Paper 7- Direct Taxation

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Full Marks: 100 **Time allowed: 3 hours**

All Question relate to Income Tax Assessment year 2019-20 and the provisions stated relate to the Income-tax Act, 1961, unless otherwise stated in the Question.

Answer Question No. 1, which is compulsory and any five from Question No.2 to 8.

1.(a) Choose the most appropriate alternative for the following : **[1x10=10]**

(i) Scrutiny Assessment u/s 143(3) should be completed within:
- (a) **12 months from the end of the relevant assessment year**
- (b) 12 months from the end of the relevant previous year
- (c) 6 months from the end of the relevant assessment year
- (d) None of the above

(ii) The prescribed form of application for allotment of PAN for Indian Citizen/Indian Company/Entities incorporated in India/Unincorporated entities formed in India
- (a) Form 49AA
- (b) Form 35
- (c) **Form 49A**
- (d) Form 36

(iii) In which of the following cases, loss cannot be carried forward?
- (a) Loss from 'Activity of owning and maintaining race horses'
- (b) Loss from specified business covered u/s 35AD
- (c) Loss from speculation business
- (d) **Loss from business of HUF where the business of the HUF is taken over by the karta of HUF**

(iv) An asset shall be termed as short-term capital asset if it is held for not more than 12 months before the date of transfer of:
- (a) Units of UTI(whether quoted or not)
- (b) Equity or preference share in a company (listed in India)
- (c) Zero-coupon Bonds(whether quoted or not)
- (d) **All of the above**

(v) An non-Indian company is always a resident in India, if its place of effective management in that year is:
- (a) **In India**
- (b) Outside India
- (c) partly in India
- (d) None of the above

(vi) Income from sub-letting is :
- (a) Taxable under the head 'Income from House Property'
- (b) **Taxable under the head 'Income from Other Sources'**
- (c) Exempted

(d) None of the above

(vii) In order to avail relief under presumptive taxation scheme, gross receipts in the previous year of the assessee who is engaged in profession should not exceed :

(a) ₹ 1 crore
(b) **₹ 50 lakhs**
(c) ₹ 2 crore
(d) ₹ 25 lakhs

(viii) Which of the following deduction is/are not allowed in case of a deemed to be let-out house?

(a) New construction allowance
(b) Repairs
(c) Vacancy allowance
(d) **All of the above**

(ix) The value of any gift, voucher, or token in excess of ₹5000 given to the employees on ceremonial occasion or otherwise by the employer during the previous year shall be :

(a) **Taxable in the hands of employees**
(b) Not taxable
(c) Taxable in the hands of employer
(d) None of the above

(x) Deduction in respect of interest on deposits in case of senior citizens u/s 80TTB is minimum of interest on such deposits in savings account and

(a) **₹ 50,000**
(b) ₹ 10,000
(c) ₹ 5,000
(d) ₹ 40,000

(b) Match the following (sufficient to give the corresponding item in column 3 for column1: reproducing columns 2 and 4 are not required): [5×1=5]

1	2	3	4
(i)	Sec 194G	**A.**	Effects of changes in foreign exchange rates
(ii)	ICDS VI	**B.**	TDS on commission on sale of lottery tickets
(iii)	ITR 4	**C.**	Sec. 140
(iv)	Verification of return	**D.**	Sec. 139(5)
(v)	Revised return	**E.**	For presumptive income from business & profession

Answer:

(i)B	(ii)A	(iii)E	(iv)C	(v)D

(c) Say True or False for the following question: [5×1=5]

(i) If expenditure is incurred for ensuring the regular supply of raw material, may be for period extending over several years, it is on revenue account.

(ii) Any dividend paid by an Indian company outside India is deemed to accrue or arise in India.

(iii) Any allowance or perquisite paid outside India by the Government to a citizen of India for rendering services outside India are exempt from tax.
(iv) Loss on account of owning and maintaining race horses can be carried forward upto 8 assessment years.
(v) An employee who opts to surrender his salary to the Central Government u/s 2 of Voluntary Surrender of Salaries Act,1961, the salary so surrendered shall be taxable.

Answer:

(i)True	(ii)True	(iii)True	(iv)False	(v)False

(d) Fill in the blanks: **[5×1=5]**

(i) ____________ is the illegal way to reduce tax liability by deliberately suppressing income or sale or by increasing expense, etc., which results in reduction of total income of the assessee.
(ii) Advance tax is payable in ____________ installments by a non corporate assessee.
(iii) The quantum of deduction u/s 80U in respect of person with severe disability is ____________.
(iv) The excess of _______________paid over the regular income-tax payable of that year shall be allowed as tax credit.
(v) Failure to apply for PAN or to quote PAN in prescribed documents attracts penalty of _________ u/s 272B.

Answer:

(i)Tax evasion	(ii) 4	(iii) ₹ 1,25,000	(iv) Alternate Minimum tax	(v) ₹ 10,000

2.(a) Sam aged 29 years, left India for first time on May 31, 2018. Determine his residential status for the previous year 2018-19 if:
(i) He left India for employment purpose
(ii) He left India on world tour **[5]**

2. (b) Compute income from house property of Mr. Vikram from the following information: **[10]**

Particulars	H1	H2	H3
Used for	**Self occupied**	**Self occupied**	**Own Business**
Situated at	Chennai	Bangalore	Hyderabad
Municipal Value	1,00,000	2,00,000	3,00,000
Fair Rent	3,00,000	2,00,000	2,00,000
Standard Rent	2,00,000	2,00,000	2,00,000
Municipal Tax	15%	15%	15%
Repairs	30,000	80,000	5,000
Ground Rent	10,000	Nil	5,000
Land Revenue	Nil	10,000	Nil
Interest on loan for construction	40,000	1,00,000	20,000
Loan taken during	1998-99	2000-01	1998-99

Answer 2(a):

During the previous year 2018-19, Mr. Sam was in India for 61 days as shown below-

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
18-19	30	31	-	-	-	-	-	-	-	-	-	-	61

During the previous year 2018-19, Sam stayed in India for 61 days. Further, he was in India for more than 365 days during 4 years immediately preceding the relevant previous year (as he left India for first time).

(i) Since he left India for employment purpose, condition of sec. 6(1) (c) shall not be applicable on such assessee. He will be treated as resident in India, if and only if, he resided in India for at least 182 days during the previous year. Hence, Mr. Sam is a non-resident in India for the previous year 2018-19.

(ii) Since he left India on world tour, which is not an exception of sec.6(1), satisfaction of any one condition of sec.6(1) makes him resident in India for the previous year 2018-19. As he satisfies 2nd condition of sec.6(1), he is resident in India. Further, he also satisfies dual conditions specified u/s 6(6) (since he left India for first time). Therefore, he is an ordinarily resident for the previous year 2018-19.

Answer 2(b):

In the given case, there are two options:
Option 1: Take H1 as Self-occupied (S/O) and H2 as Deemed to be Let-out (DLO)
Option 2: Take H1 as Deemed to be Let-out (DLO) and H2 as Self-Occupied(S/O)

Since annual value of both self-occupied house properties (H1 and H2) are competing, therefore, total income under the head house property shall be computed applying each option separately and then the option, which yields least income under this head, shall be opted.

Particulars	**Option 1**		**Option 2**	
	H1 S/O	**H2 DLO**	**H1 DLO**	**H2 S/O**
Gross Annual Value	Nil	2,00,000	2,00,000	Nil
Less: Municipal Tax (15%of Municipal Value)	Nil	30,000	15,000	Nil
Net Annual Value **[A]**	Nil	1,70,000	1,85,000	Nil
Less: Deduction u/s				
• 24(a) Standard deduction (30% of NAV)	Nil	51,000	55,500	Nil
• 24(b) Interest on loan	30,000 [Note 1]	1,00,000	40,000	1,00,000 [Note 2]
Total deduction **[B]**	30,000	1,51,000	95,500	1,00,000
Income from house property **[(A) – (B)]**	(30,000)	19,000	89,500	(1,00,000)
Income from house property	(11,000)		(10,500)	

Notes:
1. Since loan was taken prior to 1/4/1999.
2. Since loan was taken for construction on or after 1/4/1999.
3. Since H3 is used for own business purpose so it is not taxable under this head.

Total income under the head Income from house property under option 1 is (₹ 11,000) and in option 2 is (₹ 10,500). Hence, option 1 is better.

Conclusion: Income from house property of Mr. Vikram is (₹ 11,000) as shown in option 1 supra.

3.(a) Find out the taxable value of the perquisite for the assessment year 2019-20 in the following cases:

(i) Star public school, Chennai, is owned and maintained by xyz Ltd., a manufacturing company. Books of accounts of the school and xyz Ltd., are maintained separately. X is an employee of xyz Ltd. The following family members of x are students in Star public school:

	Cost of education in a similar institution	Amount charged from X
A, Son of x	₹ 4,800 per month	₹ 800 per month
B, dependent brother of x	₹ 6,600 per month	₹ 1,600 per month

(ii) Mr. Mohan is general manager in ABC Ltd. He engages a domestic servant on monthly salary of ₹ 3,000. The entire salary(i.e., ₹ 36,000) is paid by ABC Ltd. to the domestic servant (or salary is paid by Mohan and ABC Ltd. reimburses the entire amount)

(iii) Mr. Rakesh is employed by a company. He has been provided a car (1200cc) owned by the employer, cost of the car is ₹ 5,10,000. The expenditure incurred by the company on maintenance of the car are:

Petrol ₹ 56,000
Driver ₹ 42,000
Maintenance ₹ 15,000

The car is used only for private purposes. A sum of ₹ 14,000 is recovered from Rakesh. **[9]**

3.(b) Mr. Virendar, a resident and ordinarily resident in India, has derived the following Income from various operations (relating to plantations and estates owned by him) during the year ended 31st March 2019:

Income from sale of centrifuged latex from rubber plants grown in Kerala	8,00,000
Income from sale of coffee grown and cured in Karnataka	4,00,000
Income from sale of coffee grown, cured, roasted and grounded in Rwanda, Africa. Sale consideration was received at Mumbai	8,40,000
Income from sale of tea grown and manufactured in Darjeeling	6,20,000
Income from sale of trees and grasses grown spontaneously(without any human effort)	2,40,000
Receipts from TV serial shooting in farm house	2,00,000

[6]

Answer 3(a):

(i) School is maintained by the employer. Amount taxable in the hands of X will be as follows:

Particulars	Amount(₹)
A (son of X) [12*(₹4,800-₹1,000-₹800)]	36,000
B (dependent brother of X) [12* (₹6,600-₹1,600)]	60,000
Taxable value of the perquisite	96,000

(ii) In this case, the perquisite (i.e., ₹ 36,000) is taxable in the hands of Mohan under section 17(2)(iv) in all cases, as the obligation of Mohan to pay salary to the domestic servant is met by his employer.

(iii) Car used only for private purposes. The value of the perquisite will be determined as follows:

Particulars	Amount(₹)	Amount(₹)
Maintenance	15,000	
Petrol	56,000	
Driver	42,000	
Depreciation(10% of ₹ 5,10,000)	51,000	
Total		1,64,000

Less: Amount recovered from Rakesh		14,000
Value of the perquisite		1,50,000

Answer 3 (b):

Computation of business income and agricultural income for the A.Y. 2019-20

Sources of income	Total (₹)	Agri. Income (%)	Agri. Income (₹)	Non Agri. Income (%)	Non Agri Income (₹)
Income from sale of centrifuged latex from rubber plants grown in India Rule 7A	8,00,000	65%	5,20,000	35%	2,80,000
Income from sale of coffee grown and cured in India. Rule 7B(1)	4,00,000	75%	3,00,000	25%	1,00,000
Income from sale of coffee grown, cured, roasted and grounded outside India	8,40,000	Nil	-	100%	8,40,000
Income from sale of tea grown and manufactured in India	6,20,000	60%	3,72,000	40%	2,48,000
Income from sale of trees and grasses grown spontaneously(without any human effort)	2,40,000	Nil	-	100%	2,40,000
Receipts from TV serial shooting in farm house	2,00,000	Nil	-	100%	2,00,000
Total Income	31,00,000		11,92,000		19,08,000

4.(a) Raman purchased a house property on September 10,2002 for ₹ 2,00,000. On May 10, 2012, he entered into an agreement to sell the house to Bhaskar for ₹ 6,00,000 (after receiving an advance of ₹ 30,000). On Bhaskar's failure to pay and balance within the stipulated period of 45 days, Raman forfeited the advance money. Raman died on November 10, 2015 and Mrs. Raman (as per his will) got the property.

Mrs. Raman enters into an agreement on April 6, 2017 to transfer the property to Ramesh after receiving the advance of ₹ 50,000. Ramesh could not pay the balance consideration within stipulated period of 45 days and Mrs. Raman forfeits the advance money.

Mrs. Raman ultimately sells the property to Suresh on July 15, 2018 for ₹ 42,90,000. Find out the tax consequences in the hands of Raman and Mrs. Raman for different assessment years. Also calculate net income of Mrs. Raman for the assessment year 2019-20, on the assumption that she is a businesswoman and her income from business is ₹ 20,00,000.

[9]

4.(b) Mr. Rahim (55 years) has incurred following expenses:

Particulars	₹
Mediclaim Insurance premium paid for himself	10,000
Mediclaim Insurance premium paid for spouse	10,000
Mediclaim Insurance premium paid for dependent children	5,000
Mediclaim Insurance premium paid for mother (76 years)	9,000
Mediclaim Insurance premium paid for father (82 years)	39,000
Preventive health-check up expenditure for father	6,000
Medical expenditure incurred for father	14,000

Compute deduction available to Mr. Rahim u/s 80D **[6]**

Answer 4(a)

(i) Forfeiture of advance money of ₹ 30,000 by Mr. Raman during the previous year 2012-2013:

Since the property is not transferred during the lifetime of Raman, advance money forfeited by him is not taxable. Also it is not deducted from cost of acquisition while calculating capital gain in the hands of Mrs. Raman.

(ii) Forfeiture of advance money of ₹50,000 by Mrs. Raman during the previous year 2017-18:

Advance money forfeited during the previous year 2017-18. It will be taxable in hands of Mrs. Raman under section 56(2)(ix) under the head "Income from other sources" for the previous year 2017-18(assessment year 2018-19).

(iii) Computation of Capital gain:

Assessee : Mrs. Raman

Previous year: 2018-19 **Assessment Year: 2019-20**

Particulars	Amount (₹)
Full value of consideration	42,90,000
Less: Indexed cost of acquisition [₹ 2,00,000*280/254(see note)]	2,20,472
Long term capital gain	40,69,528

Note:

In case of cost of acquisition, index benefit shall be available from the year when the current owner first held the property. However, in case of CIT-vs.-Manjula J Saha 16 Taxmann 42 (Bombay), the Hon'ble Bombay High Court has held that index benefit is available from the year in which asset was acquired by the previous owner or for the year beginning on the 1st day of April, 2001, whichever is later.

Computation of total Income :

Assessee : Mrs. Raman

Previous year: 2018-19 **Assessment year: 2019-20**

Particulars	Amount (₹)
Business Income	20,00,000
Long term capital gain	40,69,528
Net Income	60,69,528

Answer 4 (b):

Computation of deduction u/s 80D available to Mr. Rahim :

Particulars	Amount (₹)	Amount (₹)
Mediclaim Insurance premium paid for himself		10,000
Mediclaim Insurance premium paid for spouse		10,000
Mediclaim Insurance premium paid for dependent children		5,000
Deductible amount (A)		25,000
Add: Additional deduction for parents		
Mediclaim Insurance premium paid for mother		9,000
Mediclaim Insurance premium paid for father		39,000
Deductible amount (B)		48,000
Add: Expenditure incurred for preventive health check up		
Preventive health-check up expenditure for father [₹50,000 – (B)] **(C)** Incurred	6,000	
Maximum limit	2,000	2,000
Add: Medical expenditure incurred for father being super-senior citizen **(D)**		Nil
(As mediclaim insurance premium is paid on the health of		

father)		
Deduction u/s 80D (A + B + C + D)		75,000

5. (a) ABC Ltd. is engaged in the business of carriage of goods. On April 1, 2018, it owns 10 trucks as follows:
6 heavy goods vehicles (weight of each one of them is 14 ton)
4 Light goods vehicles (weight of each one of them is 5 ton)
On May 6, 2018, one of the heavy goods vehicles is sold by ABC Ltd. to purchase 1 light goods vehicle on May 10, 2018. The newly purchased light goods vehicle is put to use only from June 17, 2018.
Find out the net income of ABC Ltd. for the assessment year 2019-20 taking into consideration the following data:

	₹
Freight collected	8,50,000
Less:	
Operational expenses (a bill of ₹30,000 paid in cash)	5,40,000
Depreciation as per section 32	1,50,000
Other office expenses	10,000
Net Profit	1,50,000
Other business/non- business income	5,50,000

[8]

5.(b) Aditya submits the following information relevant for the previous year ending on March 31, 2019:

	(₹)
Profits of business A carried on in India	2,50,000
Loss of business B carried on in India	(1,00,000)
Profits of business C carried on in Canada (income is earned and received in Canada and business is controlled from Canada)	2,50,000
Loss of business D carried on in Canada (though profits are not received in India, business is controlled from Delhi)	(2,70,000)
Unabsorbed depreciation of business D	1,82,000
Income from property situated in India	1,58,000
Income from property situated in Canada (received in Canada)	1,10,000

Determine the net income of Aditya for the assessment year 2019-20 on the assumption that he is
(a) Resident and ordinarily resident in India
(b) Resident but not ordinarily resident in India
(c) Non resident in India **[7]**

Answer 5.(a)

Computation of income under section 44AE

Type of carriage	Period during which trucks are owned	Number of months(including a part of month)	Rate per month	Amount (₹) [(1)x(3)x(4)]
(1)	**(2)**	**(3)**	**(4)**	**(5)**
5 Heavy goods	1/4/2018 to 31/3/2019	12	₹ 1000x14 ton	8,40,000

vehicle				
1 Heavy goods vehicle	1/4/2018 to 6/5/2018	2	₹1,000x14 ton	28,000
4 Light goods vehicle	1/4/2018 to 31/3/2019	12	₹7,500	3,60,000
1 Light goods vehicle	10/5/2018 to 31/3/2019	11	₹7500	82,500
Total				13,10,500

Computation of Income:

Assessee : ABC Ltd

Previous year 2018-19 **Assessment year 2019-20**

Particulars	Amount (₹)
Income from carriage of goods	13,10,500
Other Income	5,50,000
Net Income	18,60,500

Answer 5 (b):

Computation of Net Income of the assessee for the assessment year 2019-20:

Particulars	Resident & Ordinarily Resident (₹)	Resident but not Ordinarily Resident (₹)	Non Resident (₹)
Business Income			
Business A	2,50,000	2,50,000	2,50,000
Business B	(1,00,000)	(1,00,000)	(1,00,000)
Business C	2,50,000	Nil	Nil
Business D	(2,70,000)	(2,70,000)	Nil*
Unabsorbed depreciation	(1,82,000)	(1,82,000)	Nil
Business Income/Loss	(52,000)	(3,02,000)	1,50,000
Income from house property in India	1,58,000	1,58,000	1,58,000
Income from house property in Canada	1,10,000	Nil	Nil
Gross total income	2,16,000	(1,44,000)	3,08,000
Less: Deductions under sections 80C to 80U	Nil	Nil	Nil
Net Income/ Loss	2,16,000	(1,44,000)	3,08,000

*Note: Business income earned and received outside India is not taxable in the hands of non resident. Therefore loss arising from such business is not deductible.

6.(a) Ms. Prachi Baheti (Age 24 yrs), a resident individual of India, furnished the following details of her income during the previous year 2018-19. Compute her total income and tax payable for the Assessment year 2019-20.

- Gross salary ₹ 5,01,000 (Professional tax paid ₹ 2,000)
- Income from Business owned by her ₹ 2,00,000 and allowable expenses ₹ 1,20,000
- Received family pension ₹ 10,000 p.m. w.e.f. 1.04.2018
- Long term capital gain on sale of building ₹ 80,000

- She received her share of income from Hindu Undivided Family (HUF) as member ₹ 40,000
- She deposited to PPF ₹ 80,000 during the year
- Donation to National Defence Fund ₹ 25,000
- Repayment of house building loan taken from ICICI Bank (purchased during 2018-19) ₹ 2,50,000 (of which ₹ 50,000 is for principal repayment)
- Paid premium on Mediclaim Insurance Policy on own health by cheque ₹ 16,000

[8]

6.(b) For the assessment year 2019-20, the Kolkata Co-operative society derives total income from the following sources:

Income from processing with the aid of power	: ₹ 10,000
Income from collective disposal of labour of its members	: ₹ 15,000
Interest from another co-operative society	: ₹ 50,000
Income from house property	: ₹ 100,000
Income from other business	: ₹ 80,000

Determine its taxable income **[7]**

Answer 6(a):

Computation of total income of MS. Prachi Baheti for the A.Y. 2019-20:

Particulars	**Amount (₹)**	**Amount (₹)**	**Amount (₹)**
Salaries		5,01,000	
Gross Salary		2,000	4,99,000
Income from House Property			
Net annual value of self – occupied property		Nil	
Less: Deduction u/s 24(b) (interest on loan)		2,00,000	(2,00,000)
Profits & Gains of Business or Profession			
Income from business		2,00,000	
Less: Allowable expenses		1,20,000	80,000
Capital Gain			
Long term capital gain			80,000
Income from other sources			
Family pension		1,20,000	
Less: Standard deduction [Lower of 1/3rd of pension or ₹ 15,000]		15,000	1,05,000
Gross Total Income			**5,64,000**
Less: Deductions			
• u/s 80C			
- PPF	80,000		
- Repayment of housing loan	50,000	1,30,000	
• u/s 80D (mediclaim)		16,000	
• u/s 80G (Donation to National Relief Fund)		25,000	1,71,000
Net Income			**3,93,000**

Note:

- Member's share in Income of HUF are exempt from tax u/s 10(2)

Computation of tax liability of Ms. Prachi baheti for the A.Y. 2019-20:

Particulars	**Amount (₹)**
Tax on long term capital gain	

[20% on ₹ 80,000]	16,000
Tax on balance Income ₹ 3,13,000	3,150
Tax liability	19,150
Less: Rebate u/s 87A	-
	19,150
Add: Health & Education cess [4% on 19,150]	766
Total tax liability	19,916
Tax liability Rounded off u/s 288B	19,920

Answer 6(b):

Computation of taxable income of Kolkata Co-operative society for the A.Y 2019-20

Particulars	Amount (₹)	Amount (₹)
Income from house property		1,00,000
Business Income		
• Processing with the aid of power	10,000	
• Collective disposal of labour	15,000	
• Other business	80,000	1,05,000
Interest received from a co-operative society		50,000
Gross total income		2,55,000
Less : Deductions u/s 80P		
• Interest from another co-operative society	50,000	
• Collective disposal of labour	15,000	
• Other business	50,000	1,15,000
Net Income		1,40,000

7.(a) Mr. Rajagopal (40 years) furnishes the following details for the assessment year 2019-20. Compute his tax liability.

	(₹)
Business Income of the previous year 2018-19	8,00,000
Dividend [not being deemed dividend under section 2(22)(e)] from different domestic companies(dividend tax is paid by these companies)-	
- From A Ltd.	50,00,000
- From B Ltd.	50,000
- From C Ltd.	3,50,000
Expenditure for earning above dividend income	3,60,000
Deemed dividend [under section 2(22)(e)] received from D Ltd. (dividend tax paid by D Ltd.)	5,00,000
Deduction under 80C to 80U	6,00,000

[9]

7(b). TDS on payment of compensation on acquisition of certain immovable property [sec.194LA] - Discuss **[6]**

Answer 7(a):
Computation of tax liability:

Assessee: Mr. Rajagopal

Previous year: 2018-19 **Assessment year: 2019-20**

Particulars	(₹)	(₹)
Aggregate dividend [not being deemed dividend u/s 2(22)(e)] from all domestic companies	58,00,000	
Less: Expenses (not deductible)	Nil	
Balance	58,00,000	

Less: Dividend income exempt under section 10(34)	10,00,000	
Dividend (taxable under section 115BBDA) [no deduction is allowed] **[a]**		48,00,000
Other Income:		
• Deemed dividend u/s 2(22)(e) [exempt under section 10(34)]	Nil	
• Business Income	12,00,000	
Total of other income	12,00,000	
Less: Deduction under sections 80C to 80U	6,00,000	
[b]		6,00,000
Net income **[a+b]**		54,00,000
Tax on net income:		
Tax on dividend income u/s 115BBDA [i.e., 10% of 48,00,000]	4,80,000	
Tax on balance	32,500	
Tax liability before rebate		5,12,500
Less : Rebate u/s 87A		Nil
Tax liability after rebate		5,12,500
Add : Surcharge on tax after rebate [10% of 5,12,500]		51,250
Tax liability after surcharge		5,63,750
Add: Health & Education cess [4% of 5,63,750]		22,550
Total tax liability		5,86,300

Answers 7(b):

TDS on payment of compensation on acquisition of certain immovable property [Sec.194LA]:

Who is responsible to deduct tax: Any person responsible for paying to a resident any sum, being compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition of any immovable property (other than agricultural land)

When tax shall be deducted: At the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

Rate of TDS: 10%

When TDS cannot be made

Where the amount of such payment or the aggregate amount of such payments to a resident during the financial year does not exceed ₹ 2,50,000.

Exemption or relaxation from the provision

When the recipient applies to the Assessing Officer in Form 13 and gets a certificate authorizing the payer to deduct tax at lower rate or deduct no tax [Refer sec. 197]

Other points

1. Agricultural land means agricultural land in India.
2. Immovable property means any land (other than agricultural land) or any building or part of a building.
3. Deduction shall not be made where payment is made in respect of any award or agreement which has been exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

8. Short note: (any three) **[5×3=15]**

(a) Any five transactions where quoting PAN is mandatory:

Every person shall quote its PAN in all documents pertaining to following transactions entered into by him –

1. Transactions relating to sale or purchase of a motor vehicle (other than two wheeled vehicles), which requires registration.
2. Opening an account [other than a time-deposit and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank.
3. Making application for issue of a credit card or debit card.
4. Opening of a demat account.
5. Payment in cash exceeding ₹ 50,000 to a hotel or restaurant against a bill or bills at any one time.

(b) Time limit for filing return of income:

A return should be filed on or before the following due date (of respective assessment year):

Assessee	Due date
• Where the assessee is required to furnish a report in Form 3CEB u/s 92E pertaining to international transaction(s)	30th November
• Where the assessee is a company not having international transaction(s)	30th September
• Any other assessee	
- Where accounts of the assessee are required to be audited under any law	30th September
- Where the assessee is a working partner in a firm and the accounts of the firm are required to be audited under any law	30th September
- In any other case	31st July

(c) Accounting Policies as per ICDS I:

Accounting Policies

♦ Accounting policies adopted by a person shall be such so as to represent a true and fair view of the state of affairs and income of the business, profession or vocation.

♦ The treatment and presentation of transactions and events shall be governed by their substance and not merely by the legal form.

♦ Marked to market loss or an expected loss shall not be recognised unless the recognition of such loss is in accordance with the provisions of any other Income Computation and Disclosure Standard.

Fundamental Accounting Assumptions

♦ The fundamental accounting assumptions i.e., Going Concern, Consistency and Accrual are assumed as followed. No specific disclosure is required, if these assumptions are followed, however, if such assumptions are not followed, the fact shall be disclosed.

Change in Accounting Policies

♦ An accounting policy shall not be changed without reasonable cause.

Disclosure of Accounting Policies

♦ All significant accounting policies adopted by a person shall be disclosed.

♦ Any change in an accounting policy which has a material effect shall be disclosed (with quantum of the effect, if ascertainable). Where such amount is not ascertainable, the fact shall be indicated.

♦ Disclosure of accounting policies or of changes therein cannot remedy a wrong or inappropriate treatment of the item.

(d) Scrutiny Assessment U/S 143(3):

Where the Assessing Officer or the prescribed income-tax authority (here-in-after collectively referred to as 'Assessing Officer') considers it necessary to ensure that the assessee has not –

● understated his income; or
● declared excessive loss; or
● under paid the tax,

he can make a scrutiny in this regard and gather such information and evidence as he deems fit. And on the basis of such information and evidence so collected, he shall pass an assessment order. Such order shall be treated as regular assessment order.

Conditions for scrutiny assessment

● A return has been furnished u/s 139 or in response to a notice u/s 142(1); and
● Assessing Officer considers it necessary or expedient to ensure that the assessee has not understated his income, declared excessive loss or under-paid the tax.

Procedure

Notice for scrutiny [Sec. 143(2)]

Assessing Officer shall serve on the assessee a notice requiring the assessee, on a date specified in the notice, to produce, or cause to be produced, any evidence on which assessee may rely, in support of the return.

Time limit of notice

No notice shall be served on the assessee after the expiry of 6 months from the end of the financial year in which the return is furnished.

Order

After collecting such information and hearing such evidence as the assessee produces in response to the notice u/s 143(2) and after taking into account all relevant materials, which the Assessing Officer has gathered;

The Assessing Officer shall, by an order in writing, make an assessment of the total income or loss of the assessee and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

Time limit for completion of scrutiny assessment

Assessment u/s 143(3) should be completed within 12 months from the end of the relevant assessment year.