

PRACTICAL PROBLEMS-DIRECT TAX**Question 1**

Mr. Charlie, an American Citizen, comes to India for the First time during the previous year 2012-13 and remains in India as under:

2012-13	55 Days
2013-14	60 Days
2014-15	90 Days
2015-16	150 Days
2016-17	70 Days
2017-18	181 Days

Determine his residential status for AY 2018-19.

Question 2

The business of HUF is executed from USA and all the decisions are taken over there. Mr. E the Karta of HUF, who born in Delhi, visit India during the previous year 2017-18 after 10 Years He came India on 01-04-2017 and leave India on 01-12-2017. Determine residential status of Mr. E and HUF for the AY 2018-19.

Question 3

Mr. X, an Australian Tennis player, has been coming to India for 105 days every year since 2007-08:

- (i) Determine his residential status for the assessment year 2018-19.
- (ii) Will your answer be different if you are told that X's maternal grand-mother was born in Karachi in 1944?

Question 4

Determine the tax liability in case of the following incomes for Assessment Year 2018-19 in the hand of:

- | | |
|---------------------------------------|--|
| a) Resident and Ordinary resident | |
| b) Resident but not ordinary resident | |
| c) Non Resident | |
-
- | | |
|--|-------------|
| i) Interest on UK bond, 50% received in India | Rs. 10000/- |
| ii) Income from Business in Chennai (50% received in India) | Rs. 20000/- |
| iii) Profit on sale of shares of an Indian Co. received in London | Rs. 20000/- |
| iv) Dividend from British Company received in London | Rs. 5000/- |
| v) Profit on sale of plant at USA 50% profit received in India | Rs. 40000/- |
| vi) Profit from Business in Delhi but managed wholly from USA | Rs. 15000/- |
| vii) Rent from Property at USA deposited in Indian Bank at USA | Rs. 50000/- |
| viii) Fees for Technical services rendered in India but received USA | Rs. 12000/- |
| ix) Past foreign untaxed income brought in India | Rs. 50000/- |
| x) Agriculture income from Land situated at Nepal received in India | Rs. 10000/- |

Question 5

Determine the taxability of income of US based company Heli Ltd., in India having POEM outside India on entering following transactions during the financial year 2017-18:

- (i) Rs. 5 lacs received from an Indian domestic company for providing technical knowhow in India.
- (ii) Rs. 6 lacs from an Indian firm for conducting the feasibility study for the new project in Finland
- (iii) Rs. 4 lacs from a non-resident for use of patent for a business in India.
- (iv) Rs. 8 lacs from a non-resident Indian for use of knowhow for a business in Singapore.
- (v) Rs. 10 lacs for supply of manuals and designs for the business to be established in Singapore.

Explain the rate of tax applicable on taxable income for US based company, Heli Ltd., in India.

Question 6

From the following information, compute gross total income of Mr. Y for the assessment year 2018-19 assuming Mr. Y is (I) Not ordinarily resident, and (II) Non-resident.

- (i) Pension for services rendered in India but received in England. Rs. 50000.
- (ii) Remuneration for consultancy service in Canada but half of that received in Mumbai Rs.100000.
- (iii) Loss incurred in textile business carried on in Bangladesh but controlled from India. Rs. 10000.
- (iv) Fees for technical services payable by Z, a non-resident. The payment relates to a business carried on in India. Rs. 150000.

Question 7

Ramesh who works as a Finance Manager of ABC Limited had undertaken foreign tour (On Official tour) several time during the Previous Year 2017-18. The total number of days stayed outside India during the said previous year is 300 days. He claims that he is a non-resident for the Assessment Year 2018-19. Is his claim valid? Discuss

Question 8

Mr. Tony had estates in Rubber, Tea and Coffee. He derives income from them. He has also a nursery wherein he grows and sells plants. For the previous year ending 31.03.2018, he furnishes the following particulars of his sources of income from estates and sale of Plants. You are requested to compute the taxable income for the Assessment year 2018-19:

S. No.	Particular	Rs.
(i)	Manufacture of Rubber	5,00,000
(ii)	Manufacture of Coffee grown and cured	3,50,000
(iii)	Manufacture of Tea	7,00,000
(iv)	Sale of plants from Nursery	1,00,000

Question 9

Miss Vinita, a resident and ordinarily resident in India, has derived the following income from various operations (relating to plantations and estates owned by her) during the year ended 31-3-2018:

S. No.	Particulars	Rs.
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Darjeeling.	3,00,000
(ii)	Income from sale of coffee grown and cured in Yercaud, Tamil Nadu.	1,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded, in Colombo. Sale consideration was received at Chennai.	2,50,000
(iv)	Income from sale of tea grown and manufactured in Simla.	4,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	80,000

You are required to compute the business income and agricultural income of Miss Vinita for the assessment year 2018-19.

Question 10

For the Assessment year 2018-19, Mrs. X (date of birth: September 1, 1942) furnishes the following information :

	Rs.
Gross agriculture income	12, 21,000
Expenditure on earning agriculture income	90,000
Non –agriculture income (Gross Total Income)	4, 00,000

Determine the tax liability of Mrs. X for the Assessment year 2018-19.

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 31.3.2018 are as follows:

Particular	S (In Lacs)	N (In Lacs)
Domestic Turnover	10	100
Export Turnover	120	-
Gross Profit	20	10
Less Expenses and Depreciation	7	6
Profit derived from unit	13	4

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

Assume F.Y. 2017-18 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.

Question 12

MNO Ltd. has one undertaking at Special Economic Zone (SEZ) and another at Domestic Tariff Area (DTA). Following are the details given to you for the financial year 2017-18:

Particular	Unit in SEZ (In Lacs)	Unit in DTA (In Lacs)
Total Turnover	200	100
Export Turnover	150	80
Net Profit	40	10

Compute the quantum of eligible deduction under section 10AA for the A.Y.2018-19 in the following situations:

- (i) Both the units were set up and began manufacturing from 25-07-2009.
- (ii) Both the units were set up and began manufacturing from 10-04-2013

Question 13

XYZ Charitable trust earned income of Rs. 10,00,000/- out of which Rs. 8,00,000/- was received during the previous year 2017-18 and the balance was received on 15-04-2018. If the trust wants to claim full exemption of Rs. 10,00,000/- during the previous year 2017-18 state:

- i) What is the maximum amount it can accumulate to be spending later on for charitable purpose?
- ii) What should be actually spend for charitable purpose during PY 2017-18
- iii) Amount of Rs. 2, 00,000/- not received during 2017-18. What is the last date by which it should be spend for charitable purpose?

Question 14

Income from property held under trust is Rs. 6 lakh. The voluntary contribution received by a trust is Rs. 20 lakh, which includes anonymous donations of Rs. 4 lakh and corpus donations of Rs. 5 lakh. The trust has applied Rs. 10 lakh to purchase a building on 01.08.2017 for meeting its objective. Compute the tax liability of the trust for A.Y.2018-19.

Question 15

Calculate the salary for the previous year 2017-18 in the following cases:
Mr. Suresh was appointed on 01-07-2011 in Grade of 14000-1000-18000-1500-24000.

Question 16

Mr. Ram Lal joined service on 01-08-2014 in the grade of 12000-300-13800-400-17800 and his salary was fixed at 14200/- at the time of joining. Compute his salary for the previous year 2017-18.

Question 17

Mr. Suresh employed as Accounts Manager with XYZ Limited, he retires from the Service on 15-09-2017, after completing 25 Years and 7 Months in Service. The details in respect of his package are given hereunder:

Basic Salary	Rs 15000 Per Month
Dearness Allowance (50% Forming part of Retirement benefits)	40% of Basic
Commission as fixed % of Turnover (Turnover was Rs 1000000/-)	5%
Gratuity Received	Rs 300000/-

Calculate the Total Income for the AY 2018-19.

- Assume that cover under Gratuity of Payment Act 1972.
- Assume that not cover under Gratuity of Payment Act 1972.

Question 18

Following are the information in respect of Mr. Akash, for the Previous Year 2017-18

Particular	Amount
Basic Salary	10000 PM
Dearness Allowances (50% for Retirement Benefit)	5000 PM
Commission Fixed Per Month	2000 PM
Date of Appointment 01-04-1993	
Date of Retirement from Service 01-01-2018	
Received Gratuity	200000/-
Pension Entitlement w.e.f. Jan 2018	5000 PM
On 01-02-2018, 50% pension commuted received	100000/-
Leave encashment received	200000/-
He is entitled for 40 Leave for every completed year of service; He has already taken 500 leaves during Service.	

Calculate his Total Income for the Assessment Year 2018-19.

VG Professional Studies (P) Limited

D-8, 1st Floor, Near Metro Pillar No. 34, Vikas Marg, Laxmi Nagar, Delhi -92

Contact No. 8470999333, 9873827301 **website: www.cavijaygaurav.com** **Page 205**

Question 19

Mr. Z retires from his service on 31-12-2017, after serving 25 years of service. Following are the particulars of his income for the previous year 2017-18:

Particulars	Rs
Basic Salary @ 16000/- per month for 9 months	1,44,000/-
Dearness Allowance (50% Forming Part for Retirement)	72,000/-
Lumpsum payment received from Un-recognised PF	6,00,000/-

Out of the amount received from URPF, the employer share was Rs 2,20,000/- and the interest thereon Rs 50,000/-, the employee share was Rs 2,70,000/- and interest thereon Rs 60,000/-.

Compute Total Income for the assessment year 2018-19.

Question 20

Mr. P is working in ABC Limited, provides you the following details of his income for the assessment year 2018-19. You are required to calculate Total Income.

Particulars	Rs
Basic Salary	10,000/- pm
Dearness Allowance (50% Forming Part for Retirement)	8,000/- pm
Commission as % of turnover	1%
Turnover during the year	5,00,000/-
Bonus	40,000/-
Gratuity	25,000/-
His contribution in the RPF	20,000/-
Employer Contribution to RPF	20% of Basic Salary
Interest accrued in the RPF 13% pa	13000/-

Question 21

Mr. Kalu Ram is employed with a Limited Company in Mumbai as the Accounts Manager; the particulars of his salary for the previous year 2017-18 are as under:

Basic salary	60000 p.m.
Dearness allowance (forming part of basic salary)	20000 p.m.
Conveyance allowance for personal purpose	10000 p.m.
Commission @ 1% of the turnover achieved which was 45 Lac during the Previous year and the same was evenly spread	45000
House rent allowance	30000 p.m.

The actual rent paid by him is 20000 p.m. for an accommodation at Uttar Pradesh till 31.12.2017 from 01.01.2018 the rent was increased to 25000 p.m. compute the taxable HRA.

Question 22

Mr. Ramesh furnishing the following details of his salary for the Previous Year 2017-18, you are requested to calculate tax liability for the Assessment Year 2018-19.

Particular	Rs.
Basic Salary as on 31 st March 2018	10000 PM
Dearness Allowances (20% of basic out of which 50 % for Retirement Benefits)	2000 PM
House Rent Allowance	5000 PM
5 % Commission on Turnover (Turnover for the year was 1200000/-) evenly spread throughout the period	
He resides in Delhi Rent paid per Month up to August 17	3000/- PM
He resides in Uttar Pradesh from September 2017 Rent paid per Month	2500/- PM
Last increment was w.e.f. 01-11-2017 – Basic Salary increase 2000/- PM	

Question 23

Raj Kumar is in receipt of the following allowances from his employer during the previous year 2017-2018:

- Conveyance allowance 1200 p.m. he spends 8000 during the previous year for official purposes
- Transport allowance 1400 p.m. for commuting from residence to office and back. He spends 1500 p.m. during the year.
- Uniform allowance 5000 p.a. he spends 4000 on the purchase and maintenance of uniform.
- Education and hostel expenditure allowance 500 p.m. per child for 3 children.
- Personal assistant allowance 4000 p.m. he engaged the personal assistant for official work and paid him salary of 2000 p.m. for 9 months. Personal assistant spends 60% of his time for official work of Raj Kumar.

Compute the taxable amount of allowances.

Question 24

From the following particulars furnished by Mr. X for the year ended 31.03.2018, you are requested to compute his total income and tax payable for the assessment year 2018-19.

- (a) Mr. X retired on 31.12.2017 at the age of 58, after putting in 25 years and 9 months of service, from a private company at Mumbai.
- (b) He was paid a salary of Rs 25000 p.m. and house rent allowance of Rs 6000 p.m. He paid rent of Rs 6500 p.m. during his tenure of service.
- (c) On retirement, he was paid a gratuity of Rs 350000. He was not covered by the payment of Gratuity Act. His average salary in this regard may be taken as Rs 24500. Mr. X had not received any other gratuity at any point of time earlier, other than this gratuity.
- (d) He had accumulated leave of 15 days per annum (Entitlement 30 Leave per year) during the period of his service; this was encashed by Mr. X at the time of his retirement. A sum of Rs.315000 was received by him in this regard. His average salary may be taken as Rs.24500.

Question 25

Ramesh retired as General Manager of XYZ Co. Ltd. on 30.11.2017 after rendering service for 20 years and 10 months. He received Rs.300000 as gratuity from the employer. (He is not covered by Gratuity Act, 1972)

His salary particulars are given below:

Basic pay	Rs.10,000 per month up to 30.6.2017
Basic pay	Rs.12,000 per month from 1.7.2017
Dearness allowance (Eligible for retirement benefits)	50% of basic pay
Transport allowance	Rs.1,500 per month

He resides in his own house.

Compute taxable income of Ramesh for the year ended 31.03.2018

Question 26

Harish is working as a Manager of PQ India Ltd. Particulars of his salary for the financial year 2017-18 is as under:

Salary	20000 p.m.
Bonus	30000
Conveyance Allowance (70% spent on official duties)	14000
Medical Allowance	500 p.m.
Employers contribution to recognized provident fund	20% of salary

He has been provided with a rent free accommodation in Modinagar whose population exceeds 10 lakhs but does not exceed 25 lakhs.

Compute the value of the rent-free accommodation to be included in the salary income of Harish for the assessment year 2018-19, if:

- the accommodation is owned by the company;
- the accommodation has been taken on rent by the company at 8000 p.m.

Question 27

- (i) Mr. Sushil Kumar, an employee of IOL, New Delhi, a private sector company, received the following for the financial year 2017-18:

S. No.	Particular	Rs
1.	Basic pay	2,40,000
2.	House rent allowance	1,20,000
3.	Special allowance	1,00,000

Mr. Sushil Kumar was residing at New Delhi and was paying a rent of Rs 12,000 a month.

- Compute the eligible exemption under section 10(13A) of the Income-tax Act, 1961, in respect of house rent allowance received.
- Mr. Sushil Kumar opts for rent free accommodation whereby IOL would be paying a rent of Rs 10000 per month to the landlord and recovers a sum of Rs 1500 per month from Mr. Sushil which was in excess of his entitlement, what will be the perquisite value in respect of such rent free accommodation?
- Which of the above would be beneficial to Mr. Sushil Kumar i.e., house rent allowance or rent free accommodation?

Question 28

- Smt. Anita was born on 01.07.1940. She is a Deputy Manager in a Company in Mumbai. She is getting a monthly salary and D.A. of Rs 45000 and Rs 12000 respectively. She also gets a House Rent Allowance of Rs 6000 per month. She is a member of Recognised P.F. wherein she contributes 15% of her salary and half D.A. Her employer also contributes an equal amount.
- She is living in the house of her minor son in Mumbai.
- Her employer gave her an interest free loan of Rs 1,50,000 on 01.10.2017 to one of her son's wife for the purchase of an Alto Maruti Car. Nothing has been repaid to the company towards the loan (Assume SBI Rate as on 01-04-2017 8% PA).

Calculate Total Income.

Question 29

M/s ABC & Co. has advance interest free loan of Rs 1000000/- to one of its employee Mr. Sushil for purchase of House on 01-06-2017, the repayment of loan is Rs. 40000/- Per Month which is to be paid at the end of each month beginning w.e.f. June 2017. Calculate the amount of Perquisite taxable in the hand of Mr. Sushil. The Rate of interest charged on Housing Loan as on 01st April 2017 was 10% P.A. by State Bank of India. Calculate value of Perquisite.

Question 30

What will be perquisite in Question above if the loan is repayable as on first day of each month w.e.f. 01-07-2017.

Question 31

Shri Hari is the General Manager of ABC Ltd. From the following details compute the taxable income for the Assessment year 2018-19:

Basic salary	Rs 20000 per month
Dearness allowance	30% of basic salary
Transport allowance	Rs 2000 per month
Motor car running and maintenance charges fully paid by employer	Rs 36000
(The motor car is owned and driven by employee Hari. The engine cubic capacity is below 1.60 liters. The motor car is used for both official and personal purpose by the employee)	
Expenditure on accommodation in hotels while touring on official duties met by the employer.	Rs 30000
Loan from recognised provident fund (maintained by the employer)	Rs 40000
Value of lunch provided by the employer during office hours	
Cost to the employer	Rs 12000
Residence telephone bill for Hari paid by the employer	Rs 15000
Computer (cost Rs 50,000) kept by the employer in the residence of Hari from 01.10.17	

Question 32

Mr. Vignesh, Finance Manager of KLM Ltd., Mumbai, furnishes the following particulars for the financial year 2017-18.

- (i) Salary Rs 46000 per month.
- (ii) Value of medical facility in a hospital maintained by the company Rs 7000
- (iii) Rent free accommodation owned by the company
- (iv) Housing loan of Rs 600000 at the interest rate of 5% p.a. (No repayment made during the year). (State Bank of India Rate is 8% on 01.04.2017).
- (v) Gifts made by the company on the occasion of wedding anniversary of Mr. Vignesh Rs 10000.
- (vi) A wooden table and 4 chairs were provided to Mr. Vignesh at his residence (dining table). This was purchased on 01.05.2014 for Rs 60000 and sold to Mr. Vignesh on 01.08.2017 for Rs 30000.
- (vii) Personal purchases through credit card provided by the company amounting to Rs 10000 was paid by the company. No part of the amount was recovered from Mr. Vignesh.
- (viii) An ambassador car which was purchased by the company on 16.07.2014 for Rs 250000 was sold to the assessee on 14.07.2017 for Rs 80000.

Compute the taxable income of Mr. Vignesh and the tax thereon for the Assessment year 2018-19 (Make suitable assumptions).

Question 33

Mrs. Lakshmi aged about 66 years is a Finance Manager of Lakshmi & Co., Pvt. Ltd., based at Calcutta. She is in continuous service since 1954 and receives the following salary and perks from the company during the year ending 31.03.2018

- (i) Basic Salary (50,000 x 12) = Rs 600000
- (ii) D.A. (20,000 x 12) = Rs 240000
- (iii) Bonus – 2 months basic pay
- (iv) Commission – 0.1% of the turnover of the company. The turnover for the F.Y. 2017-18 was Rs 15 Crores spread evenly throughout the period.
- (v) Contribution of the employer and employee to the PF Account Rs 300000 each.
- (vi) Interest credited to P.F. Account at 8.50% - Rs 60000.
- (vii) Rent free unfurnished accommodation provided by the company for which the company pays a rent of Rs 70000 per annum.
- (viii) Entertainment Allowance – Rs 30000
- (ix) Children's education allowance to meet the hostel expenditure of three children – Rs 5000 Per Month.

Determine the tax liability for the Assessment Year 2018-19.

VG Professional Studies (P) Limited

D-8, 1st Floor, Near Metro Pillar No. 34, Vikas Marg, Laxmi Nagar, Delhi -92

Contact No. 8470999333, 9873827301 **website: www.cavijaygaurav.com Page 211**

Question 34

Mr. David, a Government employee serving in the Ministry of External Affairs, left India for the first time on 31.03.2017 due to his transfer to High Commission of Canada. He did not visit India any time during the previous year 2017-18. He has received the following income for the Financial Year 2017-18:

Particular	Amount
Salary	5,00,000
Foreign Allowance	4,00,000
Interest on fixed deposit from bank in India	1,00,000
Income from agriculture in Pakistan	2,00,000
Income from house property in Pakistan	2,50,000

Compute his gross total income for Assessment Year 2018-19.

Question 35

Mr. A and B constructed their houses on a piece of land purchased by them at New Delhi. The built up area of each house was 1,000 sq.ft. Ground floor and an equal area in the first floor. A started construction on 01-04-16 and completed on 31-03-17. Mr. B started the construction on 01-04-16 and completed the construction on 30-06-17. Mr. A occupied the entire house on 01-04-17. B occupied the ground floor on 01-07-17 and let out the first floor for a rent of Rs.15000 per month. However, the tenant vacated the house on 31-12-17 and B occupied the entire house during the period 01-01-18 to 31-03-18.

Following are the other information

	(Amount in Rs.)
(i) Fair rental value of each unit (ground floor /first floor)	100000 per annum
(ii) Municipal value of each unit (ground floor / first floor)	72000 per annum
(iii) Municipal taxes paid by	A – 8,000 B – 8,000
(iv) Repair and maintenance charges paid by	A – 28,000 B – 30,000

Mr. A has availed a housing loan of Rs. 20 lakhs @ 12% p.a. on 01-04-16. B has availed a housing loan of Rs. 12 lakhs @ 10% p.a. on 01-07-16. No repayment was made by either of them till 31-03-18. Compute income from house property for A and B for the previous year 2017-18.

Question 36

Mrs Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 2017-18. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is \$ 10,000. The value of one USD (\$) may be taken as Rs. 62.

She took ownership and possession of a flat in Chennai on 01.07.2017, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.03.2018. While the municipal valuation is Rs. 32000 p.m., the fair rent is Rs. 420000 p.a. She paid the following to Corporation of Chennai:

Property Tax	Rs.16200
Sewerage Tax	Rs.1800

She had taken a loan from Standard Chartered Bank for purchasing this flat. Interest on loan was as under:

Particular	Rs.
Period prior to 1.04.2017	49200
1.4.2017 to 30.06.2017	50800
1.7.2017 to 31.03.2018	131300

Compute the income chargeable from house property of Mrs. Rohini Ravi for the assessment year 2018-19, exercising the most beneficial option available.

Question 37

Three brothers A, B, C having equal share are co – owners of a house property consisting of six identical units, the property was constructed on 31.5.1996. Each of them occupies one unit for his residence and the other three units are let out at a rent of Rs. 5000 per month per unit. The municipal value of the house property is Rs. 300000 and the municipal taxes are 40% of such municipal value, which were paid during the year. The other expenses were as follows:

(i) Repairs	20,000/-
(ii) Collection charges	5,000/-
(iii) Insurance premium paid	11,000/-
(iv) Interest payable on loan taken for construction of house	1,20,000/-

One of the let out units remained vacant for three months during the year. A could not occupy his unit for Six months as he was transferred to Mumbai. He does not own any other house. The other income of A, B & C are Rs 50,000/-, 60,000/- & 70,000/- respectively.

Compute his income from house property and the total income of three brothers for A.Y. 2018-19.

VG Professional Studies (P) Limited

D-8, 1st Floor, Near Metro Pillar No. 34, Vikas Marg, Laxmi Nagar, Delhi -92

Contact No. 8470999333, 9873827301 **website: www.cavijaygaurav.com** **Page 213**

Question 38

As per the details given herein below you are requested to calculate depreciation allowable to A Ltd. for the assessment year 2018-19

WDV of assets as on 01-04-2017

Plant & Machinery (15%) Rs. 500000/-

Furniture & Fixture (10%) Rs. 100000/-

Details of assets acquired and put to use **(Amount in Rs.)**

Particular	Acquire	Put to use	Amount
Machine 1	01-08-2017	01-10-2017	50000/-
Machine 2	25-03-2017	15-11-2017	100000/-
Machine 3	15-11-2017	05-04-2018	20000/-

During the year Machine 1 has been sold for Rs. 10000/- on 15-11-2017 and Furniture for Rs.120000/-.

Question 39

M/s Sidhant & Co., a sole proprietary concern is converted into a company, Sidhant Co. Ltd. with effect from November 29, 2017. The written down value of assets as on April 1, 2017 is as follows:

Items	Rate of Depreciation	WDV as on 1st April, 17
Building	10%	Rs. 3,50,000
Furniture	10%	Rs. 50,000
Plant and Machinery	15%	Rs. 2,00,000

Further, on October 15, 2017, M/s Sidhant & Co. purchased a plant for Rs. 1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth Rs. 50,000 (rate of depreciation 15%).

Compute the depreciation available to (i) M/s Sidhant & Co. and (ii) Sidhant Co. Ltd. for A.Y 2018-19.

Question 40

An industrial undertaking which commences the manufacturing activity w.e.f 1-9-2011 has acquired the following asset during the previous year 2017-18.

Asset	Date of Acquisition	Date when put To use	Cost of acquisition Rs.
Factory Building	04-04-2017	01-09-2017	50,00,000
Plant & Machinery			
Air pollution control equipment	04-05-2017	01-09-2017	4,00,000
Machinery A	05-05-2017	01-09-2017	2,00,000
Machinery B	07-06-2017	01-09-2017	5,00,000
Machinery C	30-08-2017	01-09-2017	10,00,000
Machinery D	01-09-2017	31-10-2018	4,00,000
Machinery E	01-09-2017	28-02-2018	3,00,000
Machinery F (second hand)	11-01-2018	13-01-2018	2,00,000
Motor car	01-02-2018	01-02-2018	5,00,000
Air-conditioner (installed in office)	01-02-2018	02-02-2018	1,00,000

Compute the depreciation allowable for the assessment year 2018-19 assume the written down value as on 01-04-2017 of the block of factory building (10%) and plant and machinery (15%) was Rs. 1000000 and Rs. 600000 respectively.

Question 41

A Ltd. furnishes the following particulars for the particulars for the P.Y. 2017-18. Compute the deduction allowable under section 35 for A.Y. 2018-19, while computing its income under the head "Profits and gains of business or profession".

S.No.	Particulars	Rs.
1	Amount paid to Indian Institute of Science, Bangalore, for scientific research	100000
2	Amount paid to IIT, Delhi for an approved scientific research programme	250000
3	Amount paid to X Ltd., a company registered in India which has as its main object scientific research and development, as is approved by the prescribed authority	400000
4	Expenditure incurred on in house research and development facility as approved by the prescribed authority	
	(a) Revenue expenditure on scientific research	300000
	(b) Capital expenditure (including cost of acquisition of land Rs. 500000) on scientific research	750000

Question 42

XYZ Ltd. commenced operations of the business of a new three-star hotel in Madurai, Tamil Nadu on 1.4.2017. The company incurred capital expenditure of Rs. 50 lakhs during the period January, 2017 to March, 2017 exclusively for the above business, and capitalized the same in its books of accounts as on 1st April, 2017. Further during the P.Y. 2017-18, it incurred capital expenditure of Rs. 2 Crores (out of which Rs. 1.50 Crores was for the acquisition of land) exclusively for the above business. The income from such for the A.Y. 2018-19 is Rs. 25 lakhs before taking deduction u/s 35AD. Assume that the company also has another existing business of running a four-star hotel in Coimbatore, which commenced operations 5 years back, the profits from which are Rs. 120 lakhs for the A.Y. 2018-19. Compute Taxable Income.

Question 43

Charlie, an individual, carried on the business of purchase and sale of agricultural commodities like paddy, wheat, etc. He borrowed loans from Andhra Pradesh State Financial Corporation and Indian Bank and has not paid interest as detailed under:

- (i) Andhra Pradesh State financial Corp. (P.Y.16-17 & 17-18) – 1500000
(ii) Indian bank (P.Y.2016-17) – 3000000

Both Andhra Pradesh State Financial Corporation and Indian Bank, while restructuring the loan facilities of Charlie during the Previous Year 2017-18, converted the above interest payable by Charlie to them as a loan repayable in 60 installments. During the year ending 31.03.2018, Charlie paid 5 installments to Andhra Pradesh State Financial Corporation and 3 installments to Indian Bank. Charlie claimed the entire interest of Rs.45,00,000 as an expenditure while computing the income from business of purchase and sale of agricultural commodities. Discuss whether his claim is valid and if not what is the amount of interest, if any, allowable.

Question 44

Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2017, he owns 10 trucks. On 2nd May, 2017, he sold one of the goods vehicles and purchased a goods vehicle on 6th May, 2017. This new vehicle could however be put to use only on 15th June, 2017.

Compute the total income of Mr. Sukhvinder for the assessment year 2018-19, taking note of the following data:

	Rs.	Rs.
Freight charges collected		8,70,000
Less : Operational expenses	6,25,000	
Depreciation as per section 32	1,85,000	
Other office expenses	15,000	
		8,25,000
Net Profit		45,000
Other business and non – business income		70,000

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- (v) Rent and rates includes sales tax liability of Rs. 3400 paid on 07.04.2018.
- (vi) Other business receipts include Rs. 2200 received as refund of sales tax relating to 2005-06.
- (vii) Other general expenses include Rs. 2000 paid as donation to a Public Charitable Trust.

You are required to advise Mr. Sivam whether he can offer his business income under section 44AD i.e. presumptive taxation.

Question 46

Mr. Ramesh furnished the following manufacturing, profit and loss account for previous year ending 31-03-2018:

Particulars	Amount Rs.	Particulars	Amount Rs.
To stock	22,000	By sales	5,69,000
To purchase	1,60,000	By stock	52,800
To Manufacturing wages	1,31,800		
To factory Rent Rates and Taxes	60,000		
To Depreciation	30,000		
To Gross profit	2,18,000		
Total	6,21,800	Total	6,21,800

Profit and Loss Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To office Salary	54,000	By Gross profit B/D	2,18,000
To Establishment Expense	12,200	By rent of staff quarters	38,000
To interest on Capital	6,600	By refund of income-tax	4,000
To fire Insurance	400	By sale of a machinery	50,000
To Bad debts	14,000	By Recovery of Bad debts, not allowed to be deducted in earlier years.	12,000
To Income Tax	12,000	By Sundry Receipts	70,000
To Expense on sales Tax proceedings	4,000		
To Expense of income	26,000		

Tax proceedings			
To Diwali Expense	8,000		
To legal Expense	14,000		
To Medical Expense of the proprietor	6,000		
To Staff Welfare Expenses	4,000		
To Repair of staff quarters	8,000		
To security Deposit for Telex connection	20,000		
To bonus payable to Employees	40,000		
To Provision for Tax Sales tax and Excise Duty	50,000		
To Municipal taxes for staff quarters	8,000		
To General Reserve	52,000		
To Entertainment expenses	32,000		
To Net profit	20,000		
Total	3,92,000	Total	3,92,000

You are required to compute the taxable profit from business after taking the following into consideration:

- (i) Purchase include of Rs. 42,000. If payment was made by a crossed cheque.
- (ii) Assessee has always valued the stock at cost price but since 2017-18 he valued it at market price which was in excess of the cost price by 10%
- (iii) Office salaries paid include Rs. 20,800 to the proprietor of the business.
- (iv) Diwali expenses include gifts of Rs. 2,000 made to the relatives.
- (v) Sales Tax and Excise Duties amounting to only Rs. 40,000 were paid on or before 31-07-2018.

Question 47

Find out the gross total income of Shri Shyam Lal On the basis of the Following Particulars.—

Profit and Account For the year ended 31-3-2018

Particulars	Rs.	Particulars	Rs.
Interest	1,800	Gross profit b/d	1,22,700
Repairs and Rentals	2,200	Interest on debenture of an	
Insurance	4,200	Institution(Gross)	10,000
Depreciation	5,600	Rent from House property	36,000
Compensation	10,000		
Law charges	5,100		
Labour Welfare expenses	3,800		
Subscription	5,800		
Net Profit	1,30,000		
Total	1,68,700	Total	1,68,700

- (i) Interest includes Rs. 200 on loan taken for purchasing debenture of a company and Rs. 300 on loan taken for Reconstruction of house property let out.
- (ii) The expenses relating to house property let out are 40% of the repairs and Rentals expenses.
- (iii) Depreciation includes Rs. 1,200 on house property let out
- (iv) Compensations were paid to an employee whose dismissal was in business interest.
- (v) Insurance includes 30% for fire insurance of the house property let out, 30% for workers accident insurance and the balance for life insurance of assessee.
- (vi) A Law charge includes Rs. 2,000 relating to a petition filed against breach of contract and the balance regarding sales tax appeal.
- (vii) Subscription includes Rs. 2,000 given for election purpose to political parties.
- (viii) The amount not debited to profit and loss account are as follows:
 - (i) Expenses incurred on the occasion of Dipawali Rs. 500
 - (ii) Theft of cash from iron safe Rs. 1,500.
 - (iii) Expense for new telephone connection in the business Rs. 2,000.

Question 48

Sri Shyam Sharma is the owner of a business. Following is his P & L A/c for the year ended on 31-3-2018 Calculate Gross Total Income.

	Rs.		Rs.
Established charges	10220	Gross profit	101740
Rent, rates and taxes	5800	Interest on Govt. Securities (Gross)	10700
Sundry expenses	14100	Rent from Property	10800
Depreciation	2760		
Household expenses	3760		
Provision for Bad debts	2400		
Loss on sale of motor car (used for private purposes)	3600		
Insurance premium (including life insurance of Rs. 1790)	5760		
Interest on bank loan	12800		
Net Profit	62040		
Total	123240	Total	123240

Additional Information:

- (i) Bad debt written off year –Rs. 3200
- (ii) Admissible depreciation as per Income-tax rules-Rs. 3200
- (iii) The assessee is running his business in a rented property, half of which is used by him for his own residence. Rent of Rs. 4800 in respect of entire house is included in rent, rates and taxes. The balance of Rs. 1000 is on account of municipal tax paid for property given on rent.

Question 49

X Ltd has the following information as On 31st March 2017:

	(000) Amount
Source of Funds	
Paid up Capital	100
Reserve & Surplus	20
Liabilities	
Unit A	10
Unit B	20
	150
Application of Funds	
Unit A	100
Unit B	50
	150

Unit B transferred to Y Ltd in a scheme of demerger on 01-04-2017. By virtue of this demerger one of the shareholders Mr. Rajesh who purchased 1000 Shares of Rs. 10 each of X Ltd on 01-04-2009 received 600 shares of Y Ltd on 01-04-2017. He sold all his holding on 20-07-2017 for Rs.15/- Per share. You are requested to calculate Capital gain tax in his hand.

Question 50

Mr. Ram holds 200 shares of RIL, acquired on 01-04-2009 for Rs. 10/- each. The company gives an offer to acquire right shares on basis of 2:1 for Rs. 15/- each on 19-1-2013. Mr. Ram subscribe 50% entitlement and renounce the balance in favors of Mr. Shyam for Rs. 1000/- on 25-01-2013 and shares allotted by the company on 30-01-2013. Mr. Ram and Mr. Shyam sold their holding in RIL at Rs. 50/- each on 28-11-2017. Calculate capital gain tax in the hands of Mr. Ram and Mr. Shyam.

Question 51

Mr. Akash acquired property for Rs. 500000/- on 01-04-1971. On his death on 01-04-2000, his son Mr. Ramesh got this property (The FMV on 01-04-2001 was 700000/-). He sold this property to John on 10-03-2018 for Rs. 40,00,000/- but the consideration was received on 10-04-2018. Calculate the Income under the head Capital Gain for the AY 2017-18?

Question 52

Mr. Ramesh owns a house property in Gujarat, which was acquired in 1978 for Rs. 100000/- (FMV as on 01-04-2001 Rs. 200000/-). This asset was destroyed in earthquake on 26-01-2003. Mr. Ramesh got an insurance claim of Rs. 20,00,000/- on 15-05-2017. Compute Income under the head Capital Gain.

Question 53

Mr. Dinesh invested in to the gold on 01-04-1993 for Rs. 200000/-. He converted the gold into stock in trade on 01-05-2013 (FMV as on 01-05-2013 was Rs. 10,00,000/-). He sold 40% gold on 01-05-2017 for Rs. 6,00,000/-. Calculate his total income for the assessment year 2018-19.

Question 54

Mr. Ramesh received Jewellery from his father as gift on 01-04-2001. His father acquired the said jewellery on 01-04-2000 for Rs. 500000/- (FMV as on 01-04-2001 Rs. 450000/-) during the year 2017-18, he contribute this Jewellery as his capital contribution in the firm on 14-05-2017 (FMV on 14-05-2017 Rs. 1500000/-). This has been recorded at Rs. 600000/- in the books of account of firm. Compute the Total Income for the Assessment Year 2018-19.

Question 55

Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire accident.

The value of stock lost (total damaged) was Rs. 650000. Certain portion of the machinery could be salvaged. The opening WDV of the block as on 1-4-2017 was Rs. 10,80,000.

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During the process of safeguarding machinery and in the fire fighting operations, Mr. A lost his gold chain and a diamond ring, which he had purchased in April, 2006 for Rs. 120000. The market value of these two items as on the date of fire accident was Rs. 190000.

Mr. A received the following amounts from the insurance company:

- | | |
|---|------------|
| (i) Towards loss of stock | Rs. 480000 |
| (ii) Towards damage of machinery | Rs. 600000 |
| (iii) Towards gold chain and diamond ring | Rs. 180000 |

You are requested to briefly comment on the tax treatment of the above three items under the provisions of the Income-tax Act, 1961.

Question 56

M/s ABC Associates a Partnership firm is dissolved having Plant & Machinery WDV Rs. 500000/- (acquire in 2000-01) and Stock in Trade being Bullions Rs. 200000/- as on the date of dissolution i.e. 31-03-2018. Plant & Machinery has been given to Mr. A (one of the Partner) for Rs. 600000/- the FMV is Rs. 800000/-, the stock has been given to Mr. B (Another Partner) for Rs. 250000/- (Having FMV Rs. 320000/-). Compute taxable income in the hand of Firm and Partners if any.

Question 57

Mr. Y submits the following information pertaining to the year ended 31st March, 2018.

- (i) 30.11.2017, when he attained the age of 60, his friends in India gave a flat at Surat as a gift, each contributing a sum of Rs. 20000 in cash. The cost of the flat purchased using the various gifts were Rs. 3.40 lacs.
- (ii) His close friend abroad sent him a cash gift of Rs. 75000 through his relative for the above occasion.
- (iii) Mr. Y sold the above flat on 30.01.2018 for Rs. 3.60 lacs. The Registrar's valuation for stamp duty purposes was Rs. 3.70 lac.
- (iv) He had purchased some equity shares in X Pvt. Ltd., on 05.02.2008 for Rs. 3.50 lacs. These shares were sold on 15.03.2018 for Rs. 2.80 lacs.

You are requested to calculate the total income of Mr. Y for the assessment year 2018-19.

Question 58

Mr. A acquired a House for Rs. 50000/- in 1966-67. on his death in Dec 1990, is received by his son Mr. Jayant. The FMV of House as on 01-04-2001 was Rs. 500000/-. This house has been acquired by Government for its metro project on 15-04-2010 but the first compensation was received on 10-08-2017 Rs. 400000/- and balance Rs. 200000/- on 14-04-2018. Mr. Jayant being not satisfied with the compensation file suit in the court, court grants him addition compensation Rs. 200000/- (Legal Expenses Rs. 10000/-) on 20-08-2018 but the same is received on 10-04-2019. Compute Taxable Income for AY 2018-19 onwards.

Question 59

Mr. Ashok hold 2000 Shares @ 20/- per share (Face Value 10/- Per Share) of ABC India Limited purchased on 01-04-2008 (i.e. 10% of the Paid up Capital), the company goes in to liquidation on 15-03-2015 and paid Rs. 10/- per share and an asset (Agriculture Land) the Market value is Rs. 400000/- on 25-05-2017. The accumulated profit is Rs. 1000000/- (CDT Applicable 15% Surcharge and EC & SHEC as applicable) Calculate capital gains in the hand of Mr. Ashok.

Question 60

Mr. Satish purchased a house property for Rs. 115000 on June 15, 1969. The following expenses are incurred by him for the house property:

	Rs.
a. Cost of construction of first floor in 2000-01	125000
b. Cost of construction of the second floor in 2007-08	220000
c. Reconstruction of the property in 2012-13	240000

Fair market value of the property on April 1, 2001 is Rs. 500000. The house property is sold by Mr. Satish on August 15, 2017 for Rs. 5000000 (expenses incurred on transfer; Rs. 50000). Compute the Capital Gain for the Assessment Year 2018-19.

Question 61

Ms. Vimla sold a residential building at Jodhpur for Rs. 20,00,000 on 01-07-17.

The building was acquired for Rs. 150000 on 01-06-2002.

She paid brokerage @ 2% at the time of sale of the building. She invested Rs. 7 lakhs in purchase of a residential building in December 2017 and deposited Rs. 2 lakhs in NABARD Capital Gains Bond in March, 2018. Compute her taxable capital gain.

Question 62

Mr. Ramesh having the following information for the Assessment year 2018-19:

Jewellery sold during the year (Purchased in 2005-06 Rs. 200000/-)	Rs. 1500000/-
Expenses on transfer	Rs. 10000/-
He purchase Residential House in Feb 2018	Rs. 1000000/-

Calculate Income chargeable to Income Tax for the AY 2018-19

Will there will be any change to your answer if the new house purchased for Rs. 1600000/-

Question 63**(Amount in Rs.)**

Particular	Case I	Case II	Case III	Case IV	Case V
Income from Business	180000	100000	169000	-	60000
STCG (111A)	50000	50000	10000	100000	200000
STCG (Other than 111A)	50000	30000	-	-	20000
LTCG	80000	20000	120000	60000	50000
Chapter -VIA	80000	80000	60000	-	80000

Calculate Tax Payable in all the above cases.

Question 64

Ms. Nirmal purchases 1000, equity shares in X Ltd. at a cost of Rs. 15 per share (brokerage 1%) in January 1978. She gets 100 Bonus shares in August 2000. She again gets 550 bonus shares by virtue of her holding on February 2009. Fair market value of the shares of X Ltd. on April 1, 2001 is Rs. 25. In January 2018, she transfers all her shares @ of Rs. 120 per share (brokerage 2%).

Compute the capital gains taxable in the hands of Ms. Nirmal for the A.Y. 2018-19 assuming:

- X Ltd. is an unlisted company and securities transaction tax was not applicable at the time of sale.
- X Ltd. is a listed company and the shares are sold in a recognized stock exchange and securities transaction tax was paid at the time of sale.

Question 65

Singhania & Co. own six machines, put in use for business in March, 2015. The depreciation on these machines is charged @ 15%. The written down value of these machines at the end of the previous year relevant to assessment year 2017-18 was Rs. 850000. A new plant was bought for Rs. 850000 on 30th November, 2017.

Three of the old machines were sold on 10th June, 2017 for Rs. 11,00,000.

You are required to:

- (i) Determine the claim of depreciation for Assessment Year 2018-19.
- (ii) Compute the capital gains liable to tax for Assessment Year 2018-19.
- (iii) If Singhania & Co. had sold the three machines in June, 2017 for Rs. 2100000, will there be any difference in your above workings? Explain.

Question 66

Mr. Happy is holding 1000 shares of ABC Ltd (Domestic Company) received from his father as gift on 15-07-2014. The shares were acquired by his father on 01-05-2013 for Rs. 15/- per share. The High Court passes the order for Liquidation of ABC Limited on 01-08-2014. Mr. Happy received from the Company Rs. 10/- per share and Car (FMV of the car Rs. 1,00,000/-) on 01-04-2017. The Balance Sheet of the Company as on 01-04-2017 is as under:

Liabilities	Amount	Assets	Amount
Share Capital (Face Value Rs. 5 Per Share)	50,000	Car	1,50,000
Reserve & Surplus	2,00,000	Cash	1,00,000
Total	2,50,000	Total	2,50,000

On 28-02-2017, Mr. Happy sold the car for Rs. 1,00,000/-. Mr. Happy is also having Salary income Rs. 3,60,000/-.

Calculate the Total Income in the hand of Mr. Happy for the AY 2018-19?

Question 67

Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 01/04/2017 his unit-I by the way of slump sale for the total consideration of Rs. 25,00,000. The expenses incurred for this transfer were Rs. 28,000. His balance sheet as on 31/3/2017 is as under:

LIABILITIES	TOTAL	ASSETS	UNIT -1	UNIT-2	TOTAL
Capital	1500000	Building	1200000	200000	1400000
Revaluation Reserve (Building Unit-I)	300000	Machinery	300000	100000	400000
Bank Loan (70% Unit 1)	200000	Debtors	100000	40000	140000
Trade Creditors (25% Unit-1)	150000	Other Assets	150000	60000	210000
Total	2150000		1750000	300000	2150000

Other information is as follows:

- (1) Revaluation reserve is created by revising upward the value of the building of unit 1.
- (2) No individual value of any asset is considered in the transfer deed.
- (3) Other assets on unit 1 include patents acquired on 1/7/2014 for Rs. 50,000 on which no depreciation has been charged.

Compute the amount of capital gains for the AY 2018-19.

Question 68

Mrs. Malini shifted her industrial undertaking located in corporation limits of Faridabad, to a Special Economic Zone (SEZ) on 1.12.2017. The following particulars are available:

- a) Land: Purchased on 20.01.2003 4,26,000 Sold for 22,00,000
- b) Building [Construction completed on 14.03.2005] WDV of building as on 01.04.2017 8,20,000 and Sold for 11,39,000
- c) WDV of cars as on 01.04.2017 7,40,000 and Sold for 6,00,000
- d) Expenses on shifting the undertaking 1,15,000
- e) Assets acquired for the undertaking in the SEZ (on or before 25.06.2018):
 - (i) Land 3,00,000
 - (ii) Building 5,00,000
 - (iii) Computers 1,00,000
 - (iv) Car 4,20,000
 - (v) Machinery (Second hand) 2,00,000
 - (vi) Furniture 50,000

There is no intention of investing in any other asset in this undertaking.

Compute the exemption available under section 54GA for the assessment year 2018-19.

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Question 69

ABC Limited, a closely held company given loan of Rs. 200000/- to one of its shareholder Mr. Kapil holding 10% of shares of ABC Limited. What will be the taxability of above?

Will your answer be different if Loan given to Mr. A (Not a Shareholder) and later on Mr. A given loan to Mr. Kapil.

Question 70

Mr. Akash has purchased 5000 shares of Ramesh Petroleum Limited @ Rs. 100/- per share on 05-08-2017. The company declares a dividend of 10 per share. The record date for the purpose was fixed 04-10-2017. Mr. Akash received the dividend immediately after the record date. The shares have been sold by Mr. Akash on 10-12-2017 for Rs. 95/- per share. Calculate Total Income.

Question 71

Mrs. Gurvinder Kaur working in ABC Private Ltd. concern receiving salary Rs. 25,000/- per month she retires on 01-01-2018. She organized a function to celebrate her retirement on 10-01-2018 and received the following:

From	Particular
Husband	Rs. 50,000/- Cash
From cousin of her husband	Rs.4,1000/- Account Payee cheque
From her cousin brother	Mobile Phone worth Rs. 45,000/-
From Director of ABC Pvt. Ltd.	Air Condition worth Rs. 52,000/-
From Friends	Rs. 10,000/-

Calculate her Taxable Income?

Question 72

Compute the tax liability of Mr. Madhavan for the Assessment year 2017-18 from the following particulars:

	Rs.
(i) Net house property income as computed under the head "Income from house property"	2,70,000
(ii) Income from business before adjusting the following	90,000
(a) Carried forward business loss	70,000
(b) Current depreciation	30,000
(c) Carried forward unabsorbed depreciation	1,40,000
(iii) Short term capital gain – jewellery	1,60,000
(iv) Long term capital loss – shares	40,000
(v) Long term capital gains – Debentures	2,00,000
(vi) Dividend on shares held as stock in trade	10,000
(vii) Dividend from a company carrying on agricultural operation	12,000
(viii) Income from growing and manufacturing Tea	1,00,000

During the previous year 2017-18, the assessee purchased NSC VIII issue for Rs.100000

Question 73

Mr. Yeshwant submits the following information for the financial year ending 31st March, 2018. He desires that you should (a) compute the gross total income and (b) ascertain the amount of losses that can be carried forward:

I He has two houses	Rs.
(a) House No. I – After all statutory deductions	36,000
(b) House No. II – current year loss	10,000
(c) Brought forward loss of assessment year 2010-11 of second house representing unadjusted interest on borrowed capital	30,000
II He has three proprietary businesses:	
(a) <u>Textile business</u>	
(i) Discontinued from 31 st October, 2017- current year loss	25,000
(ii) Brought forward loss of the assessment year 2010-11	80,000
(b) <u>Chemical business</u>	
(i) Discontinued from 1 st March, 2014- hence no profit/loss	Nil
(ii) Bad debts allowed in earlier years recovered during this year	30,000
(iii) C/f business loss for the assessment year 2012-13	20,000
(c) <u>Leather Business:</u>	

	(i) Profit for the current year	70,000
III	(i) Short term capital gains	20,000
	(ii) Long term capital loss	15,000

Question 74

Compute the total income of Mr. & Mrs. A from the following information.

		Rs.
(a)	Salary income (computed) of Mrs. A	2,30,000
(b)	Income from profession of Mr. A	3,90,000
(c)	Income of minor son B from company deposit	15,000
(d)	Income of minor daughter C from special talent	32,000
(e)	Interest from bank received by C on deposit made out of her special talent	3,000
(f)	Gift received by C on 30.09.2017 from friend of Mrs. A	2,500

Brief working is sufficient. Detailed computation under various heads of income is NOT required.

Question 75

A Proprietary Business was started by Smt. Rani in the previous year 2017-18. As on 01.04.2017 her capital in business was Rs. 300000.

Her husband gifted Rs. 200000 on 10.04.2017, which amount Smt. Rani invested in her business on the same date. Smt. Rani earned profits from her proprietary business for the financial year 2017-18 Rs. 150000 and financial year 2018-19 Rs.390000. Compute the income, to be clubbed in the hands of Rani's husband for the respective Assessment year.

Question 76

Balu is the karta of a HUF, whose members derive income as given below.

Particular	Rs.
(i) Income from Balu's own business	50,000
(ii) Mrs. Balu salary	80,000
(iii) Minor son Deepak (earning interest on fixed deposits with ABC Ltd which were gifted to him by his grandfather)	15,000
(iv) Minor daughter Priya gave a dance performance and received remuneration	1,00,000
(v) Deepak got winnings from lottery (Gross)	2,00,000
Explain how the above will be taxed	

Question 77

Mr. Singh is a trader. Particulars of his income and those of the members of his family are given below. These incomes relate to the previous year ended 31st March, 2018:

		Rs.
(i)	Income from business – Mr. Singh's	90,000
(ii)	Salary derived from an educational institution by Mrs. Singh. She is the principal of the Institution	50,000
(iii)	Interest on company deposits derived by Master Deep Singh (minor son). These deposits were made in the name of Deep Singh by his father's father about 6 years ago	12,000
(iv)	Receipts from sale of paintings and drawings made by Minor Dipali Singh (minor daughter of Mr. and Mrs. Singh and noted child artist)	60,000
(v)	Income by way of lottery earnings by Master Dipinder Singh (minor son of Mr. Singh)	6,000

Discuss whether the above will form part of the assessable income of any individual and also compute the assessable income of Mr. Singh.

Question 78

A, whose Gross total income for the A.Y. 2018-19 is Rs. 485000 (which includes long term capital gains of Rs. 40000 and short term capital; gains of Rs. 20000) submits the following information:

S. No	Particular	Rs.	Rs.
1.	Contribution towards PPF		10000
2.	LIP paid for married son not dependent on him		5000
3.	Medicclaim premium paid by cheque for:		
	(a) Himself	2000	
	(b) For married son not dependent	3000	5000
4.	He has made the following donations:		
	National Defence fund	5000	
	PM's National Relief Fund	4000	
	Indira Gandhi memorial trust	5000	
	Delhi university (declared as an institute of national eminence)	2000	
	Zila Sakshrata Samiti	4000	
	An approved charitable institution	15000	
	Government for family planning.	10000	
	Donation of blankets to an orphanage	4000	
	Donations to national blood transfusion Council	2000	

Compute:

- (a) Total income for the A.Y.2018-19.
 (b) Tax payable for the A. Y. 2018-19.

Question 79

Ramesh, who is an advocate in Delhi, furnishes the following particulars for the P.Y. 2017-18:

S. No.	Particular	Rs.
1	Income from Profession	232000
2	Short term capital gain on sale of gold	18000
3	Long term capital gains on sale of land	46000
4	Interest on Government securities	11000
5	Payment of interest on loan taken from a bank for higher studies of his daughter	10000
6	Payment made by credit card for Mediclaim policy on his own health and the health of his wife	4000
7	Rent paid for a house in Delhi	36000
8	Deposit in PPF	40000
9	Subscription to notified long term infrastructure bonds	30000

Determine his total income for the assessment year 2018-19.

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Question 80

Mr. Janak, working as Finance Manager in Realty Ltd., Jaipur, retired from the company on 31.10.2017 at the age of 60. The following amounts were received from the employer from 1st April, 2017 to 31st October, 2017:

Basic Salary	Rs. 30,000 p.m.
Dearness Allowance	Rs. 20,000 p.m.(40% reckoned for superannuation benefits)
Ex-gratia (lumpsum)	Rs. 15,000

In addition to the above

- (i) The company had taken on lease a residential house at Jaipur, paying a lease rent of Rs. 9000 p.m. Mr. Janak, who was paying to the company Rs. 6000 p.m. towards aforesaid rent, vacated the said premises on 31.10.2017.
- (ii) The company had also provided to Mr. Janak a cooking range and micro-wave oven owned by it. The original cost of these assets was Rs. 40000 and the written down value as on 1.4.2017 was Rs. 22000.
- (iii) Mr. Janak has two sons. His second son was studying in a school run by the employer-company throughout the financial year 2017-18. The cost of such education in a similar school is Rs. 1800 p.m.
- (iv) The employer-company was contributing Rs. 7000 p.m. to Central Government Pension Scheme.
- (v) Professional tax paid by the employer Rs. 3000.
- (vi) Subsequent to his retirement, Mr. Janak started his own business on 15-11-2017. The results of the said business from 15.11.2017 to 31.3.2018 were:

(a) Business loss (excluding current depreciation)	Rs. 90,000
(b) Current year's depreciation	Rs. 60,000
- (vii) Mr. Janak won a prize in a TV game show. He received a sum of Rs. 41460 after deduction of tax at source to the tune of Rs. 18540.
- (viii) Mr. Janak furnishes the under-mentioned data relating to savings, investments and out-goings:
 - A. Life insurance premium, with a private insurance company Rs. 30000 for his son and Rs. 20000 for his married daughter.
 - B. Medical insurance premium of Rs. 12000 for himself and Rs. 16000 for his father (aged 82), paid by credit card. His father is however not dependent on him.

You are required to compute the total income of Mr. Janak (showing clearly the computation under various heads of income) and tax payable by him for the assessment year 2018-19.

Question 81

Mr. Mahesh, a production manager working in ABC Ltd., New Delhi, receives the following emoluments during the previous year 2017-18:

Particular	Rs.	Particular	Rs.
Basic salary	175000	Bonus	8000
D.A. (not forming part of salary)	140000	Medical allowance	5000
Commission on extra production	12000	Special allowance	18000

Education Allowance (including allowance for hostel expenditure) for two sons who are engineering students at Mumbai - Rs. 16000.

- (i) His employer has provided rent free house to him in New Delhi.
- (ii) Electricity bills paid by ABC Ltd. for him during the previous year are of Rs. 11500.
- (iii) On 02.01.2018, his employer company has given him a CD player for domestic use and a laptop for office and personal use. Ownership of both the assets has not been transferred. The cost of CD player is Rs. 20000 and that of laptop is Rs. 40,000.
- (iv) His investments during the previous year are:

Notified mutual fund	Rs. 25000
PPF	Rs. 15000
- (v) He has paid tuition fees of his sons on 17.12.2017 of Rs. 60000
- (vi) He has deposited Rs. 10000 in Five Year Time Deposit Scheme in Post Office on 25.3.2018.
- (vii) His agricultural income during the year is Rs. 45000.
- (viii) He has received gift of Rs. 25000 from his grandfather on 10.06.2017.
- (ix) He has gifted his car to his wife on 15.05.2017. She has earned income of Rs. 30000 from hiring the same during the previous year.

Compute the total income and tax payable of Mr. Mahesh for the A.Y. 2018-19.

Question 82

Rajat is a Chartered Accountant in practice. He maintains his accounts on cash basis. He is a Resident and ordinarily resident in India. His profit and loss account for the year ended March 31, 2018 reads as follows:

Expenditure	Rs.	Income		Rs.
Salary to staff	5,25,000	Fees earned:		
Stipend to articled assistants	18,000	Audit	6,65,800	
Incentive to articled assistants	5,000	Taxation services	4,68,600	
Office rent	24,000	Consultancy	3,82,000	15,16,400
Printing and stationery	6,600	Dividend on shares of Indian companies (gross)		9,635
Meeting, seminar and conference	38,600	Income from Unit Trust of India		6,600
Repairs, maintenance and petrol of car	22,400	Profit on sale of shares		15,620
Subscription and periodicals	15,000	Honorarium received from various institutions for valuation of answer papers		16,350
Postage, telegram and fax	32,500	Rent received from residential flat let out		84,000
Depreciation	29,500			
Travelling expenses	55,000			
Municipal tax paid in respect of house property	1,000			
Net profit	8,76,005			
	16,48,605			16,48,605

Other information:

- (i) The total traveling expenses incurred on foreign tour was Rs. 20000 which was within the RBI norms.
- (ii) Incentive to articled assistants represent amount paid to two articled assistants for passing IPCE Examination at first attempt.

VG Professional Studies (P) Limited

D-8, 1st Floor, Near Metro Pillar No. 34, Vikas Marg, Laxmi Nagar, Delhi -92

Contact No. 8470999333, 9873827301 **website: www.cavijaygaurav.com** **Page 235**

- (iii) Repairs and maintenance of car includes Rs. 1600 for the period from 1.10.2017 to 30.09.2018.
- (iv) Salary includes Rs. 30000 to a computer specialist in cash for assisting Mr. Rajat in one professional assignment.
- (v) Rs. 1500, interest on loan paid to LIC on the security of his Life Insurance Policy and utilised for repair of computer, has been debited to the drawing account of Mr. Rajat.
- (vi) Birthday gifts received by his minor son include cash Rs. 30000, which was deposited with a nationalized bank. Interest accrued upto 31.03.2018 amounted to Rs.1500.
- vii) Medical Insurance Premium on the health of:

	Amount	Mode of payment
Self	10,000	By Cheque
Dependent brother	5,000	By Cheque
Major son dependent on him	3,000	By Cash
Minor married daughter	2,000	By Cheque
Wife dependent on assessee	6,000	By Cheque

- (viii) Shares sold were held for 10 months before sale.
- (ix) Rajat paid life membership subscription of Rs. 1000 to Chartered Accountants Benevolent Fund. The amount was debited to his drawings account. The Chartered Accountants Benevolent Fund is an approved fund under section 80G of Income-tax, 1961.

Compute the total income and tax payable of Rajat for the Assessment year 2018-19

Question 83

Dr. Sparsh Kumar is running a clinic. His Income and Expenditure account for the year ending 31st March, 2018 is given below:

Expenditure	Amount Rs.	Income	Amount Rs.
To Staff Salary	4,30,000	By Fees Receipts	12,63,600
To Consumables	9,250	By Dividend from Indian Companies	9,500
To Medicine consumed	3,64,800	By Winning from Lotteries Net of TDS (TDS Rs.12,240)	27,760
To Depreciation	91,000	By Income-tax refund	2,750
To Administrative Expenses	1,46,000		
To Donation to Prime Minister's Relief Fund	15,000		
To Excess of Income over Expenditure	2,47,560		
Total	13,03,610	Total	13,03,610

Other Information's

- (i) Depreciation in respect of all assets has been ascertained at Rs. 50000 as per Income-tax Rules.
- (ii) Medicines consumed include medicine of (cost) Rs. 16000 used for his family.
- (iii) Fees Receipts include Rs. 14000 honorarium for valuing medical examination answer books.
- (iv) He has also received Rs. 80000 on account of Agricultural Income which had not been included in the above Income and Expenditure Account.
- (v) He has also received Rs. 57860 on maturity of one LIC Policy, not included in the above Income and Expenditure Account.
- (vi) He received Rs. 6000 per month as salary from a City Care Centre. This has not been included in the 'Fees Receipts' credited to Income and Expenditure Account.
- (vii) He has sold land in June, 2017 for Rs. 600000 (valuation as per stamp valuation authority Rs. 900000). The land was acquired by him in October, 2001 for Rs. 450000.
- (viii) He has paid premium of one LIC Policy Rs. 12000 (sum assured Rs. 50000).
- (ix) He has paid Rs. 2500 for purchase of lottery tickets.

From the above compute the income and tax payable of Dr. Sparsh Kumar for the Asst. year 2018-19.

Question 84

Dr. Krishna furnishes you the following information:

Income and Expenditure Account for the year ended 31st March 2018.

	Rs.		Rs.
To Medicines consumed	2,42,000	By Fee receipts	8,47,500
To Staff salary	1,65,000	By Rent	27,000
To Hospital consumables	47,500	By Dividend from Indian companies	9,000
To Rent paid	60,000		
To Administrative expenses	1,23,000		
To Net Income	2,46,000		
	8,83,500		8,83,500

- (i) Rent paid includes rent for his residential accommodation of Rs. 30000 (paid by cheque).
- (ii) Hospital equipments (eligible for depreciation @ 15%)
01.04.2017 Opening WDV Rs. 500000
07.12.2017 Acquired (Cost) Rs. 200000
- (iii) Medicines consumed include medicines (cost) Rs. 10,000 used for Dr.Krishna's family.
- (iv) Rent received – relates to a property situated at Mysore (Gross Annual Value). The municipal tax of Rs. 2000 paid in December, 2017 has been included in the "administrative expenses".
- (v) He received Rs. 5000 per month as salary from Full Cure Hospital. This has not been included in the "fee receipts" credited to income and expenditure account.
- (vi) He sold a vacant site in July, 2017 for Rs. 500000. It was inherited by him from his father in January, 2003. The site was acquired by his father in December, 2002 for Rs. 150000.

Compute Dr. Krishna's taxable income for the year ended 31.03.2018.

Question 85

The broad break-up of tax and allied details of Mrs. Rinku, born on 30th March, 1943 are as under:

	Rs.
Long-term capital gains on sale of house	200000
Short-term capital gains on sale of shares in B Pvt. Ltd.	30000
Prize winning from a T.V. show	20000
Business income	220000
Net agricultural income	40000

Mrs. Rinku has paid the following:

LIC premium of self Rs. 40000 and LIC premium of husband Rs. 20000

Compute the tax payable by Mrs. Rinku for the assessment year 2018-19.

Question 86

Ramdin working as Manager (Sales) with Frozen Foods Ltd., provides the following information for the year ended 31.03.18:

Basic Salary	Rs. 15,000 p.m.
DA (50% of it is meant for retirement benefits)	Rs. 12,000 p.m.
Commission as a percentage of turnover of the Company (Turnover of the Company Rs. 50 lacs)	0.5 %
Bonus	Rs. 50,000
Gratuity	Rs. 30,000
Own Contribution to R.P.F.	Rs. 30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F. account @ 15% p.a.	Rs. 15000

- Gold Ring worth Rs. 10000 was given by employer on his 25th wedding anniversary.
- Music System purchased on 02.04.13 by the company for Rs. 85000 and was given to him for personal use.
- Two old heavy goods vehicles owned by him were leased to a transport company against the fixed charges of Rs. 6500 p.m. Books of account are not maintained.
- Received interest of Rs. 5860 on bank FDRs, dividend of Rs. 1260 from shares of Indian Companies and interest of Rs. 7,540 from the debentures of Indian Companies.
- Made payment by cheques of Rs. 15370 towards premium of Life Insurance policies and Rs. 12,500 for Mediclaim Insurance policy.
- Invested in 6 years NSC Rs. 30,000 and in FDR of SBI for 7 years Rs. 50,000.
- Donations of Rs. 11,000 to an institution approved u/s 80G and of Rs. 5,100 to Prime Minister's National Relief Fund were given during the year.

Compute the total income and tax payable thereon for the A.Y. 2018-19.

Question 87

Mr. X is a resident individual. His Profit and Loss account for the year ending 31st March, 2018 is given below:

To	Amount	By	Amount
General charges	35650	Gross Profit	525860
Insurance	3550	Commission	6800
Staff Salary	112560	Rent received	37500
Donation to political party	1000	Interest on debentures (Net amount Rs. 22450 Plus TDS Rs. 2550)	25000
Staff Welfare	2400	Agricultural income	45000
Depreciation	125656	STCG	29000
Administrative expenses	42500	Dividend from Indian Co	16000
Advance tax	17000		
Net Profit	344894		
Total	685160	Total	685160

- (i) Depreciation has been calculated as per the Income Tax Rules at Rs. 75,000
- (ii) He has deposited Rs. 35,000 in a notified scheme under Post Office Time Deposit Rules for five year time.
- (iii) He had bought 200 shares of AB Co. Ltd. on 5.12.2012 @ Rs. 75 each, 150 shares of PQ Co. Ltd. on 03.08.2013 @ Rs. 112 each and 150 shares of AB Co. Ltd. on 05.09.2013 @ Rs. 60 each. He sold all the shares of AB Co. Ltd. on 15.12.2017 @ Rs. 98 each and sold the shares of PQ CO. Ltd. on 10.03.2018 @ Rs. 102 each. All shares were sold in National Stock Exchange through a registered broker.
- (iv) One of his life insurance policies was matured on 14.06.2017. The sum assured was Rs. 100000 and amount received on maturity was Rs. 162850.
- (v) Donation to the political party represented the contribution made to a political party registered under section 29A of the Representation of the People Act, 1951.
- (vi) Income tax department refunds Rs. 42580 (including interest of Rs. 1470) which was directly credited in his personal savings account.
- (vii) He incurred expenditure of Rs. 40000 on treatment of his dependent father who was suffering from specified disease as defined in rule 11DD of Income Tax Rules, 1962. The payment of medical expenses was made by cheque and an amount of Rs. 7500 was reimbursed to him by an insurance company.
- (viii) Bad debt of a business which was discontinued in earlier years, recovered during the year Rs. 15000.

Compute total income and tax payable thereon by Mr. X for the assessment year 2018 2019.

Question 88

Mr. Sagar is a lawyer of Delhi High Court. He keeps his accounts on cash basis. His receipts and payments A/c for the year ending 31-3-2018 is given below:

Particular	Rs	Particular	Rs
Balance b/d	3820	Subscription and membership	4500
Legal fees	145000	Purchase of legal books	7500
Special commission fees	5500	Rent	47500
Salary from Law college As part time lecturer	87000	Car Expenses	14000
Exam. Remuneration	1480	Office Expenses	8500
Interest on Bank Deposit	3500	Electricity Exp	4000
Sale Proceeds of residential Property	341000	Income tax	8000
Dividend from Co-operative Society	1000	Gift to Daughter	12000
Dividend received from the units Of UTI	2000	Domestic expenses	25000
Rent from house Property	15000	Donation to Institution approved u/s 80G	2000
		Car Purchased	220000
		Life Insurance Premium	6000
		Balance c/d	246300
TOTAL	605300	TOTAL	605300

Following information is available:

1. The rent and electric exp. Are related to a house of which half portion is used for self residence and remaining half portion in used for office.
 2. Car is used only for professional purposes.
 3. Outstanding legal fees 10000.
 4. Rent has been paid for 10 months only.
 5. Car was purchased on 25-09-2017. Law books purchased are annual publication out of which books of 2000 were purchased on 06-04-2017 and balance on 31-10-2017.
 6. The house was purchased in January 1985 for 50000 and sold on 01-07-2017
 7. Unrealized Rent of the property which has been sold was 5000. The property was vacated by the tenant on 30-06-2017.
- Compute his Total Income for the assessment year 2018-19.

Question 89

Rao & Jain, a partnership firm consisting of two partners, reports a net profit of 700000 before deduction of the following items :

- 1) Salary of 20000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
- 2) Depreciation on plant & machinery u/s 32 (computed) 150000
- 3) Interest on capital at 15% p.a. (as per deed of partnership). The amount of capital eligible for interest 500000.

Compute:

- (i) Book-profit of the firm u/s 40(b) of Income Tax Act, 1961.
- (ii) Allowable working partner salary for the assessment year 2018-19 as per section 40(b) of Income tax Act, 1961.

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Question 90

Mr. Gupta is having a trading business and his trading and profit & loss account for the financial year 2017-18 is as under:

Particular	Amount	Particular	Amount
Opening Stock	100000	By sales	7000000
To Purchases	4900000	By closing stock	50000
To Gross profit	2050000		
Total	7050000	Total	7050000
Salary to employee (including contribution to PF)	500000	By gross profit b/d	2050000
Donation to prime minister Relief fund	100000		
Provision for bad debts	50000		
Bonus to employees	50000		
Interest of bank loan	50000		
Family planning Exp incurred on employees	20000		
Depreciation	30000		
Income Tax	100000		
To Net profit	1150000		
Total	2050000	Total	2050000

Other Information

- (1) Depreciation allowable Rs 40000 as per income tax Rules.
- (2) No deduction of tax at source on payment of interest on bank loan has been made.
- (3) Payment of bonus to workers made in the month of October on the occasion of Diwali festival.
- (4) Out of salary Rs 25000 pertains to his contribution to recognized provident fund which was deposited after the due date further, employees contribution of Rs 25000 was also deposited after the due date. (Due date means filing return of Income)

Calculate gross total income of Mr. Gupta for the Assessment Year 2018-19.