

Unique Paper Code:	22413304 (New Course)
Name of the Course:	B. Com. (Hons.)
Semester:	3rd
Name of the Paper:	Personal Tax Planning
Duration:	3 Hours
Max Marks:	75

Open Book Examination-2020
Sat 12-12-2020

- Attempt any Four Questions
- All Questions carry equal Marks (18.75)

Q1.

- Mr. Saurabh, UK Citizen coming to India @ 100 days since FY 2016-17
- To become Non-Resident in PY 2019-20, he should visit India for Less than 60 days on or after 01/02/2019

Particulars	ROR	NOR	NR
(a) Profits from business in Japan	5,00,000	Nil	Nil
(b) Agricultural income from South Africa	3,00,000	Nil	Nil
(c) Profit from business in USA controlled from India			
1. 50% is received in India	2,50,000	2,50,000	2,50,000
2. 50% is received in outside India	2,50,000	2,50,000	Nil
(d) Interest on Canadian Government Bonds	50,000	Nil	Nil
(e) Profit on sale of property situated in India	3,00,000	3,00,000	3,00,000
(f) Pension income received in Indonesia for services rendered in India	5,00,000	5,00,000	5,00,000
(g) Dividend received from a company registered in UK	1,00,000	Nil	Nil
(h) Profit from sale of property located in Switzerland received in UK	1,00,000	Nil	Nil
Total	23,50,000	13,00,000	10,50,000

Q2.

Particulars		Offer I	Offer II
1. Basic Salary (65,000 * 12)		780000	780000
2. DA (17,500 * 12)		210000	210000
3. City compensatory allowance (5,000 * 12)		60000	60000
4(a). Education allowance for three children $500*3*12 =$	18000		
less exempt $100*12*2 =$	2400	15600	
4(b). Education facility for three children (Fully exempt)			Nil
5(a). Transport allowance $2,000*12 =$	24000		
less exempt	Nil	24000	
5(b). Facility of car (Fully exempt)			Nil
6(a). Medical allowance $2,500*12 =$	30000		
less exempt	Nil	30000	
6(b). Medical facility (Fully exempt)			Nil
7(a). House rent allowance W.N 1		57600	
7(b). Rent free unfurnished accommodation W.N 2			157500
Gross Salary		1177200	1207500

less: Standard Deduction	50000	50000
Income from Salary	1127200	1157500
Income from other sources	6,00,000	6,00,000
GTI	17,27,200	17,57,500
Less: Deduction u/s 80C to 80U (40,000 + 20,000)	60,000	60,000
Total income	16,67,200	16,97,500

W.N 1

HRA is exempt by least of the following

Particulars	Amount	
1. HRA Received	57600	4800*12
2. Rent Paid less 10% of Salary	0	5000*12 - 10% of 990000 = -39000
3. 50 % of Salary	495000	50% of 990000

Salary	990000
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House rent allowance	57600
exempt	0
taxable	57600

W.N. 2

RFA = 15% of RFA salary
= 15 % 1050000
157500

1. Basic Salary	780000
2. DA	210000
3. CCA	60000
Total	1050000

Q3.

Particulars	DLO House 1	DLO House 2	DLO House 3
Municipal Value	12,00,000	16,00,000	27,00,000
Fair Rent	13,60,000	18,00,000	26,00,000
Standard Rent	13,20,000	19,00,000	25,00,000
GAV (Higher of Municipal Value & Fair Rent but less tha Standard rent)	13,20,000	18,00,000	25,00,000
Less: Municipal taxes	35,000	75,000	2,00,000
NAV	12,85,000	17,25,000	23,00,000
Less: Standard Deduction(30%)	3,85,500	5,17,500	6,90,000
Less: Interest on borrowed capital for repairs	1,10,000		
Less: Interest paid on borrowed capital		4,00,000	
Income from House property	7,89,500	8,07,500	16,10,000

Case 1

House 1	SO	-2,00,000	Maximum 2 lac can be set off
House 2	SO		
House 3	DLO	16,10,000	
HP income		14,10,000	

Case 2

House 1	SO	-30,000
House 2	DLO	8,07,500
House 3	SO	0
HP income		7,77,500

Case 3

House 1	DLO	7,89,500
House 2	SO	-2,00,000
House 3	SO	0
HP income		5,89,500

Case 3 is Best**Calculation of Taxable income**

Particulars		Amount
Income from House property		5,89,500
Pension	300000	
less: Standard Deduction	-50,000	2,50,000
Income from other sources		
• Saving interest 15,000		
• FD interest 40,000	55000	55000
GTI	3,05,000	8,94,500
Deduction u/s 80C to 80U		
• 80TTB	-50,000	-50,000
TI	2,55,000	8,44,500

0 - 3,00,000 @ Nil	Nil
3,00,000 - 5,00,000 @ 5%	10000
5,00,000 - 8,44,500 @ 20%	68900
Total	78900
Add: HEC @ 4%	3156
Tax liability	82056

Tax liability (Round Off)	82060
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Q4.**If Mr. Chand do not opt presumptive taxation u/s 44AD**

Particulars		Amount
Net profit as per P&L A/c		9,13,000
Add: Expenses not allowed		
Household expenses		
• medical insurance premium: 28,000		
• other: 52,000	80,000	
Depreciation	1,55,000	
Interest on capital of Mr. Chand	22,000	
Provision for bad debt	32,000	

Payment of royalty outside India	2,20,000	5,09,000
Less: Expenses/income allowed		
Recovery of bad debt (Not allowed deduction earlier)	42,000	
Depreciation (8,00,000 * 15/2%) • Used for less than 180 days	60000	1,02,000
Net profit as per income tax		13,20,000

Calculation of Taxable income If Mr. Chand do not opt presumptive taxation u/s 44AD

Particulars	Amount
Income from PGBP	13,20,000
GTI	13,20,000
less: Deduction u/s 80C to 80U • 80D (Medical insurance premium)	-28,000
TI	12,92,000

If Mr. Chand opt presumptive taxation u/s 44AD

Calculation of Taxable income If Mr. Chand do not opt presumptive taxation

Particulars	Amount
Income from PGBP • 90,00,000 @ 8%	7,20,000
GTI	7,20,000
less: Deduction u/s 80C to 80U	-28,000
TI	6,92,000

Tax Planning

Mr. Chand must opt for opt presumptive taxation u/s 44AD for better tax planning

Q5.

For the purpose of section 45, the following transactions are not regarded as transfers (in other words, in the following cases, there is no Capital Gain) Any 10

1	1. Distribution of assets in kind by a company to its shareholders on its liquidation [Section 46(1)].
2	2. Any distribution of capital assets in kind by a Hindu undivided family to its members at the time of total or partial partition [Section 47(i)].
3	Any transfer of capital asset under a gift or a will or an irrevocable trust [Section 47(iii)].
4	Transfer of capital asset between holding company and its 100% subsidiary company, if the transferee company is an Indian company [Section 47(iv)].

5	Transfer of capital asset in the scheme of amalgamation / demerger, if the transferee-company is an Indian company [Section 47(vi)].
6	Transfer of shares in amalgamating company / demerged company in lieu of allotment of shares in amalgamated company / resulting company in the above case [Section 47(vib)].
7	Transfer of capital asset in a scheme of amalgamation of a banking company with a banking institution.
8	Transfer of shares in an Indian company held by a foreign company to another foreign company in a scheme of amalgamation / demerger of the two foreign companies, if a few conditions are satisfied.
9	Transfer of a capital asset by a non-resident of foreign currency convertible bonds or Global Depository Receipts to another non-resident if the transfer is made outside India and if a few conditions are satisfied.
10	Transfer by an individual of Sovereign Gold Bond (issued by RBI under the Sovereign Gold Bond Scheme, 2015) by way of redemption.
11	Any transfer by way of conversion of bonds or debentures, debenture-stock or deposit certificate in any form, of a company into shares or debentures of that company.
12	Transfer by way of conversion of preference shares of a company into equity shares of that company.
13	Land transferred by a sick industrial company, if a few conditions are satisfied.
14	Any transfer of capital asset in a reverse mortgage.
15	Any transfer involved in a scheme for lending of any securities, if a few conditions are satisfied.

Q6.

(i) Section 80EEA-Deduction for interest paid on home loan for affordable housing

Features

1	The deduction under this section is available only to individuals.
2	A deduction for interest payments up to Rs 1,50,000 is available under Section 80EEA.
3	This deduction is over and above the deduction of Rs 2 lakh for interest payments available under Section 24 of the Income Tax Act.
4	Similar to Section 80EE, in order to claim deduction under Section 80EEA, you should not own

Conditions for claiming the deduction

1	Housing loan must be taken from a financial institution or a housing finance company for
2	Stamp duty value of the house property should be Rs 45 lakhs or less.
3	The individual should not be eligible to claim deduction under the existing Section 80EE.
4	The taxpayer should be a first-time home buyer. The taxpayer should not own any residential house

Section 80EEB – Deduction in respect of interest paid on loan taken for the purchase of electric vehicle

(ii)

Features

1	The deduction under this section is available only to individuals.
2	A deduction for interest payments up to Rs 1,50,000 is available under Section 80EEB.
3	An individual taxpayer may have an electric vehicle for personal use or for business use.
4	This deduction would facilitate individuals having an electric vehicle for personal use to claim the interest paid on the vehicle loan.
5	In case of business use, an individual can also claim the deduction up to Rs 1,50,000 under section 80EEB.
6	Any interest payments above Rs 1,50,000 can be claimed as a business expense. To claim as a business expense, it is necessary that the vehicle should be registered in the name of the owner or

Conditions for claiming the deduction

1	The loan must be taken from a financial institution or a non-banking financial company for buying an electric vehicle.
2	The loan must be sanctioned anytime during the period starting from 1 April 2019 till 31 March 2023.
3	“Electric vehicle” has been defined to mean a vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.