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**Solution 1:**

**Both the options (i.e., net sale or gross sale) are taken as correct while determining the closing WDV i.e., net sale can be taken either as Rs. 4,50,000 (Rs. 5,00,000 – Rs. 50,000) or Rs. 5,00,000.**

Block (Machinery and Plant having rate of depreciation: 15%):

| | Particulars | Option I: If net sale is taken (Rs.) | Option II: If gross sale is taken (Rs.) | **Marks** |
|---|---|---|---|---|
| | The written down value of the block of assets on 1 April 2020 | 20,00,000 | 20,00,000 | |
| Add: | The actual cost of assets falling within the block which are acquired during the previous year 2020-21 [Rs. 3,00,000 + Rs. 4,00,000] | 7,00,000 | 7,00,000 | |
| | Total | 27,00,000 | 27,00,000 | |
| Less: | The sale value of the assets falling within the block which are sold during the previous year 2020-21 - **Clarification on this point is written above** | 4,50,000 | 5,00,000 | |
| | The written down value of the block of assets on 31 March 2021 **(a)** | **22,50,000** | **22,00,000** | **3** |
| Less: | Depreciation for the previous year 2020-21 **(b)** [Rs. 30,000 (Rs. 4,00,000×15%×50%) + Rs. 2,77,500 (Rs. 18,50,000×15%)] *OR [Rs. 30,000* (Rs. 4,00,000×15%×50%) + *2,70,000 (Rs. 18,00,000 × 15%)]* | **3,07,500** | **3,00,000** | **3** |
| Less: | Additional depreciation for the previous year 2020-21**(c)** [Rs. 40,000 (Rs. 4,00,000 × 20% × 50%)] | **40,000** | **40,000** | **3** |
| | The written down value of the block of assets on 1 April 2021 **(d)** | **19,02,500** | **18,60,000** | **3** |
| | **Overall Presentation of entire solution** | | | **1.75** |

*Note:*

The Machine E was acquired and put to use for less than 180 days during the previous year 2020-21 and thus, only 50% of additional depreciation is allowed for the previous year 2020-21.

**Solution 2:**

Computation of total income of Mrs. X for the assessment year 2021-22:

| | | Rs. | Marks |
|---|---|---|---|
| | Income from house property | 6,00,000 | **1** |
| | Long-term capital gain – Note 1 | 1,28,805 | |
| | Short-term capital gain – Note 1 | 1,40,000 | |
| | Gross total income | 8,68,805 | |
| Less: | Deductions under section 80C – Not allowed if opts for 115BAC | Nil | **2** |
| | Total income (Rounded off) | 8,68,810 | |

*Note:*

1. *Computation of income under the head Capital Gains:*

| | Particulars | Land | Gold | Listed Debentures | **Marks** |
|---|---|---|---|---|---|
| | Holding period | 01.01.2000 to 30.12.2020 | 22.03.2019 to 30.12.2020 | 17.06.2018 to 30.12.2020 | |
| | Holding period required for short-term capital asset | 24 months | 36 months | 12 months | |
| | Type of capital asset | Long-term | Short-term | Long-term | |
| | | Rs. | Rs. | Rs. | |
| | Sale consideration | 48,00,000 | 50,00,000 | 8,00,000 | |
| Less: | Expenses on transfer [1%, Nil, 1%] | 48,000 | ---- | 8,000 | **1 [.5+.5]** |
| | Net consideration | 47,52,000 | 50,00,000 | 7,92,000 | |
| | Indexed cost of acquisition – Note 2 | 6,02,000 | ---- | ---- | **3** |
| | Cost of acquisition – Note 3 | ---- | 48,60,000 | 7,92,000 | **2 [1+1]** |
| | Indexed cost of improvement [Rs. 90,000/220 × 301] | 1,23,136 | ---- | ---- | **2** |
| | Long-term capital gain | 40,26,864 | ---- | Nil | |
| | Short-term capital gain | ---- | 1,40,000 | ---- | |
| Less: | Exemption under section 54F – Note 4 | 38,98,059 | ---- | ---- | **2** |
| | Capital gains | 1,28,805 | 1,40,000 | Nil | |
| | | | | **Overall Presentation of entire solution** | **0.75** |

2. *Computation of indexed cost of acquisition of land:*
   The cost of acquisition is Rs. 2,00,000 [being the higher of Rs. 50,000 (actual cost of acquisition to the previous owner) or Rs. 2,00,000 (being the FMV on 1 April 2001)].
   Thus, Indexed cost of acquisition = Rs. 6,02,000 [Rs. 2,00,000/100 × 301].

3. *Computation of cost of debentures:*
   Indexation of cost of acquisition is not allowed in case of debentures even if debentures are long-term capital assets.

4. *Exemption under section 54F:*
   Exemption under section 54F is Rs. 38,98,059 [Rs. 40,26,864/Rs. 47,52,000 × Rs. 46,00,000].

**Solution 3:**

Computation of taxable income of X for the assessment year 2021-22:

| | Particulars | Rs. | **Marks** |
|---|---|---|---|
| | Basic salary [(Rs. 6,000 × 9) + (Rs. 7,000 × 3)] | 75,000 | **1** |
| | Dearness allowance [Rs. 4,000 × 12] | 48,000 | |
| | Education allowance [(Rs. 550 × 12 × 4) – (Rs. 100 × 12 × 2)] | 24,000 | **1** |
| | Medical allowance [Rs. 400 × 12] | 4,800 | **1** |
| | Transport allowance [Rs. 1,950 × 12] | 23,400 | **2** |
| | House rent allowance – Note 1 | 7,584 | **2** |
| | Furnished accommodation at concessional rent – Note 2 | 6,188 | **4 [2 + 1 +1]** |
| | Salary from B Ltd. [Rs. 2,000 × 3] | 6,000 | **1** |
| | Gross salary | 1,94,972 | |
| Less: | Standard deduction | 50,000 | **1** |
| | Net salary | 1,44,972 | |
| | Short term capital gain | 3,80,000 | **0.75** |
| | Taxable income (Rounded off) | 5,24,970 | |

*Note:*

1. *HRA exemption:*
   Salary for this purpose is Rs. 8,880 [Rs. 6,000 + Rs. 2,880 (Rs. 4,000*72%)] per month.
   Least of the following is exempt from tax –
   a) Rs. 3,552, being 40% of salary because the residential house is situated in Ghaziabad (i.e., 40% of Rs. 8,880)
   b) Rs. 4,500, being house rent allowance received
   c) Rs. 4,612, being rent paid *minus* 10% of salary [i.e., Rs. 5,500 – Rs. 888 (10% of Rs. 8,880)]
   Rs. 3,552, being the least is exempt per month.
   Thus, taxable house rent allowance is Rs. 7,584 [Rs. 4,500 × 8 - Rs. 3,552 × 8].

2. *Furnished accommodation* ***[2 out of 4 for Salary, 1 out of 4 for adding rent and 1 out of 4 for deducting rent payable by the employee]****:*
   Step 1: Value of unfurnished accommodation:
   In case of unfurnished accommodation which is taken on rent by the employer, the value of perquisite taxable is rent paid by the employer or 15% of salary whichever is less.
   Salary for this purpose is:

| | Rs. |
|---|---|
| Basic salary [Rs. 6,000 + Rs. 21,000 (Rs. 7,000 × 3)] | 27,000 |
| Dearness allowance (forming part) [Rs. 72% of Rs. 16,000] | 11,520 |
| Education allowance [(Rs. 550 × 4 × 4) – (Rs. 100 × 2 × 4)] | 8,000 |
| Medical allowance [Rs. 400 × 4] | 1,600 |
| Transport allowance [Rs. 1,950 × 4] | 7,800 |
| Salary from B Ltd. [Rs. 2,000 × 3] | 6,000 |
| Total | 61,920 |

Value of perquisite of unfurnished accommodation is Rs. 9,288 [Rs. 30,000 (Rs. 7,500 × 4) or 15% of Rs. 61,920].

Step 2: Value of furniture taken on hire charges by the employer: Rs. 500

Step 3: Value of furnished accommodation = Rs. 9,788 [Rs. 9,288 + Rs. 500].
From this value, rent paid by the employee to the employer: Rs. 3,600 (Rs. 900 × 4) will be deducted to arrive at the taxable value and thus, the taxable value is Rs. 6,188 [Rs. 9,788 – Rs. 3,600].

**Solution 4:**

| | | | Marks |
|---|---|---|---|
| **HP loss:** | *Intra-head* | *:* Allowed | **1** |
| | *Inter-head* | *:* Allowed till Rs. 2,00,000 against any income except with casual income like lottery, car games, etc. | **1** |
| | *Carry-forward:* | Allowed against HP income for 8 years | **1** |
| **Capital loss:** | *Intra-head:* | | |
| | STCL | : Allowed against STCG as well as LTCG | **1** |
| | LTCL | : Allowed against LTCG only | **1** |
| | *Inter-head* | *:* Not allowed | **1** |
| | *Carry-forward:* | STCL against STCG as well as LTCG and for 8 Years<br>LTCL against LTCG only and for 8 years | **1** |
| **Clubbing [Sec. 64(1)(ii)]:** | | | |
| | *Salary of Mr. X received from B Ltd. will be clubbed in the hands of his wife* | | **2** |
| | *Conditions i.e.,*<br>Salary received from such concern,<br>employed without required expertise,<br>spouse is having substantial interest, etc. | | **2** |
| | *Exceptions i.e.,*<br>Required qualification and experience | | **1** |
| | *When both are having substantial interest ....* | | **1.75** |

**Solution 5:**

Computation of total income of Mrs. R for the assessment year 2021-22:

| | Particulars . | Rs. | **Marks** |
|---|---|---|---|
| | Income under the head Salaries – Note 1 | 5,50,000 | |
| | Income under the head House property – Note 4 | (67,000) | |
| | Income from other sources | 9,10,000 | **0.75** |
| | Gross total income – Note 5 | 13,93,000 | |
| Less: | Deduction under section 80C (Repayment of loan) | 1,50,000 | **1** |
| | Total income | 12,43,000 | |

Computation of tax payable: **[2 Marks for Tax Payable]**

| | | Rs. |
|---|---|---|
| | Tax [Rs. 1,12,500 + 30% (Rs. 12,43,000 – Rs. 10,00,000)] | 1,85,400 |
| Less: | Rebate under section 87A<br>(not applicable because total income exceeds Rs. 5,00,000) | Nil |
| | | 1,85,400 |
| Add: | Cess @ 4% | 7,416 |
| | Tax payable (Rounded off) | 1,92,820 |

*Note:*

1. *Computation of income from salary:*

| | Particulars | Rs. | Rs. | **Marks** |
|---|---|---|---|---|
| | Basic salary [Rs. 50,000 × 12] | | 6,00,000 | **0.5** |
| Add: | Perquisites (employees obligation met by the employer) | | 2,000 | **0.5** |
| | Gross salary | | 6,02,000 | |
| Less: | Deduction under section 16: | | | |
| | Standard deduction | | 50,000 | **0.5** |
| | Professional tax | | 2,000 | **0.5** |
| | Income under the head salaries | | 5,50,000 | |

2. *Calculation of interest on borrowed capital:* ***[2 Marks for calculating interest]***:
   *Computation of pre-construction period interest*:
   Interest for the period during 1 June 2016 to 31 March 2019 i.e., for 34 months is Rs. 6,37,500 [Rs. 15,00,000 × 15% × 34/12] and each instalment is Rs. 1,27,500 [Rs. 6,37,500/5] which will be deducted during the previous years 2019-20 to 2023-24.
   *Computation of interest payable during the previous year 2020-21:*
   Interest during the previous year 2020-21 is payable for 6 months [1 April 2020 to 1 October 2020]. Thus, interest during the previous year 2020-21 is Rs. 1,12,500 [Rs. 15,00,000 × 15% × 6/12].
   Total interest is Rs. 2,40,000 [Rs. 1,27,500 + Rs. 1,12,500].
   Since the property is a self-occupied property and the capital is borrowed on or after 1 April 1999 for the purpose of construction and such construction is completed within 5 years from the end of the year in which capital is borrowed, the maximum interest allowable as deduction is Rs. 2,00,000.
3. Repayment of loan taken for purchase/ construction of a residential house property from a bank is eligible for deduction under section 80C but up to a maximum of Rs. 1,50,000.
4. *Computation of income from house property:*

| | Particulars | House I (Rs.) [Self-occupied] | House II (Rs.) [Let out] | **Marks** |
|---|---|---|---|---|
| | Municipal value | | 2,00,000 | |
| | Fair rent | | 2,20,000 | |
| | Higher value of municipal value or fair rent (a) | | 2,20,000 | |
| | Standard rent (b) | | 2,30,000 | |
| Step 1: | Expected rent [Lower of (a) or (b)] | | 2,20,000 | **1** |
| | | | | |
| Step 2: | Actual rent received/ receivable | | 1,73,000 | |
| | | | | |
| Step 3: | Since actual rent received/ receivable is lower than the expected rent not only because of vacancy but because of other factors also, expected rent is the annual value (before deduction of municipal taxes) | | 2,20,000 | **1** |
| Less: | Municipal taxes paid during the previous year 2020-21 by the owner [50% of Rs. 60,000] | | 30,000 | **1** |
| | Annual value | Nil | 1,90,000 | **1 for AV of SO House I** |
| Less: | Deductions under section 24: | | | |
| | Standard deduction [30% of Rs. 1,90,000] | Nil | 57,000 | |
| | Interest on capital borrowed | 2,00,000 | Nil | **1 Mark for mentioning Rs. 2,00,000** |
| | Income from house property | (2,00,000) | 1,33,000 | |

Income from house property is Rs. (67,000) [Rs. (2,00,000) + Rs. 1,33,000].

**[1 Mark for applying the concept of Intra-head adjustment for HP loss]**

**Solution 6:**

*Determination of residential status of an individual* **6 Marks**

*Category I: An Indian citizen whose total income (excluding income from foreign sources) exceeds Rs. 15,00,000 during the relevant previous year and who is not liable to tax in any other country [Sec. 6(1A) and 6(6)]* ***[3 Marks for Category I]***

Such an individual is always deemed to be resident but not ordinarily resident in India if all the following conditions are satisfied –

1. He is an Indian citizen.
2. His total income (excluding income from foreign sources) exceeds Rs. 15,00,000 during the relevant previous year.
3. He is not liable to tax in any other country (or territory) by reason of his domicile/ residence/ any other criteria of similar nature.
4. He is a non-resident as per the normal provisions of determining residential status of an individual i.e., he does not satisfy both of the two basic conditions.

Note:

1. *Meaning of "Income from foreign sources"* –
   'Income from foreign sources' means income which accrues/ arises outside India and which is not deemed to accrue/ arise in India. Further, it does not include the income derived from a business controlled in (or a profession set up in) India.
2. *Meaning of 'liable to tax'* –
   'Liable to tax", in relation to a person and with reference to a country, means that there is an income-tax liability on such person under the law of that country for the time being in force. Further, it includes a person who has subsequently been exempted from such liability under the law of that country.

*Category II: An Indian citizen (or a person of Indian origin) who comes on a visit to India during the relevant previous year and whose total income (excluding income from foreign sources) exceeds Rs. 15,00,000 during that previous year* ***[3 Marks for Category II]***

Such an individual is always treated as resident but not ordinarily resident in India if all the following conditions are satisfied –

1. He is an Indian citizen (or a person of Indian origin).
2. His total income (excluding income from foreign sources) exceeds Rs. 15,00,000 during the relevant previous year.
3. He comes on a visit to India during the relevant previous year.
4. He is present in India for 120 days or more but less than 182 days during the relevant previous year and at the same time, 365 days or more during 4 years immediately preceding the relevant previous year.

**Overall Presentation of entire solution: 1.75 Marks**