

Paper 7- Direct Taxation

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Full Marks: 100

Time allowed: 3 hours

All Question relate to Income Tax Assessment year 2023-24 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) For the purpose of levying tax on income other than agricultural income, Union List contained entry.
- (a) 82
(b) 92C
(c) 92D
(d) None of the Above
- (ii) An individual, being foreign national, came to India first time during the previous year 2022-23 on 01-03-2023 for 200 days, his residential status for the previous year 2022-23 is.
- (a) Non-resident
(b) Resident but not ordinarily resident in India
(c) Resident and ordinarily resident in India
(d) Resident in India
- (iii) The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-Government employee is.
- (a) ₹ 25,00,000
(b) ₹ 77,760
(c) ₹ 2,40,000
(d) ₹ 3,00,000
- (iv) A payment of ₹25,000 is made to the road transport-operator on 20-022023 in cash, consequently, amount disallowed u/s 40A(3) is.
- (a) Nil
(b) ₹ 25,000
(c) ₹ 5,000
(d) None of the above
- (v) Profit on sale of rural agricultural land is
- (a) Not taxable as it is agricultural income
(b) Not taxable under the head 'Capital gains' but under the head 'Income from Other Sources'
(c) Not taxable as rural agricultural land is not considered as a capital asset
(d) Taxable if it is compulsorily acquired.

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- (vi) An individual purchased a painting on 01-11-2022 for ₹ 5,00,000 though fair market value of the asset is ₹5,25,000. Income taxable u/s 56(2)(x) is:
- ₹ 25,000 i.e., difference between market value and actual consideration
 - Nil as this is not gift
 - Nil as difference between market value and actual consideration does not exceed ₹ 50,000
 - The provision of sec. 56(2)(x) is not applicable for any transaction entered during P.Y. 2022-23.
- (vii) Tax is deducted at source on winning from lottery, the rate for such deduction in case of resident individual. deductee is:
- 30.9%
 - Maximum marginal rate of tax
 - 30% if such winning exceeds ₹ 10,000
 - 33.99%
- (viii) As per sec.60, income is clubbed if
- Asset yielding income is transferred as revocable transfer
 - Income is transferred without transferring asset yielding income.
 - Asset yielding income is transferred as irrevocable transfer
 - None of the above
- (ix) Quoting 'Permanent Account Number' (PAN) is compulsory in the following transaction –
- Payment to LIP exceeding ₹ 50,000 in a financial year
 - Sale or purchase of any immovable property valued at ₹ 4,00,000
 - Time deposit up to ₹ 35,000 with a bank
 - None of the above
- (X) Best Judgment assessment is covered u/s
- 143(3)
 - 143(1)
 - 144
 - 147

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
a	a	a	a	c	c	c	b	a	c

- (b) Match the following: [5×1=5]

	Column "A"		Column "B"
(i)	Securities Transaction Tax	A.	Depreciation
(ii)	Ground rent	B.	Effect of changes in foreign exchange rates
(iii)	Sec. 32	C.	Deductible as business expenditure
(iv)	ICDS VI	D.	₹ 15,000
(v)	Deduction on receipt of family pension	E.	Not deductible while computing income from property

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Answer:

	Column "A"		Column "B"
(i)	Securities Transaction Tax	C.	Deductible as business expenditure
(ii)	Ground rent	E.	Not deductible while computing income from property
(iii)	Sec. 32	A.	Depreciation
(iv)	ICDS VI	B.	Effect of changes in foreign exchange rates
(v)	Deduction on receipt of family pension	D.	₹ 15,000

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

- (i) Share of a private limited company held for 15 months before its sale is a long-term capital asset.
- (ii) It is not possible to have negative income under the head 'income from house property'
- (iii) Cash gift of ₹1,00,000 from uncle's son is not taxable.
- (iv) Leave encashment received while in service is taxable.
- (v) Income arising from the accretion of transferred property shall not be clubbed.

Answer:

(i)	(ii)	(iii)	(iv)	(v)
F	F	F	T	T

(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 _____ instalments 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) The cost of acquisition of 100 bonus shares, where the original shares (100 nos.) were acquired for ₹30,000 is _____.

Answer:

(i)	(ii)	(iii)	(iv)	(v)
Tax Evasion	4	₹ 1,25,000	Alternate Minimum Tax	Nil

2. (a) **Mr. X aged 19 years, left India for first time on May 31, 2022. Determine his residential status for the previous year 2022-23 if:**

- (i) He left India for employment purpose
- (ii) He left India on world tour [5]

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- (b) R owns two houses both of which are occupied for residential purpose. The following particulars are available:

	House – I	House – II
Municipal value	4,00,000	6,00,000
Fair rent	3,00,000	7,20,000
Standard rent	3,00,000	7,50,000
Municipal tax paid	10%	12%
Interest of loan	50,000	1,00,000
Date of loan	1.4.1999	1.4.2006
Repayment of loan	75,000	95,000

Compute income from house property. [10]

Answer:

- (a) During the previous year 2022-23, Mr. X was in India for 61 days as shown below –

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
22-23	30	31	-	-	-	-	-	-	-	-	-	-	61

During the previous year 2022-23, X 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. X is a non-resident in India for the previous year 2022-23.
- (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 2022-23. As he satisfies 2nd condition of sec. 6(1) [shown above], 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 2022-23.
- (b) Computation of Income from House property Let us treat all houses as deemed to be let out.

Particulars	Amount (₹)	Amount (₹)
Reasonable Expected Rent		
Municipal Value or Fair Rent whichever is Higher		
Or Standard Rent whichever is lower	3,00,000	7,20,000
Less: Municipal Tax @ 10%	40,000	60,000
Net Annual Value	2,60,000	6,60,000
Less: Standard Deduction @ 30%	78,000	1,98,000
Interest on Loan	50,000	1,00,000
Income from H.P	1,32,000	3,62,000

Let us treat all house as self-occupied

Particulars	Amount (₹)	Amount (₹)
Net Annual Value	Nil	Nil
Less: Interest on Loan	30,000	1,00,000
Income under head H.P	(-)30000	(-)1,00,000

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Options	House-I	House-II	Amount (₹)
Option-I	1,32,000	(-)1,00,000	32,000
Option-II	(-)30,000	3,62,000	3,32,000
Whichever is lower is ₹ 32,000			
Income from House Property ₹ 32,000			

Notes:

1. Maximum deduction u/s 24(b) in respect of self-occupied property if loan is taken before 1-4-1999 is ₹ 30,000.
2. Repayment of loan is eligible for deduction u/s 80C in certain cases (i.e. if paid to government, Scheduled bank, LIC etc.)

2. (a) Miss Stuti has the following salary structure:

	₹
a. Basic salary	15,000 p.m.
b. Dearness Allowance (not forming part of retirement benefit)	5,000 p.m.
c. Hostel Allowance (does not have any child)	1,000 p.m.
d. Tiffin Allowance	500 p.m.
e. Transport Allowance	200 p.m.
f. Bonus	20,000 p.a.
g. Commission	15,000 p.a.
h. Free refreshment in office worth	5,000 p.a.
i. Mobile phone facility by employer	900 p.m.
j. Computer facility worth	10,000 p.a.

She has been provided a Rent-free Accommodation (owned by employer) in Kolkata. The house was allotted to her with effect from 1/5/2022 but she could occupy the same only from 1/6/2022. Find her gross taxable salary. [9]

- (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 2023:

Particulars	₹
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

Compute the agricultural income and business income for the assessment year 2023-24. [6]

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Answer:

(a) Computation of gross taxable salary of Miss Stuti for the A.Y. 2023-24

Particulars	Details	Amount (₹)	Amount (₹)
Basic Salary			1,80,000
Bonus			20,000
Commission			15,000
<u>Allowances:</u>			
Dearness Allowance		60,000	
Hostel Allowance (Fully taxable as she has no child)		12,000	
Tiffin Allowance		6,000	
Transport Allowance		2,400	80,400
<u>Perquisite u/s 17(2):</u>			
Free Refreshment (not taxable)		Nil	
Mobile or telephone facility		Nil	
Computer facility		Nil	
Rent Free Accommodation	Working	29,425	29,425
Gross Salary			3,24,825

Working: Salary for the purpose of rent-free accommodation:

Particulars	₹
Basic Salary	1,80,000
Bonus	20,000
Commission	15,000
<u>Allowances</u>	
Dearness allowance	Nil
Hostel Allowance	12,000
Tiffin Allowance	6,000
Transport Allowance	2,400
Total	2,35,400
Value of Rent-Free Accommodation (being 15% x ₹ 2,35,400 x 10/12)	29,425

(b) **Computation of business income and agricultural income for the A.Y. 2023-24**

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
Total Income	31,00,000		11,92,000		19,08,000

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4. (a) Mr. Siddhartha has a residential house property taxable u/s 22. Such property is acquired on 12/08/2005 for ₹2,00,000. The property is sold on 1/03/2023 for ₹25,00,000. He acquired another residential house on 31/03/2023 for ₹17,00,000 for self-occupation. On 1/03/2024, he sold such new residential house for ₹30,00,000. Compute his capital gain for the A.Y. 2023-24 and 2024-25. [9]

- (b) Mr. Ram (38 years) has incurred following expenses:

<u>Particulars</u>	<u>₹</u>
Mediclaime Insurance premium paid for himself	9,000
Mediclaime Insurance premium paid for spouse	8,000
Mediclaime Insurance premium paid for dependent children	6,000
Mediclaime Insurance premium paid for father (62 years)	18,000
Preventive health-check-up expenditure for father	6,000
Preventive health-check-up expenditure for himself (paid in cash)	4,000

Compute deduction available to Mr. Ram u/s 80D.

[6]

Answer:

- (a) Computation of capital gain of Mr. Sidhartha for the A.Y.2023-24

Particulars	Details	Amount
Sale consideration		25,00,000
Less: Expenditure on transfer		Nil
Net sale consideration		25,00,000
Less: Indexed cost of acquisition	$\text{₹ } 2,00,000 * 331 / 117$	5,65,812
Less: Indexed cost of improvement		Nil
Long term capital gain		19,34,188
Less: Exemption u/s 54		17,00,000
Taxable Long term Capital gain		2,34,188

Computation of capital gain of Mr. Sidhartha for the A.Y. 2024-25

Particulars	Amount	Amount
Sale consideration		30,00,000
Less: Expenditure on transfer		Nil
Net sale consideration		30,00,000
Less: Cost of acquisition	17,00,000	
Less: Earlier exemption claimed u/s 54	(17,00,000)	Nil
Short term capital gain		30,00,000

- (b) Computation of deduction u/s 80D available to Mr. Ram

Particulars	Amount (₹)	Amount (₹)
Mediclaime Insurance premium paid for himself		9,000
Mediclaime Insurance premium paid for spouse		8,000
Mediclaime Insurance premium paid for dependent children		6,000
Qualifying amount (A)		23,000
Add: Additional deduction for parents		
Mediclaime Insurance premium paid for father (B)		18,000

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Add: Expenditure incurred for preventive health check up	Incurred	Max. Limit
Preventive health-check up expenditure for father! Max. limit	6,000	5,000 ¹
Preventive health-check up expenditure for himself # [₹25,000 – (A)]	4,000	2,000 [#]
	7,000	
Restricted to overall maximum limit for preventive health check ups (C)		5,000
Deduction u/s 80D (A + B + C)		46,000

5. (a) M/s Sidhant & Co., a sole proprietary concern is converted into a company, Sidhant Co. Ltd. with effect from November 29, 2022. The written down value of assets as on April 1, 2022 is as follows:

Items	Rate of Depreciation	WDV as on 1 April, 2022
Building	10%	₹ 3,50,000
Furniture	10%	₹ 50,000
Plant & Machinery	15%	₹ 2,00,000

Further, on 15-10-2022, M/s Sidhant & Co. purchased a plant for ₹1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth ₹50,000 (rate of depreciation 15%).

Compute the depreciation available to

- (i) M/s Sidhant & Co. and
 - (ii) Sidhant Co. Ltd. for the A.Y. 2023-24 [9]
- (b) Mr. X gifted 1,000 shares of a non-domestic company worth ₹ 6,00,000 (acquired on 15/3/2022) to Mrs. X out of natural love and affection as on 15/4/2022. On 31/1/2023, Mrs. X received dividend ₹60,000 on such shares in India. On 1/2/2023, Mrs. X sold such shares for ₹10,00,000 and received consideration in India.
- Show tax treatment, if on 1/2/2023, Mrs. X invested ₹10,60,000 in -
- (i) Case A - A house property from which rent accrued in the previous year 2022-23 is ₹53,000.
 - (ii) Case B - A newly formed partnership firm and contributed initial capital. Interest received (taxable portion) on such contribution ₹13,250 and share of profit ₹20,000.
 - (iii) Case C - A newly started proprietorship business & contributed capital, profit accrued for the year is ₹42,400 [7]

Answer:

- (a) **Computation of depreciation on assets if there were no succession:**

Particulars	Building	Furniture	Plant & Machinery
Rate of depreciation	10%	10%	15%
W.D.V. as on 1/4/2022	3,50,000	50,000	2,00,000
Add: Purchase during the year	Nil	Nil	1,00,000*
	3,50,000	50,000	3,00,000
Less: Sale during the year	Nil	Nil	Nil
	3,50,000	50,000	3,00,000
Depreciation	35,000	5,000	37,500

It is assumed that the assessee is not entitled for additional depreciation.

* Without considering assets acquired after succession. ** [(₹2,00,000 * 15%) + (₹1,00,000 * 15% * ½)]

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Allocation of depreciation between sole proprietary concern and the successor company
The depreciation is to be allocated in the ratio of number of days the assets were used by the sole proprietary concern and the successor company.

Calculation of allowable depreciation to sole proprietary concern:

Particulars	Amount (₹)
Depreciation on assets held as on 01/04/2022	
Assets are used by sole proprietary concern from 1/4/2022 to 28/11/2022 i.e. 242 days, hence depreciation shall be allowed for 242 days	
- Building (₹ 35,000 * 242/365)	23,205
- Furniture (₹ 5,000 * 242/365)	3,315
- Plant and Machinery (₹ 30,000 * 242/365)	19,890
Depreciation on newly acquired assets	
New asset has been used by it from 15/10/2022 to 28/11/2022 i.e. 45 days, hence depreciation shall be allowed for 45 days	
- Plant and Machinery (₹ 7,500 * 45/168)	2,009
Depreciation allowable u/s 32	48,419

Calculation of allowable depreciation to successor company

Particulars	Amount (₹)
Depreciation on assets held by sole-proprietary concern as on 01/04/2022	
Asset of sole proprietary concern used by the successor company from 29/11/2022 to 31/3/2023 i.e. 123 days, hence depreciation shall be allowed for 123 days	
- Building (₹ 35,000 * 123/365)	11,795
- Furniture (₹ 5,000 * 123/365)	1,685
- Plant and Machinery (₹ 30,000 * 123/365)	10,110
Depreciation on assets acquired by sole-proprietary concern during the year	
New asset has been used by it from 29/11/2022 to 31/03/2023 i.e. 123 days, hence depreciation shall be allowed for 123 days	
- Plant and Machinery (₹ 7,500 * 123/168)	5,491
After conversion	
Depreciation in respect of plant purchased by the successor company is fully allowable in the hands of successor company [50% of 15% on ₹ 50,000].	3,750
Total depreciation	32,831

(b) **Statement showing treatment of provision of sec. 64(1)(iv) in hands of Mr. X for the A.Y. 2023-24**

Particulars	Case A		Case B		Case C	
	Mr. X	Mrs. X	Mr. X	Mrs. X	Mr. X	Mrs. X
Dividend from non-domestic company	60,000	-	60,000	-	60,000	-
Short term Capital gain (Note 1)	4,00,000	-	4,00,000	-	4,00,000	-
Income from house property (Note 2)	21,000	16,100	-	-	-	-
Interest on capital in partnership firm (Note 3)	-	-	7,500	5,750	-	-
Share of profit in firm	-	-	-	-	-	-

Answer to MTP_Intermediate_Syllabus 2016_Dec2023_Set1

[Exempted u/s 10(2A)]						
Profit from proprietorship business (Note 3)	-	-	-	-	24,000	18,400
Total	4,81,000	16,100	4,67,500	5,750	4,84,000	18,400

Note 1: Computation of capital gain and its treatment

Particulars	Amount (₹)
Sale consideration	10,00,000
<i>Less:</i> Cost of acquisition	6,00,000
Short term capital gain	4,00,000
Treatment: Since the shares have been gifted by Mr. X to Mrs. X the provision of sec. 64(1)(iv) shall be applicable and such gain shall be taxable in hands of Mr. X.	

Note 2: Computation of Income from house property of Mrs. X for the A.Y. 2023-24

Particulars	Amount (₹)
Gross Annual Value	53,000
<i>Less:</i> Municipal tax	Nil
Net Annual value	53,000
<i>Less:</i> Deduction u/s 24(a) [being 30% ₹ 53,000]	15,900
Income from house property	37,100

Note 3: Statement showing distribution of income between Mr. X & Mrs. X

Since the new investment has been acquired out of -		
Gifted money (equivalent)		₹ 6,00,000
Capital gain		₹ 4,00,000
Dividend income		₹ 60,000
Hence, income shall be clubbed in hands of Mr. X to the extent of 600/1060 and in hands of Mrs. X 460/1060		
Taxpoint: Income arising to the transferee from the accretion of such property or from accumulated income of such property is not to be clubbed in the total income of the transferor.		
Case	In hands of Mr. X	In hands of Mrs. X
A	$(₹ 37,100 * 600) / 1,060 = ₹ 21,000$	$(₹ 37,100 * 460) / 1,060 = ₹ 16,100$
B	$(₹ 13,250 * 600) / 1,060 = ₹ 7,500$	$(₹ 13,250 * 460) / 1,060 = ₹ 5,750$
C	$(₹ 42,400 * 600) / 1,060 = ₹ 24,000$	$(₹ 42,400 * 460) / 1,060 = ₹ 18,400$
Note: In case of new source of income, previous year starts from the date when such new source of income comes into existence.		

6. (a) Akhil, 35 years, has provided following details relating to his income for the previous year 2022-23:
- Income from business ₹15,00,000
 - Income from saving bank interest ₹12,000
 - Interest on PPF ₹36,000
 - Investment in PPF ₹ 1,50,000

You are requested to compute his tax liability and advise him whether he should opt for alternative tax regime u/s 115BAC. [8]

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- (b) P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2, provide the following information. Find firm's net income assuming that salary and interest are not paid to partners:
- (i) Net income of the firm in assessment year 2022-23 is (-) ₹1,20,000, out of which unadjusted depreciation is ₹ 40,000.
 - (ii) On 31.05.2022, R retires from the firm and the other partners carry on the same business.
 - (iii) The firm's income for the Assessment Year 2023-24 before adjusting the aforesaid loss and depreciation is ₹1,20,000 [7]

Answer:

- (a) Computation of Income and tax liability of Mr. Akhil for A.Y. 2023-24

Particulars	Regular Tax Regime	Alternative Tax Regime
Business Income	15,00,000	15,00,000
Interest on saving bank deposit	12,000	12,000
Interest on PPF	Exempt	Exempt
Gross Total Income	15,12,000	15,12,000
<i>Less: Deduction</i>		
U/s 80C (PPF Contribution)	1,50,000	NA
U/s 80TTA (Interest on Saving Bank Interest)	10,000	NA
Total Income	13,52,000	15,12,000
Tax on above	2,18,100	1,91,100
<i>Less: Rebate u/s 87A (As income exceeds ₹ 5,00,000)</i>	NA	NA
Tax after rebate	2,18,100	1,91,100
<i>Add: Surcharge</i>	Nil	Nil
Tax and surcharge	2,18,100	1,91,100
<i>Add: Health & Education cess</i>	8,724	7,644
Tax liability (Rounded off u/s 288B)	2,26,820	1,98,740

In the instant case, tax liability under alternative tax regime u/s 115BAC is lower, hence it is advisable to opt for provision of sec. 115BAC

- (b) Where a change occurs in the constitution of firm, on account of retirement or death of a partner, the proportionate loss of the retired or deceased partner shall not be carried forward. However, this section shall not apply in case of unabsorbed depreciation. Accordingly,

Computation of total income for A.Y. 2023-24

Particulars	Details	Amount (₹)	Amount (₹)
Income before adjusting brought forward loss and depreciation			1,20,000
<i>Less: Brought forward loss (excluding unabsorbed depreciation)</i>	80,000		
<i>Less: Loss which cannot be set off (Working)</i>	30,000	50,000	
<i>Less: Unabsorbed depreciation</i>		40,000	90,000
Total Income			30,000

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Working: Computation of share of R in brought forward loss and loss which cannot be set off

Particulars	Amount (₹)
Total unabsorbed brought forward loss	1,20,000
<i>Less:</i> Unabsorbed depreciation	40,000
Brought forward loss excluding depreciation	80,000
Share of R in aforesaid loss [(₹ 80,000 / 4) * 2]	40,000
<i>Less:</i> Share of R in current profit before adjusting brought forward loss & depreciation [(₹ 1,20,000 / 12 * 2) * 2 / 4]	10,000
Loss which cannot be set-off	30,000

7. (a) Compute taxable income under the head Income from other sources of Mrs. X from the following data:

Particulars	Amount (₹)
Private tuition fee received	10,000
Winning from lottery	2,000
Award from KBC (a TV show) [Gross]	3,20,000
Pension from employer of deceased husband	25,000
Interest on bank deposit	25,000
Directors fee (Gross)	5,000
Letting out of vacant land	25,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of C.A	10,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹12,000)	20,000
Income tax paid	2,000
Payment made for personal expenses	18,000
Payment made to LIC as premium	2,000

[10]

- (b) TDS on payment of compensation on acquisition of certain immovable property [sec.194LA] – Discuss. [5]

Answer:

- (a) Computation of income of Mrs. X under the head Income from other source for the A.Y. 2023-24

Particulars	Details	Amount (₹)
Private tuition fee received		10,000
<u>Casual income</u>		
Winning from lottery		2,000
Award from KBC (a TV show) [Gross]		3,20,000
Pension	25,000	
<i>Less: Standard deduction</i>		
a) 1/3 rd of amount received (i.e. ₹ 8,333)		
b) ₹ 15,000	8,333	16,667
Interest on bank deposit		25,000
Director's fee		5,000
Letting out of vacant land		25,000
Remuneration for checking the examination copy of employer school	Taxable as Salary	---

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Remuneration for checking examination copy of CA		10,000
Income tax refund	Not an income	---
Interest on income tax refund		100
Composite rent	10,000	
Less: Expenditure	5,000	5,000
Rent on sub-letting of house property	20,000	
Less: Rent paid to original owner	12,000	8,000
Income from Other Source		4,26,767

- (b) 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). 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 is 10%. 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. When the recipient applies to the Assessing Officer in Form 13 and gets a certificate authorising the payer to deduct tax at lower rate or deduct no tax [Refer sec. 197]

8. Short note: (any three)

[5×3=15]

- Any five transactions where quoting PAN is mandatory**
- Time limit for filing return of income**
- Government Grants as per ICDS VII**
- Scrutiny Assessment U/S 143(3)**

Answer:

- 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 –

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

- (b) Time limit for filing return of income:**

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

- Where the assessee (including the partners of the firm) is required to furnish a report in Form 3CEB u/s 92E pertaining to international transaction(s) -----30th November
- Where the assessee is a partner¹ in a firm and the said firm is required to furnish 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) -----31st October
- Any other assessee-

- (i) Where accounts of the assessee are required to be audited under any law---- 31st October
- (ii) Where the assessee is a partner¹ in a firm and the accounts of the firm are required to be audited under any law ----31st October
- (iii) In any other case 31st July.

(c) Government Grants as per ICDS VII:

The Standard deals with the treatment of Government grants. The Government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, waiver, concessions, reimbursements, etc. but does not include Government participation in the ownership of the enterprise -

- Government refers to the Central Government, State Governments, agencies and similar bodies, whether local, national or international.
- Government grants are assistance by Government in cash or kind to a person for past or future compliance with certain conditions. They exclude those forms of Government assistance which cannot have a value placed upon them and the transactions with Government which cannot be distinguished from the normal trading transactions of the person.

(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.

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. No notice shall be served on the assessee after the expiry of 3 months from the end of the financial year in which the return is furnished. 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. Assessment u/s 143(3) should be completed within 9 months from the end of the relevant assessment year. However, where an updated return u/s 139(8A) is furnished, an order of assessment u/s 143 may be made at any time before the expiry of 9 months from the end of the financial year in which such return was furnished.