

SYNOPTIC ANSWERS

Q 1A. Match the columns:

[Answer any 8]

Soln.

[08]

Column A	Column B
a. Provision for Bad Debts	3. Not allowed as deduction from 'Profit & Gains from Business or Profession'
b. Foreign income	6. Not taxable for Non-Residents
c. Training received by Employees	9. Non-taxable perquisites
d. Mediclaim Insurance premium paid by an individual	7. Deduction u/s 80 D
e. Allowances received by Member of Parliament	1. Exempt u/s 10(17)
f. Interest earned on deposits in 'Sukanya Samriddhi Account'	8. Exempt u/s 10(11A)
g. Interest received on compensation for compulsory acquisition of land	4. 50% of income allowed as deduction u/s 57(iv)
h. Personal car	10. Not a capital asset
i. CII	5. Cost Inflation Index
j. Manufacturing salt from sea water	2. Non-agriculture income

Q 1B. True /False

[Answer any 7]

1- True	2 - True	3 - True	4 - False	5 - False	6 - False	7 - True	8 - True	9 - False	10 - False
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[7]

Q.2) Solution: -

[15]

Name of Assessee: Mr. Kumar

Status: Individual, R OR

Previous year: 2017-18

Assessment year :2018-19

Particulars	Rs.	Rs.	Marks
Basic salary			
10,000 p.m. * 9 months	90,000		½
15,000 p.m. * 3 months	45,000		½
	135,000		
Tax deducted at Source			
500 p.m. * 9 months	4,500		½
1,000 p.m. * 3 months	3,000		½
Profession tax	2,500		1
<b>Gross Basic</b>		145,000	1
Dearness allowance (40% of Gross basic salary)		58,000	1
Bonus		20,000	1
Entertainment Allowance		24,000	1
Conveyance allowance received	36,000		1
Less; Exempt u/s 10(14)	(19,200)	16,800	1
LIC premium on life of Mr. Kumar paid by company		6,000	1
<b>Gross Salary</b>		269,800	1
Less: Deduction u/s 16 – Profession tax paid		(2,500)	1
<b>Gross Salary</b>		267,300	1
Less: deduction u/s 80CCC		12,000	1
<b>Net Taxable Income</b>		255,300	1

15 marks

OR

Q2

OR

**Solution**

Name of the Assessee : Mr. ~~XXXXXX~~ Shrikumar

Previous year : F.Y. 2017-18  
Residential Status : R. & O.R.

Assessment year : 2018-19  
Legal Status : Individual

**a) Computation of income from house property**

Particulars	Ground Floor (Self-Occupied)		First Floor
			₹
Gross Annual Value	Nil		1,40,000 (1)
Less : Municipal Tax			5,000 (1)
Net Annual Value			1,35,000 (1)
Less : Deduction under Section 24(30% of net annual value)			40,500 (1)
Interest on Loan :			
Current Years Interest (15,00,000 × 10% = ₹ 1,50,000)	75,000		75,000 (1)
Pre-construction periods interest (15,00,000 × 10% × 9/12 = ₹ 1,12,500 to be allowed in 5 equal Installments 1,12,500 / 5 = ₹ 22,500)			
Aggregate deduction		11,250	11,250 (1)
Income from House Property (each floor)		86,250	1,26,750 (1)
Loss under the head "Income from House Property"		(86,250)	8,250 (1)
		78,000	

Notes : Annual letting value is the higher of fair rent and municipal value. However, as the construction of the house was completed on 30<sup>th</sup> June, 2017, annual letting value should be considered for 9 months.

Fair Rent = ₹ 1,20,000 × 9/12 = ₹ 90,000  
Municipal Value = ₹ 80,000 × 9/12 = ₹ 60,000  
Annual letting value = ₹ 90,000  
Actual Rent = ₹ 20,000 × 7 = ₹ 1,40,000  
Gross Annual Value = Higher of annual letting value or actual rent = ₹ 1,40,000.

[3]

Q3. Solution:

Q3.

[15]

Name of Assessee: Mr. Jaguar

Status: Individual, R OR

Previous year: 2017-18

Assessment year :2018-19

Computation of Business Income of Mr. Jaguar:

Particulars	Rs.	Rs.	Marks
Net profit as per Profit & Loss A/c		138,000	
<b>Add:</b>			
i. Interest on Capital of Mr. Jaguar	6,000		1
ii. Bad Debt Reserve	10,000		1
iii. Depreciation	30,000		1
iv. Advance Income Tax	8,000		1
v. Advertisement (refer Note 2)	4,000		
vi. To Income – tax for 2014-15	6,000		1
vii. Capital purchase (furniture)	5,000		1
viii. Depreciation	30,000		1
		99,000	
		237,000	1
<b>Less:</b>			
i. Interest on bank Deposits	8,200		1
ii. Interest on Company deposits	15,200		1
iii. Refund of Income tax for A.Y.2013-14	2,000		1
iv. Depreciation – allowed separately	20,000		1
v.			
<b>Net Income from Business</b>		(45,400)	
		191,600	1

[15]

Note:

- As salary paid to Mrs. Jaguar is reasonable. It is allowed as a business expense. 1 mark
- Advertisement in souvenir of a political party is not allowed as deduction u/s 37(2B) 1 mark

15 marks.

OR

Q3. Solution: -

Name: Mr. Jogi

Status: Individual

Previous Year: 2017- 2018

Assessment Year: 2018- 2019

Particulars	R & OR	R & NOR	NR
1. Income from profession in Srilanka, received in Bhutan (profession set up in Srilanka)	60,000	--	--
2. Income from business in Dubai controlled from London	25,000	--	--
3. Rent from House in UK received in Spain	30,000	--	--
4. Income from agricultural land in Japan received in India	45,000	45,000	45,000
5. Dividend from German company received in London	40,000	--	--
6. Royalty from a company in Indonesia, received in India	50,000	50,000	50,000
7. Interest credited by HSBC bank, New York branch	55,000	--	--
8. Amount brought to India out of past untaxed profit earned in New Zealand	--	--	--
9. Salary earned & received in Saudi Arabia	100,000	--	--
10. Dividend from Indian company received abroad (exempt)	--	--	--
<b>Gross Total Income</b>	<b>405,000</b>	<b>95,000</b>	<b>95,000</b>

 $\left(\frac{1}{2} \text{ each}\right)$   
(5) $\left(\frac{1}{2} \text{ each}\right)$   
(5) $\left(\frac{1}{2} \text{ each}\right)$   
(5)

8 marks

Q5. A. Expenses not allowed in computing income from business:

- Donations
- Charities
- Gifts to relatives
- Income tax
- Wealth tax
- Advance income tax
- Fines and penalties for breach of any laws.
- Personal Drawings
- Salary to owner
- Interest on proprietor's capital
- Capital expenditure



b. A TRANSFER as per Sec.2(47) of Income tax Act it includes:

- i. Sale.
- ii. Exchange (Must be of two capital assets).
- iii. Relinquishment of an Asset.
- iv. Extinguishment of rights in any capital asset.
- v. Compulsory acquisition by Government.
- vi. Conversion of any capital asset into Stock-in-trade.
- vii. Any transfer covered by Sec.53 A of the transfer of Property Act.
- viii. The maturity or redemption of zero coupon bonds.

NAME : MR. JAY  
PREVIOUS YEAR : 2017-18

94.

STATUS : INDIVIDUAL  
ASSESSMENT YEAR : 2018-19

Computation of Total Income		₹	₹	₹
Gross Consideration				
Less : Expenses on Transfer				1,80,00,000
Net Consideration				75,000
Less : Indexed Cost of Acquisition				1,79,25,000
Cost				
FMV as on 1-4-2001	2,00,000			
Whichever is higher	2,40,000			
(2,40,000 x 272) ÷ 100	2,40,000			
Less : Indexed Cost of Improvement			6,52,800	
(i) 2006-07 = (1,20,000 x 272) ÷ 122			2,67,541	
(ii) 2015-16 = (4,00,000 x 272) ÷ 254			4,28,346	
(iii) 2016-17 = (3,80,000 x 272) ÷ 264			3,91,515	17,40,203
Long Term Capital Gain				1,61,84,797
Less : Exemption u/s 54				73,00,000
(Purchase of New Residential House)				
Net Taxable Long Term-Capital Gain				88,84,797

OR

(Mark each)

Mr. Jaish  
Computation of Income of Chargeable Under the Head  
"Income from Other Sources" for the A.Y. 2018-19

Particulars	₹	₹
1. Directors's Fees		10,000
2. Interest on Bank Deposit		3,000
3. Income from undisclosed source		12,000
4. Royalty on books written (see note below)		
Less : Expenses	9,000	
	1,000	8,000
5. Lectures in seminars		
6. Interest on loan given to a relative		5,000
7. Interest on listed debentures :		7,000
Net received		
Add : TDS @ 10% (3,600 x 10)/(100 - 10)	3,600	
	400	4,000
8. Interest on Post Office Savings Bank [exempt under section 10(15)]		
9. Interest on Government Securities		2,200
10. Interest on Post Office Monthly Income Scheme		33,000
11. Winnings from Lotteries :		
Net Received		
Add : TDS @ 30% (35,000 x 30) / (100 - 30)	35,000	
	15,000	50,000
Income from Other Sources		1,34,200

Note : Royalty income would be chargeable to tax under the head "Income from Other Sources", only if it is not chargeable to tax under the head "Profits and gains of business or profession". The problem has been solved assuming that the same is not taxable under the head "Profits and gains of business or profession" and hence, is chargeable to tax under the head "Income from other sources".

