanced compensation of Rs. 50,000 was received as per court decree in December 2012 by Mr. Yogesh. Out of the said amount, a sum of Rs. 35,000 relates to preceding financial years.
(v) A political party registered u/s 29A of the Representation of the People Act, 1951 earned rental income of Rs. 6,00,000 by letting out premises.

Question 49

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 50

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	Ramesh	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 Canada	1,00,000	---
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 51

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 52

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 53

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

<u>Particulars</u>		<u>(Rs.)</u>
(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 :

	<u>Tax rate (%)</u>
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 54

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 55

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.	
To Clinic consumables	1,55,000	15,000, interest Rs. 1,500)	16,500
To Rent paid	1,20,000	By Dividend from Indian companies	27,000
To Donation to IIT Delhi for		By Winnings from lottery (Net of TDS)	35,000
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 56

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 57

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 58

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 59

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 60

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

Question 61

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 62

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 63

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 64

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 65

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 66

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 67

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.

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