

Q.1(a) "Income of the previous year is taxable in the immediately succeeding assessment year". Do you agree with the statement. Give exceptions.

6 Marks

Q.1(b) Ms. Shikha (an Indian Citizen): Exceptional case. 182 days condition will be applicable

P.Y.	Stay	Basic (a) 182 days	Additional (1) 2 R/ 10 Yrs	Additional(2) 730 days /7 yrs
2024-25	183	Yes		
2023-24	120			728
2022-23	80			
2021-22	78			
2020-21	50			
2019-20	80			
2018-19	170			
2017-18	150			
2016-17	230		Yes	
2015-16	365		Yes	
2014-15	365			
Result		Resident	but not ordinary resident	

6 Marks

SN	Particulars	NOR (TI)
1	Salary from HDGL (assuming Indian Income)	1200000
2	Cash Gift in India (Indian Income)	100000
3	Dividend from Indian Company	35000
4	Capital gains accrue and received in Dubai	
5	Rent received in Mumbai	240000
6	Int. on American bonds (50% received)	25000
	Gross Total Income / Taxable Income	1600000

one mark for each correct answer

foreign

6 Marks

OR

What is Permanent Account Number? State four transactions where quoting of PAN is mandatory.

Q.1(a) About PAN number

2 Marks

Four Transactions

1 Mark for each

1(b) Being Indian citizen, Basic (a) condition of 182 days will be applicable

As she was not in India during the previous year, thus her status is NR.

SN	Particulars	NRI (TI)
1	Singapore Income	
2	Rent from property (Indian)	1400000
3	Singapore profession Income	0
4	Dividend from Indian company (Indian)	300000
	Total Income	1700000

Foreign

Foreign

as her Indian income is more than 15 lacs thus following conditions will be checked

(i)	Indian Citizen	Yes
(ii)	Income other than foreign income > 15 Lacs	Yes
(iii)	Such income is not taxable in anyother country	Yes

6 marks

she satisfy all conditions, thus her status will be deemed NOR

(i)

SN	Particulars	Deemed NOR
1	Singapore Income	
2	Rent from property (Indian)	1400000
3	Singapore profession Income (set-up in India)	1200000
4	Dividend from Indian company (Indian)	300000
	Total Income	2900000

foreign

foreign*

*exception in case of NOR

2 Marks

(ii)

SN	Particulars	NOR (TI)
1	Singapore Income	
2	Rent from property (Indian)	1400000
3	Singapore profession Income (set-up in India)	200000
4	Dividend from Indian company (Indian)	300000
	Total Income	1900000

2 Marks

- (iii) She would have been NR as exceptions are applicable to Indian Citizen or PIO only

2 Marks

- Q2(a)** List down six exempted incomes under section 10 of the Act.
one mark for each point. (explanation is not compulsory)

6 Marks

(b)

SN	Particulars (for old tax regime)	Amt	Amt
(i)	Basic Salary (80000*12)	960000	
(ii)	Commission (20000*12)	240000	
(iii)	Arrears of bonus	150000	
I	Total	1350000	1350000
II	Allowances		
(i)	Transport Allowance (fully taxable)	60000	
(ii)	CEA (1000*3*12) - (100*2*12)	33600	
	Total Taxable Allowances	93600	93600
III	Perks		
(i)	Tax penalty paid by employer	8000	
(ii)	Free tea & coffee during office hrs (exempted)	0	
(iii)	Reimbursement of electricity bills	15500	
(iv)	Rent free furnished accommodation (WN-1)	113820	
(v)	Transfer of movable asset (WN-2)	0	
	Total Taxable Perks	137320	137320
	Gross Salary		1580920
	Less: Standard Deduction		50000
	Salary after deduction		1530920
	Less: Deduction u/s 80C (PPF)		30000
	Taxable income under the head salary		1500920

2 Marks

2 Marks

1 Mark

1 Mark

1 Mark

2 Mark

2 Mark

1 Mark

WN-1

Valuation in respect of rent free furnished accommodation

7.5% of the salary (1293600)	97020
Salary for the purpose of rent free furnished accommodation	
Basic Salary	960000
Commission	240000
Taxable allowances	93600
Total	1293600
Add: Perks in respect of use of movable assets	
(i) Rent of air condition	12000
(ii) 10% of furniture cost (Rs. 48000)	4800
Total Value in respect of RFFA	113820

WN-2

Valuation in respect of transfer of movable assets ((10/5/2024))

Cost to employer (purchased on 5/5/2021)	60000
Less: Dep. (@50% on WDV basis) for each completed year	52500
30000+15000+7500	
Less: Recovery from employee/amount paid by employee	10000
Value is negative, hence nothing taxable	-2500

OR

Exemption for employee not covered under GPA, 1972

2(a)

Least of the following is exempted from tax

(i)	Half Month Average Salary * Completed Year of Service	XXX
(ii)	Gratuity Actually Received	XXX
(iii)	Govt. Specified Limit	20 Lacs

Average Salary means salary of last 10 months immediately preceeding to month of retirement

Salary = Basic + D.A. (forming part of retirement) + fixed percentage of commission

completed year of service means ignoring any fraction year.

6 Marks

2(b)

SN	Particulars (for new tax regime)	Amt	Amt
(i)	Basic Salary (50000*9)	450000	
(ii)	D.A.(40% considered for retirement benefits)	180000	
I	Total	630000	630000
II	Allowances		
(i)	Travelling allowance (10000*9)	90000	
(ii)	Medical Allowance (5000*9)	45000	
	Total Taxable Allowances	135000	135000
III	Retirement Benefits		
(i)	Gratuity covered under GPA, 1972(WN-1)	592308	
(ii)	Accumulated balance of RPF (Exempted)	0	
(iii)	Leave Salary (WN-2)	500000	
(iv)	Uncommuted Pension (20000*3)	60000	
	Total Taxable Retirement Benefits	1152308	1152308
	Gross Salary		1917308
	Less: Standard Deduction		75000
	Taxable Salary		1842308

1 Marks

2 Marks

3 Marks

1 Mark

3 Marks

1 Mark

1 Mark

WN-1

Gratuity of Actually Received		1400000
Less: Exemption (least of the following will be exempted from tax)		807692
(i)	15/26 x Salary Last Drawn x LOS	807692
(ii)	Gratuity actually received	1400000
(iii)	Govt. specified limit	2000000
Taxable amount of gratuity after exemption		592308

Salary for gratuity purposes	
Basic	50000
D.A. (full)	20000
Total	70000

Leangth of Service (LOS)
 Joining Date 01-04-2005
 Retirement Date 01-01-2025
 LOS 19Y + 9M

#20Yrs

WN-2

Leave Salary Actually Received at the time of Retirement		848000
Less: Exemption (least of the following will be exempted from tax)		348000
(i)	Leaves credited on monthly basis * AMS	348000
(ii)	AMS * 10	580000
(iii)	Leave Salary actaully received	848000
(iv)	Govt. specified limit	2500000
Taxable amount of leave salary		500000

	Actual	As Per Law
Leaves entitlement p.a.	20	20
LoS	19	19
Total Leaves	380	380
Less: Leaves availed	200	200
Leaves Credited	180	180

Leaves credited on monthly basis = $180/30 = 6$ months

10 M average salary for L.S.

Basic Sal. (50000*10)	
D.A. (40%)*20000*10	500000
Total	80000
AMS	580000
	58000

Q.3(a)**Exemption under section 54EC**

Who is eligible	Any Assessee
For what	LTCG on transfer of land/building
Investment	In REC/ NHAI /IRFCL / Power Corp
Investment Limit (Rs.)	50 Lacs
Investment Limit (Time)	6 months from the date of transfer
Special Capital Gains Account	Not Available
Amount of Exemption	Amount invested or Capital Gains W.E.L

6 Marks

Q.3(b)

Particulars	House-1 (Delhi)	House-2 (Jaipur)
MV	240000	180000
FRV		
Actual Rent	360000	80000
GAV	360000	180000
Less: Municipal taxes paid by owner	24000	14400
NAV	336000	165600
Less: Deductions u/s 24		
(i) St. Deduction 30% of NAV	100800	49680
(ii) Int. on Borrowed Capital (WN-1)	0	136000
Income from House Properties	235200	-20080

H-1 5 Marks

H-2 5 Marks

215120

WN-1

Date of Loan taken

01-08-2022

Date of construction completion

01-03-2024

Duration for Pre-Const. Period Interest

31-03-2023

upto 31st March immediately preceeding to the date of construction

8 Months

<i>Pre-Const. Period Interest Amount = 1000000*12%*(8/12)</i>	80000
Five equal installments, benefits start from the year of constuction	16000
Interest on loan paid during the previous year 2024-25 (given) (due basis)	120000
Amount eligible for int. on borrowed capital u/s 24(b)	136000

2 Marks

OR**Q.3(a)** Computation of GAV in case of Letout House Property

Municipal Value	XXX						
Fair Rental Value	XXX	W.E.H					
	Stand. Rent	XXX	W.E.L (RER)	XXX			
			Annual Rent - URR	XXX	W.E.H	XXX	
				Less: Vacancy Loss		XXX	
				GAV		XXX	

6 Marks

Q.3(b)

Particulars	Gold	Unlist. Equ.Share	House Property	HP with Index
Date of Purchase	16-06-2021	01-04-2021	25-09-2021	
Date of Transfer(#)	20-09-2024	20-09-2024	20-09-2024*	
LTCA/STCA	LTA	LTA	LTA	LTA
Full Value of Consideration	750000	120000	9000000	9000000
Less: Exp. On Transfer	0	0	0	0
Net Value of Consideration	750000	120000	9000000	9000000
Less: Cost of Acquisition	665000	60000	4450000	
Less: Indexed Cost of Acq.				5095741
LTCG	85000	60000	4550000	3904259
Tax on LTCG @ 12.5%	10625	7500	568750	
Tax on LTCG @ 20%				780852

Tax Liab. Without Indexation	586875
Tax Liab. With Indexation HP	798977

Since, tax liability in case of without indexation is lesser thus Mr. Sumesh should opt for without inexcation option

3 Marks for each case

12 Marks

Q.4(a) Explain the provision of calculating depreciation u/s 32 of the Act. With examples.

Block of Assets	1 Mark
Rate of Depreciation (reference of schedule XIII)	1 Mark
No depreciation in case of block is empty / having no value	1 Mark
Additional dep.	1 Mark
Example(s)	2 Marks

if student explain steps to calculate depreciation even marks may be given

Q.4(b)

SN	Particulars	Amt(Rs.)	Amt(Rs.)
	Net Profit as per books of Accounts		200000
Add	Disallowed Expenses		
(i)	Advertisement Exp. (Son's Birthday)	5000	
(ii)	Car Exp. (1/3*25000)	8333	
(iii)	Advance payment of income tax	20000	
(iv)	Municipal taxes	8000	
(v)	Custom Duty	5000	
(vi)	Excess Depreciation (52000 - 42000)	10000	
(vii)	Life insurance premium of X	50000	
(viii)	Salaries and wages	150000	
	Total disallowed exp.	256333	256333
Less:	Income of Other Heads		
(i)	Dividend from ABC Ltd.	20000	
(ii)	Income tax refund	6000	
(iii)	Interest on GH Co. Debentures	12000	
	Total disallowed incomes	38000	38000
	Income from PGBP		418333

1 Mark
for each
step

OR

4(a)

SN	Admissible or Inadmissible Treatment	Treatment
(i)	Provision for Bad Debts	All Provisions/reserves are disallowed exp.
	Actual Bad Debts in the P&L A/c	Actual bad debts are allowed u/s 36
(ii)	Payment made to relative as an expense in the P&L A/c	Reasonable payment made on account of any work/services performed by relative is allowed if such person holds the requisite qualification for the work/services as per Section 40(A)(2). In case of purchase, amount should be reasonable.
(iii)	Under valuation of closing stock in the P&L A/c	Under valuation of closing stock leads to lowering down the income, thus under-value of the closing stock will be added back to profit of the business.

2 Marks each point 6 Marks

Q.4(b)

SN	Particulars	Amt(Rs.)	Amt(Rs.)
A	Allowed Incomes		
(i)	Fees from clients (245000+2340000)	2585000	
(ii)	Gift from clients (140000-21000)	119000	
	Total Allowed Incomes	2704000	2704000
B	Allowed Expenses		
(i)	Depreciation on furniture	3750	
(ii)	Depreciation on computer	40000	
(iii)	Depreciation on car (20000*80%)	16000	
(iv)	Office exp. (405000-25000)	380000	
(v)	Salary exp. (680000 - 50000)	630000	
(vi)	Car expenses (320000*80%)	256000	
(vii)	Interest on loan (240000*50%)	120000	
	Total Allowed Expenditure	1445750	1445750
	Income from Profession		419750

4 Marks

8 Marks

Q.5(a)

Setting off and carryforward of losses under the head income from HP under OTR and NTR for SO and LO

Self Occupied (OTR): A maximum loss of Rs. 200000 in case of interest on borrowed capital can be set-off intra-head first, and then inter-head adjustment, i.e., against income of salary, non-speculative business income, owing and maintaining horse races and interest income (except winnings), under OTR, that can be carry forward to coming 8 assessment years.

3 Marks

Self Occupied (NTR): No loss can be set-off on account of interest on borrowed capital in case of SO property. Thus, there is no carry-forward also

1 Marks

Let-out property (OTR and NTR): Loss from HP in case of LO property can be adjusted intra-head first, then inter-head adjustment, i.e., against income of salary, non-speculative business income, owing and maintaining horse races, and interest income (except winnings), under both regimes. It can be carry-forward to 8 assessment year.

2 Marks

Q.5(b)

SN	Particulars	Amt (Rs)	Amount (Rs)	
1	Income from profession (slab rates)		1750000	1 Mark
2	Income from capital gains			
	(a) STCG (111A) (15% or 20%)	5000		
	(b) LTCG (112) (without index) 12.5%	150000		
	(c.) LTCG (112A) exempted upto 1 or 1.25 lacs	0		
	Income from Capital Gains	155000	155000	3 Marks
3	Income from other sources			
	(a) Winnings from camel races (gross) (30%)	50000		
	(b) Winnings from horse races (gross) (30%)	40000		
	(c.) Loss from lottery (not to be set off)			
	(d) Interest on deposits (gross) (slab rate)	160000		3 Marks
	Income from other sources	250000	250000	
	Gross Total Income		2155000	3 Marks
Less:	Deductions u/s 80C to 80U		180000	
(i)	Contribution to PPF (80C) (Max. limit 1.5 lacs)	150000		3 Marks
(ii)	Medical insurance (80D) (<60 Y, 25000)	25000		
	Preventive health check up (80D) combined limit	5000		
	Net Taxable Income		1975000	

if transfer date	before 23/7	after 23/7	
Flat Rates	15%	20%/12.5%	30%
(i) STCG: 5000	750	1000	
(ii) LTCG: 150000		18750	
(iii) Winning: 90000			27000
Total: 245000		19750	27000

Tax liability	331500	331500
Flat Rates	46500	46750
Add:H&E Cess (4%)	15120	15130
Tax Payable	393120	393380

Slab Rate (1975000 - 245000) = 1730000		
Slabs	Rate	Amt
upto 250000	0%	0
250000 to 500000	5%	12500
500000 to 1000000	20%	100000
Above 1000000	30%	219000
Total tax at slab rate		331500

2 Marks

OR

- Q.5(a)** Provisions relating to clubbing of minor children income.
 Clubbing with whom
 When clubbing is not possible
 Exemption of Rs. 1500 (no exemption in case of NTR)

6 Marks

Q.5(b) Senior Citizen and Sever Disable Assessee OTR

SN	Particulars	Amount (Rs)	Amount (Rs)
1	Income from Salary (Computed)		2250000
2	Profit of Business	185000	
	Less: Set-off intra-head loss from business B	135000	
	Income from business after setting off loss		50000
3	Income from other sources		
	(a) Interest on securities (gross)	100000	
	(b) Purchase at inadequate consideration	105000	
	Income from other sources		205000
	Gross Total Income		2505000
Add:	Clubbing of Minor Income (64(1A)) exempted		0
	GTI after clubbing		2505000
Less:	Deductions u/s 80C to 80U		
	(a) NSC VIII issue (80C)	120000	
	(b) Medical Insurance (50000+50000) Max. Limit	100000	
	(c.) Donation u/s 80G		
	(i) School Bags (Not allowed)		
	(ii) Clean Ganag Fund (100% without qualification)	150000	
	(d) 80U: Sever Disable	125000	
	Total of deductions 80C to 80U	495000	495000
	Net Taxable Income		2010000

4 Marks

2 Marks

1 Mark

5 Marks