

Q.1

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Solution to B.Com. (Hons) II yr,

Sem-III Core Paper 3.2 Income Tax

Wed, 28-12-2022 (09:30 am to 12:30 pm)

Centralised Evaluation at Miranda House

(Sun, 01-01-2023 to Sat, 07-01-2023)

Website: www.taxclasses.in

YouTube: Tax Doctor

(1) Definition – 2 marks

Exceptions – 3 marks

(2) Stay in India in 2021-22 – 2/10/21 to 31/3/2022 – 181 days

Stay in the last 4 years

2020-21	1/4/2020 – 18/8/2020	140 days
2019-20		366 days
2018-19		365 days
2017-18		365 days

He is ROR – 2 marks

	Income	Rs.
1.	Interest from the Government of India, received in London	5,00,000
2.	Royalty from Indian Resident for a project of an Indian company situated in London	6,00,000
3.	Dividends from an Indian Company	50,000
4.	Gifts from friends in foreign currency, received in London	---exempt upto 50,000
5.	Income earned and received in London in 2019-20, remitted to India in 2021-22	---
6.	Interest earned in India but received in London	60,000
	Taxable Income	12,10,000

½ mark each – 3 marks**(3)**

Income	Rs.	
Salary (after standard deduction)	24,00,000	24,00,000
Other Sources	2,00,000	2,00,000
House Property I (let-out)	4,00,000	2,00,000
House Property II (self-occupied)	(-) 6,50,000	
	C/F – NIL – 2 marks	28,00,000 – 3 marks

(4)

Income	X (Rs.)	Mrs. X (Rs.)	A (Rs.)
Salary (after Standard deduction)	18,00,000	--	--
Other Sources	--	18,50,000	---
Income from acting			50,000
Gift from friends		(1,200-1,200)	--
Gift from relatives			Exempt
	18,00,000 – 1 mark	18,50,000 – 2 marks	50,000 - 2 marks

(5)

Income	Rs.	
House property (computed)	7,20,000	
Post Office Savings Bank Interest	4,000-3,500=500	1 mark
Interest on Deposits with Bank	60,000	
GTI	7,80,500	
Less: 80 C - Deposits with PPF and NSC	(1,50,000)	2 marks
80TTB – Interest on deposits	(50,000)	2 marks
Total Income	5,80,500	

(6)

3 marks for the case

Sale of Tea	20,00,000
Expenses on growing tea leaves and manufacturing tea leaves	12,00,000
Income	8,00,000 Agricultural income is 60% = 4,80,000 Non-agricultural is 40% = 3,20,000 (2 marks)

Q.2 Total income of X for the assessment year 2022-23

Income Details	Rs. (per annum)			
Basic Salary	12,00,000	12,00,000	12,00,000	
Dearness Allowance (50% is part of salary for all retirement purposes)	2,00,000	2,00,000	2,00,000	1/2 mark
Education allowance for three children	36,000	36,000 – 2,400= 33,600	33,600	1 mark
Research allowance Research shall complete in 2022-23 Amount spent in 2021-22: Rs. 16,000 Amount spent in 2022-23 (June): Rs. 4,000	20,000	20,000-20,000=0	Nil	1 mark
Rent-free furnished house in Delhi, owned by the employer Furnishings provided by the Employer, owned by him, purchased in 2017-18	14,000	15% (12,00,000+1,00,000+33,600+10,000) 15% (13,43,600) 2,01,540 + 1,400=	2,02,940	1.5 marks
Gardener	18,000		Nil	1/2 mark
Overtime Payment	10,000		10,000	
Personal Attendant wef 16 th December, 2021	12,000	1,000*3 and 1/2 months	3,500	1/2 mark
Free use of car (1800 cc) with Driver for personal and official use		(2,400+900)*3 3,300*3=9,900	9,900	1 mark

wef 16 th December, 2021. All expenses of the car are incurred by the employer. A sum of Rs. 5,000 is recovered from X.		Amount recovered from employee is not deductible. Part of the month is ignored.		
Employer contributes 14% towards recognized Provident Fund of X		2%(12,00,000+1,00,000) 2%(13,00,000)	26,000	1/2 mark
Interest on Provident fund at the rate of 9%	9,000		Nil	1/2 mark
Gross Salary Less: SD Net Salary			16,85,940 (50,000) 16,35,940	1/2 mark
Interest on securities (net)	18,000	18,000*100/90	20,000	1 mark
GTI <u>Less: 80C *</u> NI			16,55,940 (1,11,406) 15,44,534	1.5 marks
*Own contribution towards Provident Fund	1,00,000	1,00,000		
Life insurance premium on own life Sum assured Policy was taken in 2020-21	15,000 1,00,000	10,000		
Life insurance premium on the life of daughter: paid on 15 th June, 2022	5,000	NA		
Purchase of NSCs in July, 2019 Accumulated interest in 2021-22	10,000 1,406	1,406		

OR

Q.2 (a) Provisions for taxing leave salary (3 marks)

(b) Total income of X for the assessment year 2022-23

Income	Rs. (per annum)			
Basic salary	10,00,000		10,00,000	
Dearness Allowance forming part of salary	1,00,000		1,00,000	1 mark
House Rent Allowance Rent paid by X in Delhi	2,00,000 1,50,000	2,00,000 50%(11,00,000)=5,50,000 1,50,000-1,10,000= 40,000	1,60,000	1 mark
Transfer of computer on 15 th January, 2022 Cost of computer to employer on 15 th April, 2020	30,000 1,00,000	1,00,000-50,000=50,000 Less: Amount of Transfer 30,000	20,000	1 mark
Employer's contribution towards NPS	1,50,000		1,50,000	½ mark
Employee's contribution towards NPS	60,000		--	½ mark
Gross Salary Less: SD Net Salary			14,30,000 (50,000) 13,80,000	½ mark
Short-term Capital Gains on sale of gold	50,000		50,000	½ mark

GTI Less: 80C*+80CCD(1) 80CCD(1B) 80CCD(2)		1,30,000+10,000=1,40,000 50,000 1,50,000 or 10%(11,00,000)=1,10,000	14,30,000 (3,00,000)	2 marks
NI			11,30,000	
*5 year deposit with the Post Office	1,00,000			
Deposit in Public provident Fund	30,000			

Q.3

Taxable income and tax liability of X assuming that X is a non-resident

	House I	House II
GAV	NIL	4,50,000
Less: M.Taxes		(5,000)
NAV	NIL	4,45,000
Less: SD@30%		(1,33,500)
Interest on borrowed capital	(2,00,000)	(3,00,000)
Income from House Property	(2,00,000)	11,500
Income from House property	(1,88,500)	

(i) If shares are non-listed

Income from House Property	LTCG (non-listed) 112	
(1,88,500)	6,00,000 (1,88,500)	No deductions u/s 80C to 80U
GTI/NI	4,11,500	
Tax	4,11,500@20%=82,300+3,292(4%) =85,592	Entire amount is taxable in case of a non-resident

(ii) If shares are listed

Income from House Property	LTCG (listed) 112A	
(1,88,500)	6,00,000 (1,88,500)	No deductions u/s 80C to 80U
GTI/NI	4,11,500	Entire amount is taxable in case of a non-resident Rebate u/s 87A is not available to NR.
Tax	3,11,500@10%=31,150+1,246(4%) =32,396	After exemption of Rs. 1,00,000

OR

Q.3(a) Can a person be chargeable to tax under the head” Income from House Property” if he is not the legal owner of the house property? (3 marks)

Q.3 (b)

(i) If shares are non-listed

GAV	Nil	
Less:M. Taxes	--	
NAV	Nil	1 mark
Less; Interest on borrowed capital		
Current PY 1,80,000		1 mark
PCP 4,05,000/5 81,000	(2,00,000)	2 marks + 1 mark for limiting to Rs. 2,00,000
1/1/2015 to 31/3/2017=2 years 3 months		
House property	(2,00,000)	
Business Income	3,00,000	
STCG on shares(non-listed)	4,30,000	
GTI/NI	5,30,000	
Tax 5,30,000 (2,50,000) _____ nil 2,80,000 (2,50,000) @5% 12,500 30,000@20% 6,000 18,500 +4% 740 19,240		1 mark
Long-term capital loss shall be carried forward		1 mark

(ii) If shares are listed

GAV	Nil	Listed shares (111A)	
Less:M. Taxes	--		
NAV	Nil		1 mark
Less; Interest on borrowed capital			
Current PY 1,80,000			1 mark
PCP 4,05,000/5 81,000	(2,00,000)		2 marks + 1 mark for limiting to Rs. 2,00,000
1/1/2015 to 31/3/2017= 2 years 3 months			
House property	(2,00,000)		

Business Income	3,00,000	STCG	
GTI/NI	1,00,000	4,30,000	
Tax		4,30,000 <u>(1,50,000)</u> 2,80,000 @ 15% = 42,000 <u>+4%</u> <u>1,680</u> 43,680	1 mark
Long-term capital loss shall be carried forward			1 mark

Q.4 Taxable income and tax liability of X for the assessment year 2022-23

(i) If shares are non-listed

Salary	24,00,000	LTCG(Gold)	Winnings	
		1,00,000	1,40,000*100/70=	
		112	2,00,000	
House Property	6,00,000			
SB Interest	40,000			
Royalty	1,00,000			
STCG (non-listed)	70,000			
GTI	32,10,000			
Less:				
80C	1,50,000			
80D	25,000			
80DD	75,000			
80QQB	1,00,000			
80 TTA	10,000			
80G*	2,05,000			
	<u>5,65,000</u>			
NI	26,45,000	1,00,000	2,00,000	6 marks
* PM NRF				
1,00,000				
Charitable Institution	1,05,000			
32,10,000+2,00,000=	34,10,000			
Less:	<u>3,60,000</u>			
30,50,,000				
10%(30,50,000) or				
2,10,000/Less =	2,10,000*50%			
Tax Liability	20%	30%		
26,45,000				

<u>(2,50,000) – Nil</u> 23,95,000 <u>(2,50,000) – 5%</u> - 12,500 21,45,000 <u>5,00,000 – 20%</u> - 1,00,000 16,45,000 – 30% - 4,93,500			
6,06,000	20,000	60,000	Total tax 6,86,000+27,440(4%) =7,13,440 (4 marks)

(ii) If shares are listed

Salary	24,00,000	LTCG(Gold) 1,00,000 112	STCG (Shares)/Listed 70,000 111A	Winnings 1,40,000*100/70= 2,00,000	
House Property	6,00,000				
SB Interest	40,000				
Royalty	1,00,000				
GTI	31,40,000				
Less: 80C 1,50,000 80D 25,000 80DD 75,000 80QQB 1,00,000 80 TTA 10,000 <u>80G* 2,05,000</u> <u>5,65,000</u> NI 25,75,000 (4 marks)	1,00,000	70,000	2,00,000 (2 marks)	6 marks	
* PM NRF 1,00,000 Charitable Institution <u>1,05,000</u> 31,40,000+2,00,000=33,40,000 Less: <u>3,60,000</u> 29,80,000 10%(29,80,000) or 2,10,000/Less = 2,10,000*50%					
Tax Liability 25,75,000 <u>(2,50,000) – Nil</u> 23,25,000 <u>(2,50,000) – 5%</u> - 12,500 20,75,000 <u>5,00,000 – 20%</u> - 1,00,000 15,75,000 – 30% - 4,72,500	20%	15%	30%		

5,85,000	20,000	10,500	60,000	Total tax – 6,75,500+27,020(4%) = 7,02,520 (4 marks)
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OR

4(a) 1 mark for concept+2 marks

4(b) Net income of X for the assessment year 2022-23

	Residential House Property (Rs.)		Gold (Rs.)
FV of consideration <u>Less: ICOA</u> 15,00,000*317/109 <u>Less: Expenses on transfer</u> LTCG Less: exemption u/s 54 <u>54EC</u> LTCG	90,00,000 (43,62,385) <u>(20,000)</u> 46,17,615 NA <u>46,17,615</u> NIL	FV of consideration <u>Less: ICOA</u> 8,00,000*317/100 <u>Less: Expenses on transfer</u> LTCG Less: exemption u/s 54F <u>54EC</u> LTCG	30,00,000 (25,36,000) <u>(20,000)</u> 4,44,000 NA <u>NA</u> 4,44,000
	3 marks		3 marks

GTI – 4,44,000

Less: 80C NA **1 mark**

NI 4,44,000

Q.5 Total income for the assessment year 2022-23:

NP as per P&L A/C		3,28,000	
Add: Expenses disallowed			2.5 marks
HH expenses	3,000		
Income Tax	40,000		
Donations	2,000		
LIP	20,000		
Provn. for B/Ds	<u>12,000</u>		
	77,000	4,05,000	
Less: Incomes disallowed			2.5 marks
Custom duties recovered	4,000		
Gift from friends	12,000		
Gift from parents	25,000		
Interest on securities	5,000		
Income tax refund	<u>2,000</u>		

	(48000)	3,57,000	
Less: Additional depreciation Add: outstanding bonus	(2,000) <u>5,000</u> 3,000		1 mark
Business Income		3,60,000	
Other Sources Interest on securities Interest on tax refund	5,000 500	<u>5,500</u>	2 marks
GTI Less: 80C PPF LIP 80G: Donations	25,000 20,000 2,000	3,65,500 (47,000)	2 marks
<u>NI</u>		<u>3,18,500</u>	

OR

Q.5

Net income of the firm

NP as per P&L A/C		17,48,000	
Add: Inadmissible expenses Depreciation Other expenses Interest on capital X Y	2,000 <u>20,000</u> 9,000 12,000	22,000 21,000	
Remuneration to partners X Y	3,00,000 2,00,000	5,00,000	
Less: Inadmissible Income LTCG Book Profits Less: Remuneration to Partners 3,00,000@90% - 2,70,000 19,11,000@60% -11,46,600 14,16,600 or 5,00,000/Less Business Income <u>LTCG</u> GTI/NI	(80,000) (5,00,000)	22,91,000 <u>(80,000)</u> 22,11,000 <u>(5,00,000)</u> 17,11,000 <u>80,000</u> 17,91,000	5 marks 1 mark

Net income of partners

	X	Y
Interest from firm	9,000	12,000
<u>Remuneration from firm</u>	<u>3,00,000</u>	<u>2,00,000</u>
Income from firm	3,09,000	2,12,000
Dividends from Indian company	40,000	30,000
Dividends from foreign company	20,000	12,000
Interest on company deposits	1,20,000	1,24,000
Interest on savings bank with post office	--	--
GTI	4,89,000	3,78,000
Less: 80C	(1,10,000)	(1,40,000)
NI	3,79,000	2,38,000
	2 marks	2 marks

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