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1. (Sec 194 IA)Mr. Rajat has purchased a land for a consideration of Rs 6000000. The stamp duty value of the same is Rs 6500000.00.He do not have any TAN and the land is not used for any commercial purposes. What is the TDS liability and procedure if the land is:

   a. Agricultural Land

   b. Non Agricultural Land

Solution.

a. 194 IA will not apply.

b. 1. TDS Liability: 6000000*1%

   = 60000.00

   Note: Rate of TDS will be 20%, if TAN of seller is not available.

   2. Procedure: The amount must be deposited within 7 days from the end of the month of payment or book entry whichever is earlier. Challan no. 26QB will be used to deposit the amount. TDS certificate is required to be issued to the seller within 30 days from the end of the month of deduction using form no. 16B. Provisions of Sec 203A (Pertaining to TAN) will not apply. Only PAN of both the parties will be required.

2. (80EE)Mrs. Kiran has purchased a House Property for Rs 3500000. For which she has taken a loan of Rs 2000000.00 from Punjab National Bank. Interest for the year 13-14 comes to Rs 260000. Suggest the benefits available under Income Tax Act if:

   a. She does not have any other house property.

   b. She already has one house property in her name.

Solution:

a. Deduction of interest:

1. U/s 24b - Rs 150000, if the property is self occupied. If the property is let out full amount Rs 250000 will be deductable to calculate Taxable income from house property.

2. U/s 80EE – Rs 100000,if she does not having any other property, since the value of property is not more that Rs 4000000 and the amt of loan is not more than 2500000.However if the property is let out than no deduction under this section will be permissible since the full amount is deductible u/s 24(i)b.

b. Deduction of interest:

1. U/s 24b - Rs 150000, if the property is self occupied. If the property is let out full amount Rs 250000 will be deductable to calculate Taxable income from house property.

2. U/s 80EE- Nil.

Note: The principal repaid during the year is eligible u/s 80 C in both the situations.

3. M/s India Infoline Systems has taken a key man insurance policy of Rs 500000.00 in the name and for the benefit of its MD Mr Sukesh Jaware, a physically challenged but very efficient person. Mr Jaware has subsequently converted the policy into a normal life insurance policy and continuing paying premium of Rs 75000.00 p.a. (i.e. 15 % of sum insured). On 2/01/2014,on maturity, has received the sum of Rs 500000.00.Please suggests

1. Whether he is eligible for deduction u/s 80C for the premium paid by him during 2013-14.

2. Whether he can avail the exemption of Sec. 10 (10D).

Solution:

1. No. The allowed % of premium amount to policy amount for deduction u/s 80 C is extended from 10% to 15%, if the insurance is taken for disabled person. But it is only for a policy which is issued on or after 1.04.2013.

2. No. Exemption is not permissible u/s 10(10D) for a keyman insurance policy. To make the position more clear the section has been amended w.e.f. AY 2014-15 to provide

that a keyman insurance policy which has been assigned to any person during its term, with or without consideration, shall continue to be treated as a keyman insurance policy.

4. Find out the amount of deduction of investment allowance under section 32 AC in the cases given below

(Rs in Crores)

	X Ltd.	Y Ltd.	Z Ltd.
Actual cost of new asset acquired and installed(2013-14)	60	120	56
Actual cost of new asset acquired and installed(2014-15)	50	2	44

Solution:

	X Ltd.	Y Ltd.	Z Ltd.
Deduction under section 32AC for the assessment year 2014-15 - Whether deduction available (investment allowance deduction is available only if actual cost of new asset acquired and installed during the previous year 2013-14 exceed Rs. 100 crore) [*(a) is not more than Rs. 100 crore] Amount of investment allowance [15% of (a)]	No* Nil	Yes 18	No* Nil
Deduction under section 32AC for the assessment year 2015-16 - Actual cost of new asset acquired and installed during April 1, 2013 and March 31, 2015 [i.e., (a) + (b)]	110	122	100

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Whether deduction available [investment allowance deduction is available only if the aggregate of (a) and (b) exceed Rs. 100 crore][*(a) + (b) is not more than Rs. 100 crore]	Yes	Yes	No*
15% of [(a) + (b)]	16.5	18.3	Nil
Less: Deduction allowed in the assessment year 2014-15	Nil	18	Nil
Deduction available for the assessment year 2015-2016	16.5	0.3	Nil

5. A. Mr Rakesh purchases the following capital assets-

Property	Purchase Price	Stamp duty value	Seller
Commercial property	10,00,000	50,00,000	Ajay(Not a relative of Rakesh)
Agricultures land in a Kerela villege	6,00,000	40,00,000	Bina(Not a relative of Rakesh)
Shop	5,00,000	30,00,000	Ramanuj(Grandfather of Rakesh)
Residential plot	25,00,000	25,50,000	Sanjay(Not a relative of Rakesh)
Agricultural land in Delhi	7,00,000	42,00,000	Pradeep(Not a relative of Rakesh)

Calculate the amount taxable as Income from other sources.

Solution :

<u>Commercial property</u> – It is purchased for Rs. 10 lakh. Stamp duty value is Rs. 50 lakh. The excess of stamp duty value over purchase price is Rs. 40 lakh. Rs. 40 lakh is taxable in the hands of Rakesh under section 56(2)(vii). In the hands of the transferor Ajay, Rs. 50 lakh is taken as full value of consideration.

If the commercial property is transferred by Rakesh in future, capital gain would be calculated by taking Rs. 50 lakh as cost of acquisition.

<u>Agriculture land in Kerela village</u> – Agriculture land in a rural area in India is not a " capital asset". Section 56(2)(vii) is not applicable if an asset (which is not a capital asset) is received by

gift or purchased for inadequate consideration. Even if, the excess of stamp duty value over purchase price is Rs. 32 lakh, nothing is chargeable to tax under section 56(2). In the hands of the transferor, capital gain will not chargeable to tax as the asset is not a "capital asset".

Shop – Shop is purchased for inadequate consideration (inadequacy being Rs. 25 lakh). Since it is purchased from a "relative", nothing is chargeable to tax in the hands of Rakesh. In the hands of transferor, capital gain will be calculated by taking Rs. 30 lakh as full value of consideration by virtue of section 50C.

Residential plot – The excess of stamp duty value over purchase price is Rs. 50000. Section 56(2)(vii)(b) is attracted only when inadequacy of consideration is more than Rs. 50000. Nothing is taxable in the hands of Rakesh. in the hands of transferor Sanjay, Rs. 25.5 lakh is taken as full value of consideration by virtue of section 50C.

Agriculture land in Delhi – In adequacy of consideration is Rs. 35 lakh which is taxable in the hands of Rakesh under section 56(2)(vii)(b). For transferor Pradeep, capital gain will be calculated by taking Rs. 42 lakh as full value of consideration.

B. Mrs Zoya purchases following properties

Developer	Agreement Date	Purchase Price	Stamp duty value on the agreement date	Date of registration	Stamp duty value as on the date of registration
Datt Builders	10/06/2013	Rs 40 L (Rs 1 L paid on Agreement date by cheque)	10/08/2014	10/08/2014	Rs 49 L
Samdariya	11/07/2013	Rs 64 L(Rs 1 L paid on Agreement date by cash)	11/05/2014	11/05/2014	Rs 70 L
Rajul	12/03/2014	Rs 80 L (Rs 2 L paid on Agreement date by cheque)	25/06/2014	25/06/2014	Rs 86 L

Calculate her taxable income from other sources.

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Solution:

Property Purchased from Datt Builders- A part of the consideration is paid on the date of agreement, consequently, stamp duty value on the date of agreement will be considered. The excess of stamp duty value (as on the date of agreement) over purchase price is Rs.2 lakh which is taxable under section 56(2)(vii)(b)in the previous year in which the property is received .if possession is given during the previous year 2o13-14.if,however,possession is given in the year 2014-15,it will be taxable in the previous year 2014-15.

Property purchase from Samdariya –Nothing is paid on or before the date of agreement .c consequently, stamp duty value on the date of registration will be considered. The excess of stamp duty value (as on the date of registration) over purchase price is Rs.10 lakh. It will be taxable in the year in which possession is given.

Property purchase from Rajul –Rs .50, 000 is paid on or before the date of agreement. Stamp duty value on the date of agreement will be considered. Excess of stamp duty value (as on the date of agreement) over purchase price is Rs. 40000. Since it is not more than Rs. 50000, nothing will be taxable in the hands of Zoya. however, in the hands of Bechtel, business income will be calculated by considering Rs. 80.4 lakh as sale consideration by virtue of section 43CA.

6. State whether the followings are true or false

   a. Deduction u/s 80 CCG will be available to a new investor whose gross total income does not exceed Rs 12,00,000.00

   b. As per Sec 43(5), an eligible transaction in respect of trading in commodity derivatives carried out electronically with RSE is not a speculative transaction.

   c. Health schemes of Central and State Govt., other than CGHS are also eligible for deduction u/s 80D.

   d. Under Sec 80 GGB/C, no deduction in respect of contribution made to political parties will be allowed if the amount paid in cash.

   e. Under Sec 87A, Rebate up to Rs 2000 is available to resident individual having Total income not more than Rs 500000.00.

   f. As per Sec 139(9), An Income Tax Return will be treated as defective if filed before paying tax with interest.

   g. Assessing officer can order Special Audit u/s 142(2A),considering volume of accounts.

h. In case of payment of interest on infrastructure bonds, Rate of TDS u/s 194(LC) will remain 5%, although PAN of the deductee is not available.

i. TCS @ 1% is required in case of cash sale exceeding Rs 200000 of bullion including any coin/ article weighting 10 grams or less u/s 206C.

j. No Wealth Tax will be levied on Agricultural Land whether or not situated in urban area u/s 2(ea).

Answer: All are correct.

7. (M/s Mac Dev Con Builders Pvt. Ltd., on 1/10/2013, transferred a land, held by them as stock in trade for Rs 7500000.00. The land was purchased by it during 2005-06 for Rs 2500000.The value taken for stamp duty is Rs 8500000.00. Calculate its Business Income or Capital Gain as the case may be.

   CII for 2005-06 : 497

   CII for 2013-14 : 939

   Solution:

   The transfer will attract business income and not capital gain, Since the property was held as stock in trade. As per Sec. 43CA the amount of profit will be

   : Selling Price(Actual price or Stamp duty value whichever is higher) i.e.Rs 8500000.00

Less	Cost of Purchase	Rs 2500000.00
	Taxable Business Income	Rs 6000000.00

8. Shares issued by M/s White Cooler Corporate Consultancy Services Pvt ltd through public issue during November 2012. It is required to furnish annual information report for financial year 2012-13 on or before Aug 31,2013.It does not file AIR till Sep 2013. On Oct 5, 2013 a notice is served upon the company by Director of Income Tax(Central Information Branch) to submit AIR within 35 days.(i.e. on or before Nov 9,2013). The

Co. files AIR on Apl 20, 2013. Calculate the amount of penalty that can be imposed by Income Tax authority u/s 271FA.

Solution :

In this case, the income-tax authority can impose a penalty of Rs. 100 per day for the period commencing on September 1, 2013 and ending on November 9, 2013. Moreover, as the return is not submitted even after the expiry of time given in notice under section 285BA(5), a higher penalty of Rs. 500 per day can be imposed under proviso to section 271FA for the period commencing on November 10, 2013. However, the proviso is applicable from April 1, 2014. Consequently, for the period of default commencing on November 10, 2013, penalty can be imposed as follows-

a. Rs. 100 per day from November 10, 2013 to March 31, 2014, and

b. Rs. 500 per day from April 1, 2014 to April 20, 2014.

9. A. What is the meaning of Rural Area as defined by Income Tax Act 1961?

Ans. From AY 2014-15 Rural Area means any area means any area which is outside the jurisdiction of a municipality or cantonment board having population of 10000 or more and other than mentioned below:

: Up to 2 Km from the local limits of municipality/Cant Board and the population is more than 10000

: More than 2 and Up to 6 Km from the local limits and the population is more than 100000

: More than 6 and up to 8 Km from local limits and the population is more than 1000000

The above areas are urban area. It may be noted from the above that now even if the land is situated within 8 km distance, still it may be treated as rural, if the population is less than the abovementioned limit. Another important amendment is that the distance will now be measured aerially (as per straight line distance on a horizontal plane or crow flying distance) and not the road distance.

:Note-1. No Capital Gain will be levied on Rural agricultural land.

2.Similar amendments is made to section 2(ea) of Wealth Tax Act covering Urban Land.

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3. For the above purpose, “population” means the population according to the last preceding census of which the relevant figures have been published before the date of valuation.

B. What are the rates of surcharge applicable under Income Tax Act to a Person for AY 2014-15?

Sol.

Surcharge from AY 2014-15:

1. Individuals, Firms, AOP, BOI, Local Authorities Co-Operative Societies:-

If Total income is upto RS 1 Cr -: Nil

If Total Income exceeds Rs 1Crore -: 10% of Income Tax,

2. Companies:

Indian - If Total income is in the range of Rs 1 Cr to Rs 10 Cr :- 5%.

- If Total Income > Rs 10 Cr :-10%.

Foreign - If Total income> Rs 1Cr but up to Rs 10 Cr :- 2%

- If Total income > Rs 10 Cr: - 5%.

10. A. (115 QA to 115 QC.) Suraj Ltd, an unlisted co, has bought back its 50000 shares for a consideration of Rs 120 per share out of its accumulated profit of Rs 6000000.00.Issue price of these shares was Rs 50 per share. The company is requesting you to calculate the amount of DDT required to be deposited and also the time limit and consequences of non/delay in depositing the same.

Solution:

a) Calculation of amount of DDT u/s 115QA-i.e. 20% of Distributed Income

: Where distributed income = 50000(120-50)

= 3500000.00

: DDT = 20% of 3500000.00

= 700000.00+ SC + EC + SHEC.

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b) Time limit of deposit: Within 14 days

B. (Sec 115O) Prabha Ltd is a domestic co. Its business income for previous year 2013-14 is Rs 40 Lakhs. The Company holds shares in a few comapies. Amount of dividend received from these

Companies and other related information are given below.

Investee Cos	Country of incorporation of investee co.	Shareholding of Prabha Ltd in investee co.	Dividend Received during 2013-14	Whether DDT paid
Arunim Ltd	India	51%	40000	Yes
Bijoy Ltd	India	26%	50000	Yes
Max Ltd	Australia	51%	60000	No
Richard Ltd	Australia	26%	70000	No
London Ltd	Australia	25%	80000	No

On Nov 1,2013, Prabha Ltd. declares a Dividend of Rs 500000 for its own shareholders .You are requested to calculate the amount of Income Tax and Dividend tax liability of the Company on the assumption that

a. India has ADT agreement with Australia and as per agreement dividend income is taxable in India and not in Australia.

b. India has ADT agreement with Australia and as per agreement dividend income is not taxable in India but in Australia.

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Solution: a. India has ADT agreement with Australia and as per agreement dividend income is taxable in India and not in Australia.

	Rs.
Business income	40,00,000
Dividend income from Arunim Ltd. and Bijoy Ltd. [exempt under section 10(34)]	-
Dividend income from Max Ltd., Richard Ltd. and London Ltd. (Rs. 60000 + Rs. 70000 + Rs. 80000)	2,10,000
Net income	42,10,000
Tax on net income –	
- On dividend from Max Ltd. and Richard Ltd. [15% of (Rs. 60000 + Rs. 70000)	19,500
- On balance of Rs. 4080000 @ 30%	12,24,000
Total	12,43,500
Add: Education cess	37,305
Tax liability	12,80,810

Dividend tax liability will be calculated as follows –

	Rs.
Dividend declared by Prabha Ltd. during 2013-14	5,00,000
Less: Dividend received from Arunim Ltd. (Indian subsidiary company which has paid tax under section 115-O	40,000
Less: Dividend received from Max Ltd. (Foreign subsidiary company and tax is payable by Prabha Ltd. under section 115BBD)	60,000
Balance	4,00,000
Dividend tax @ 15%	60,000
Add: Surcharge @ 10%	6,000
Total	66,000
Add: Education cess @ 3%	1,980

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Dividend tax liability	67,980

c. **India has ADT agreement with Australia and as per agreement dividend income is not taxable in India but in Australia.**

	Rs.
Business income	40,00,000
Dividend income from Arunim Ltd. and Bijoy Ltd. [exempt under section 10(34)]	-
Dividend income from Max Ltd., Richard Ltd. and London Ltd. (Not Taxable in India)	-
Net income	40,00,000
Tax on net income @ 30%	12,00,000
Add: Education cess	36,000
Tax liability	12,36000

Dividend tax liability will be calculated as follows –

	Rs.
Dividend declared by Prabha Ltd. during 2013-14	5,00,000
Less: Dividend received from Arunim Ltd. (Indian subsidiary company which has paid tax under section 115-O	40,000
Less: Dividend received from Max Ltd. (Not to be excluded as tax is not by Prabha Ltd. under section 115BBD)	-

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Balance	4,60,000
Dividend tax @ 15%	69,000
Add: Surcharge @ 10%	6,900
Total	75,900
Add: Education cess @ 3%	2,277
Dividend tax liability	78,177