INTER C.A. – DIRECT TAX

INDEX

INCOME TAX

RESDIENTIAL STATUS

(Q.1) During the previous year 2018-19, X, a foreign citizen, stayed in India for just 69 days. Determine his residential status for the assessment year 2019-20 on the basis of the following information:

(i) During 2015-16, X was present in India for 366 days.

(ii) During 2012-13 and 2011-12, X was in Japan for 359 and 348 days respectively and for the balance period in India.

(iii) Mrs. X is 'resident' in India for the assessment year 2019-20.

Solution

(i) To determine whether he is resident or not

— He is resident for previous year 2018-19 as he satisfies the second condition as he was here during the previous year for 69 days and in the preceding 4 years for 366 days.

(ii) To determine whether he is ordinarily resident or not

— He should satisfy both of the additional conditions.

Year	Stay in India	Whether resident or non-resident
2017-18	Nil	Non-resident
2016-17	Nil	Non-resident
2015-16	366 days	Resident
2014-15	Nil	Non-resident
2013-14	Nil	Non-resident
2012-13	7 days	Non-resident
2011-12	17 days	Non-resident
2010-11	Nil	Non-resident
and earlier years	Nil	Non-resident

He was in India for less than 730 days in the 7 preceding previous years. He is also non-resident in 9 out of 10 previous years preceding the previous year.

Hence he is "resident but not ordinarily resident".

(Q.2) Mr. Kohli, a citizen of India, is an export manager of Arjun Overseas Limited, an Indian Company, since 1.5.2014. He has been regularly going to USA for export promotion. He spent the following days in U.S.A. for the last five years:

Previous year ended	No. of days spent in USA
31.3.2015	317 days
31.3.2016	150 days
31.3.2017	271 days
31.3.2018	311 days
31.3.2019	294 days

Determine his residential status for assessment year 2019-20 assuming that prior to 1.5.2014 he had never travelled abroad.

Solution

Total stay in India

2014-15	48 days
2015-16	216 days
2016-17	94 days
2017-18	54 days
2018-19	71 days

During previous year 2018-19 his stay in India is 71 days and in the four preceding years 48 + 216 + 94 + 54 = 412 days.

Resident in India (condition of 182 days for citizen not applicable as he has not gone for employment abroad but has been going out of India during the course of employment)

2017-18 — 54 days (Non-Resident)

2016-17 — 94 days but more than 365 days in the 4 preceding previous year. Hence, resident

2015-16 — 216 days — resident

2014-15 — 48 days non-resident

Prior to 2014-15 —- resident

He satisfies the first condition of being resident in at least 2 out of 10 previous year prior to relevant previous year and the 2nd condition of being in India for 730 days or more in the 7 preceding previous years. He is “resident and ordinarily resident in India”.

(Q.3)

(a) R was bom in Lahore in 1948. He has been staying in America since 1970. He came to visit India on 2.10.2018 and returns on 31.3.2019. Determine his residential status for the assessment year 2019-20.

(b) Shane Warne, an Australian cricket player, has been coming to India since 1994-95 every year to play cricket and has been staying here for about 4 months. What will be his residential status for the assessment year 2019-20.

Solution

(a) Non-resident as he neither satisfy the first conditions of 182 days nor the 2nd conditions as although he was in India during the previous year for 181 days (i.e. more than 60 days), but he was not in India for at least 365 days in the 4 preceding previous year.

(b) Resident in India, as he is in India for more than sixty days in the previous year and was in India for more than 365 days in the 4 preceding previous years. Further, he satisfies both the conditions of category B. He was resident in at least 2 out of 10 previous year prior to relevant previous year and was in India for 730 days or more in the 7 preceding previous years. Hence, he is “resident and ordinarily resident in India”.

(Q.4) Determine the residential status in the following cases for the assessment year 2019-20:

(i) The control and management of a HUF is situated in India. The manager of the H.U.F. visited England with his wife from 14.8.2018 to 30.6.2019. Earlier to that he was always in India.

(ii) A company, whose registered office is in America, has a place of its effective management in the previous year in India.

(iii) In a partnership firm, there are three partners namely A, B and C. A and B reside in India while C lives in Germany. The firm is fully controlled by C. During the previous year, Mr. C stayed for 6 months in India.

(iv) A V.I.P. Club is in India, whose director Mr. X belongs to China. The Club is controlled fully by Mr. X. In the previous year. Mr. X did not come for a single day to India.

Solution

Residential Status for the assessment year 2019-20.

1. HUF is a resident in India, as it is partly controlled from India. Further, the karta of the HUF satisfies both the conditions of category B. He was resident in at least 2 out of 10 previous year prior to relevant previous year and was in India for 730 days or more in the 7 preceding previous years. Hence, the HUF is “resident and ordinarily resident in India”.
2. Company is resident in India as its place of effective management in the previous year is in India.
3. A partnership firm is said to be resident in India if control and management of its affairs is partly situated in India.
4. VIP Club is non-resident — no part of the control and management was in India.

(Q.5) 'A' earns the following income during the financial year 2018-19:

	Particulars	**Amount (Rs.)**
(a)	Interest paid by an Indian company but received in London	2,00,000
(b)	Pension from former employer in India, received in USA	8,000
(c)	Profits earned from business in Paris which is controlled in India, half of the profits being received in India	40,000
(d)	Income from agriculture in Bhutan and remitted to India	10,000
(e)	Income from property in England and received there	8,000
(f)	Past foreign untaxed income brought to India	20,000

Determine the total income of 'A' for the assessment year 2019-20 if he is (i) Resident and ordinarily resident, (ii) Not ordinarily resident, and (iii) Non-resident in India.

Solution

	Resident and ordinarily resident	**Not ordinarily resident**	**Non-resident**
	(Rs.)	(Rs.)	(Rs.)
(a)	2,00,000	2,00,000	2,00,000
(b)	8,000	8,000	8,000
(c)	40,000	40,000	20,000
(d)	10,000	—	—
(e)	8,000	Nil	Nil
(f)	Nil	Nil	Nil
	2,66,000	**2,48,000**	**2,28,000**

(Q.6) Following are the incomes of R, a citizen of India, for the previous year 2018-19:

1.	Interest on Saving Bank Deposit in Corporation Bank, Delhi	12,000
2.	Income from agriculture in Africa invested in Russia	5,000
3.	Dividends received in USA from an English Company, out of which Rs.2,000 were remitted to India	12,000
4.	Salary drawn for two months for working in Indian Embassy's Office in Australia and salary received there	48,000
5.	Income from house property. (The building is situated in Iraq, out of which Rs.20,000 deposited in a bank in Iraq and the balance remitted to India)	25,000
6.	Pension received in Belgium for services rendered in India with a limited company	10,000

You are required to compute his gross total income for the assessment year 2019-20 if he is (a) a resident and ordinarily resident, (b) not ordinarily resident, and (c) a non-resident.

Solution :

Computation of Gross Total Income of RR

	Particulars	**Resident and ordinarily resident**	**Notordinarily resident**	**Non-resident**
		(Rs.)	**(Rs.)**	**(Rs.)**
1.	Interest on Savings Bank Deposit	12,000	12,000	12,000
2-	Income from Agriculture in Africa	5,000	—	—
3.	Dividends received in USA	12,000	—	—
4.	Salary drawn for working in Indian Embassy in Australia	48,000	48,000	48,000
5.	Income from house property in Iraq	25,000	—	—-
6.	Pension received in Belgium for services rendered in India	10,000	10,000	10,000
	Gross Total Income	1,12,000	70,000	70,000

INCOME FROM SALARIES

(Q.7) Shri Rajesh was employed since 1.1.1987 in a commercial establishment. His salary was fixed at Rs.14,800 in the grade of Rs.14,000 - 400 - 22,000 with effect from 1.7.2016. He got 15% of his salary as dearness allowance which is treated as salary for computation of retirement benefits. He retired from service on 1.2.2019. He received Rs.3,40,000 as gratuity from his employer. Calculate his gross income under the head 'Salaries' for the assessment year 2019-20 if—

(i) Payment of Gratuity Act, 1972 applies,

(ii) Payment of Gratuity Act, 1972 does not apply.

Solution

	Particulars		Amount (Rs.)
(i)	**Salary from April, 2018 to January, 2019**		
	April 2018 to June, 2018	Rs.15,200x3	45,600
	July 2018 to January, 2019	Rs.15,600x7	1,09,200
			1,54,800
	D.A. @ 15%		23,220
			1,78,020
	(a) Gratuity Act Applies		
	(i) $\frac{15600+2340}{26}$ x 15 x 32 = 3,31,200		
	(ii) Rs.20,00,000		
	(iii) Rs.3,40,000		
	Hence Taxable Amt. = Rs.3,40,000 - 3,31,200 = 8,800		
	Gross Salary = Rs. 1,78,020 + 8,800		1,86,820
	(b) Gratuity Act does not apply.		
	(i) $\frac{Ams}{2}$ x $32 = \frac{17802*}{2}$ x 32	2,84,832	
	(ii)	10,00,000(likely to be increased) to Rs.20,00,000)	
	(iii)	3,40,000	
	∴ Taxable Amt. = Rs.3,40,000 - 2,84,832	55,168	
	Gross Salary Rs. 1,78,020 + 55,168		Rs.2,33,188

* Average salary on the basis of preceding 10 months $\frac{178020}{10}$ = Rs. 17,802.

Salary of last 10 months Rs. 1,54,800 + 23,220

(Q.8) A joined a service in the grade of Rs. 10,400 - 400 - 16,000 - 500 - 20,000 on 1.7.2002 and resigned from the service on 15.9.2018. He was also entitled to dearness allowance @ 50%, which forms part of salary for retirement benefits. On retirement, he received a gratuity of Rs.2,40,000. He was entitled to a pension of Rs.8,000 per month w.e.f. 16.9.2018. He got 75% of his pension commuted w.e.f. 1.1.2019 and received a sum of Rs.6,00,000 as commuted pension.

Compute his Gross Salary for assessment year 2019-20.

Solution:

Particulars		**Amount (Rs.)**	**Amount (Rs.)**
Salary (Rs. 16,500 x 3 + 17,000 x 2 1/2)			92,000
Dearness Allowance @ 50%			46,000
Gratuity received		2,40,000	
Less: Exempt			
(i) Amount specified		10,00,000 (likely to be increased to Rs.20,00,000)	
(ii) Half month average salary for every year of service			
$\left[\frac{24900}{2} \text{x} 16\right]$	1,99,200		
(iii) Actual amount received	2,40,000	1,99,200	40,800
Pension (Rs.4,000 + 8,000 + 8,000 + 8,000 + 2,000 x 3)			34,000
Commuted pension received		6,00,000	
Less: EXEMPT [Rs.6,00,000 x $\frac{4}{3}$ x $\frac{1}{3}$]		2,66,667	3,33,333
Gross Salary			5,46,133

Note : Average Salary = 16,500 x 8 + 17,000 x 2 = 1,66,000 + 50% of 1,66,000 = 2,49,000/10 = 24,900

(Q.9) Shri A.K. Gupta was employed in a factory in Faridabad. He retired on 1.1.2019 after completing a service of 26 years and 5 months. He had been getting a salary of Rs.23,000 per month and a dearness allowance of Rs.2,000 per month (forming part of retirement benefits) for the last four years. His pension was determined @ Rs.9,000 p.m. and 3/4 portion of it was commuted for Rs.2,70,000. In addition to this he received a gratuity of Rs.4,00,000 and as per entitlement of 30 days earned leave for each year of service, he also received Rs.3,00,000 for encashment of earned leave of 12 months during the previous year. Compute gross income from salaries of Shri Gupta for the assessment year 2019-20, assuming he is not covered under Payment of Gratuity Act.

Solution

Computation of Gross Salary of Mr. A.K. Gupta

(For the assessment year 2019-20)

Particulars		Amount (Rs.)	Amount (Rs.)
(1)	Salary 23,000 x 9		2,07,000
(2)	DA		1,8000
(3)	Uncommuted Pension 9,000 x $\frac{1}{4}$ x 3		6,750
(4)	Commuted Pension Received	2,70,000	
	Less : % Exempt [2,70,000 x $\frac{4}{3}$ x $\frac{1}{3}$]	1,20,000	1,50,000
(5)	Gratuity Received	4,00,000	
	Less : Exempt : Lowest of the three		
(i)	4.00,000		
(ii)	$\left[\frac{25,000}{2} \text{ x } 26\right]$ = 3,25,000		
(iii)	10,00,000 (likely to be increased to Rs.20,00,000)	3,25,000	75,000
(6)	Leave Encashment Received	3,00,000	
	Less Exempt		
(i)	Actual 3,00,000		
(ii)	12 months x AMS		
	12 x 25.000 = 3,00,000		
(iii)	10 months x AMS = 2,50,000		
(iv)	3,00,000	2,50,000	50,000
			5,06,750

(Q.10) Compute the exemption available under section 10(13 A) in the following cases:

Name of Employee	**A**	**B**	**C**	**D**	**E**
Place of residence	Delhi	Noida	Mumbai	Patna	Bangalore
Salary p.m.	4,000	6,000	8,000	3,000	5,000
H.R.A. p.m.	1,500	1,200	5,000	1,000	1,500
Rent paid p.m.	Nil	1,000	6,000	800	400

Solution

Particulars			**Amount (Rs.)**
(A)	(i) 50% of salary		2,000
(ii)	Actual HRA		1,500
(iii)	Rent paid - 10% of salary		Nil
	∴ Exemption		Nil
(B)	(i) 40% of salary		2,400
(ii)	Actual HRA		1,200
(iii)	Rent paid - 10% of salary	1,000-600	400
	∴ Exemption	400 x 12	4,800
(C)	(i) 50% of salary		4,000
(ii)	Actual HRA		5,000
(iii)	Rent paid — 10% of salary	6,000 - 800	5,200
	∴ Exemption	4000 x 12	48,000
(D)	(i) 40% of salary		1,200
(ii)	Actual HRA		1,000
(iii)	Rent paid - 10% of salary	800 - 300	500
	∴ Exemption	500 x 12	6,000
(E)	(i) 40% of salary		2,000
(ii)	Actual HRA		1,500
(iii)	Rent paid - 10% of salary	400 - 500	Nil
	∴ Exemption		Nil

(Q.11) Compute the taxable value of the perquisite in respect of medical facilities availed of by X from his employer in the following situations:

(a) the employer reimburses the following medical expenses:

(i) treatment of X by his family physician Rs.8,400

(ii) treatment of Mrs. X in a private nursing home Rs.7,200

(iii) treatment of X's mother (dependent upon him) Rs.2,400 by a private doctor

(iv) treatment of X's brother (not dependent upon him) Rs.800

(v) treatment of X's grandfather (dependent upon him) Rs.3,000

(b) The employer reimburses an insurance premium of Rs.6,000 paid by X under a health insurance scheme on the life of X and his wife.

(c) The employer maintains a hospital for the employees where they and their family members are provided free treatment. The expenses on treatment of X and his family members during the previous year 2018-19 were as under:

S.No.	Particulars	Amount (Rs.)
(i)	treatment of X's major son (dependent upon him)	4,400
(ii)	treatment of X	10,400
(iii)	treatment of X's uncle	9,200
(iv)	treatment of Mrs. X	16,000
(v)	treatment of X's widowed sister (dependent upon him)	8,200
(vi)	treatment of X's handicapped nephew	5,000

(d) Expenses on cancer treatment of married daughter of X at Tata Memorial Hospital, Mumbai paid by the employer Rs. 1,00,000 and reimbursement of expenses for medical treatment of himself amounting to Rs.40,000.

(e) The following expenses on treatment of X's major son outside India were paid by the employer.

S.o.	Particulars	Actual expenses (Rs.)	Expenses permitted by R.B.I. (Rs.)
(i)	Actual medical expenses	1,50,000	1,20,000
(ii)	Expenses on stay abroad of X's son and brother who accompanied the patient	1,30,000	90,000
(iii)	Travelling expenses of X's son and X's brother	2,40,000	—

Assume that the other income of X is (a) Rs. 1,20,000 (b) Rs. 1,80,000. (including income under the head salary excluding the above taxable perquisite)

Solution :

(a)

Particulars		Expenses Taxable
(i)	Treatment of X	8,400
(ii)	Treatment of Mrs. X	7,200
(iii)	Treatment of X's mother	2,400
(iv)	Treatment of X's brother	800
(v)	Treatment of X's grandfather	3,000
	Less. Exempt	
		21,800

Hence Rs.21,800 shall be taxable perquisite.

W.e.f. assessment year 2019-20, medical reimbursement shall be fully taxable.

(b) Reimbursement of insurance premium on the health of the employee and his family members is a tax-free perquisite. Hence nothing is taxable.

(c) The expenses of medical treatment of the employee and his family members in a hospital maintained by the employer are tax-free. Therefore, expenses on treatment of X, X's major son, X's widowed sister and Mrs. X are not taxable. Only the following expenses are taxable:

S.No.	Particulars	Amount(Rs.)
(i)	Treatment of X's uncle	9,200
(ii)	Treatment of X's handicapped nephew	5,000
	Taxable perquisite	14,200

(d) Expenses on medical treatment of the employee/family members in respect of prescribed diseases, in any hospital approved by the Chief Commissioner of Income-tax, are tax-free. In this case as cancer is a prescribed disease and Tata Memorial Hospital, Mumbai is approved by Chief Commissioner of Income-tax, there is no taxable perquisite. However, Rs.40,000 reimbursement of medical expenses, shall be taxable perquisite in this case.

(e) In respect of medical treatment outside India, the expenses on actual treatment and on stay abroad (of the patient and one attendant) are exempt from tax to the extent permitted by R.B.I. i.e. upto Rs. 1,20,000 and Rs.90,000, respectively. Therefore, balance Rs.30,000 and Rs.40,000 shall be taxable perquisites. Expenses of travel are exempt only if the gross total income of the employee is upto Rs.2,00,000. In case (a), the gross total income shall be Rs. 1,90,000 (1,20,000 + 30,000 + 40,000) hence the entire expenditure on travel is tax free perquisite. On the other hand, in case (6), his gross total income shall be Rs.2,50,000 (1,80,000 + 30,000 + 40,000), hence the entire expenditure on travel amounting to Rs.2,40,000 shall be taxable perquisite. Rs.30,000 + Rs.40,000 included above are on account of taxable amount of medical perquisites as these are in excess of amount permitted by RBI.

(Q.12) R was a manager in a factory in Delhi which is not covered under the Payment of Gratuity Act. 1972. He got Rs.30,000 per month as basic pay, Rs.6,000 per month as dearness allowance (under the terms of employment) and Rs.3,750 per month as house rent allowance. He resides in his own house. He also got Rs.2,100 per month as conveyance allowance for commuting between office and residence.

He retired on 1.1.2019 and got Rs.6,00,000 as gratuity and Rs.5,00,000 as accumulated balance in his recognised fund. His own contribution and that of the factory to this fund was equal. He also received Rs.3,60,000 being the amount of salary including dearness allowance for ten months earned leave to his credit at the time of retirement. He was entitled to one month leave per year.

He was allowed to get pension of Rs. 15,000 per month three fourths of which was commuted for Rs.4,50,000. He commenced service of this factory on 1.4.1988. Employment tax payable to State Government was Rs.2,000 but he paid only Rs. 1,000 during the previous year against the due amount.

Calculate his income from salaries for the assessment year 2019-20.

Solution

Income from Salaries for the assessment year 2019-20			**Amount (Rs.)**
Basic Salary (Rs.30,000 x 9)			2,70,000
Dearness Allowance (Rs.6,000 x 9)			54,000
House Rent Allowance (Rs.3,750 x 9)			33,7501
Conveyance Allowance (Rs.2,100 x 9)			18,900
Gratuity received		6,00,000	
Less: exempt minimum of the following limits			
(a) Rs.6,00,000 — Actual amount			
(b) Rs.5,40,000 — 1/2 month average salary for 30 years (36.000/2 x 30)			
(c) Rs. 10,00,000 (likely to be increased to Rs.20,00,000) 60,000			5,40,000
Leave salary received	3,60,000		
Less : Exempt minimum of the following limits			
(a) Rs.3,60,000 (10 month average salary)			
(b) Rs.3,60,000 (amount actually received)			
(c) Rs.3,00,000 (amount specified by Government)			
(d) Rs.3,60,000 (cash equivalent to unavailed leave)			
		3,00,000	60,000
Pension			
3/4th of commuted	4,50,000		
Hence 1/3 of pension			
$\frac{(450000 \text{x} 100 \text{x} 1/3)}{75}$	2,00,000		
Taxable			2,50,000
Un-commuted Pension (3 x 3,750)			11,250
			7,57,900
Less : Standard deduction		40,000	
Employment Tax		1,000	41,000
Income from Salary			7,16,900

Note — In the absence of information, it is assumed that there was no change in the basic salary of last months.

(Q.13) Mr. Lal is employed in Bharat Textiles Ltd. Mumbai on a monthly salary of Rs.20,000.

In addition to this fixed salary, he is entitled to a commission @ 5% on the sales made by him. During the previous year 2018-19, he had received following allowances and amenities from his employer:

(i) Dearness allowance @ Rs.2,000 per month which is granted to him under the terms of employment and counted for retirement benefits.

(ii) Bonus equal to two months basic salary.

(iii) House rent allowance @ Rs.5,000 per month.

(iv) Entertainment allowance @ Rs.250 per month.

(v) The company paid Rs. 1,000 as his Income-tax penalty.

(vi) In September, 2018 during leave he went on a visit to Kashmir with his family. The expenditure amounting to Rs. 16,000 as passage money by air were paid to him by employer as leave travel assistance.

(viii) He had been provided with the amenities of gas, electricity and water, the expenses of which amounting to Rs. 12,000 were paid by the company.

(viii) Commission on sales of Rs. 10,00,000 @ 5%.

(ix) He was given titan watch worth Rs.9,000 by his employer on the foundation day of the company.

(x) He and his employer each contributed 12.5% of his salary to recognised provident fund. The interest credited to this fund for the previous year at 13.5% rate of interest amounted to Rs.27,000.

Compute the taxable income from salary of Mr. Lal for the assessment year 2019-20 keeping in mind that he spent Rs.6,000 p.m. as rent of the house hired by him.

Solution

Particulars	**Amount (Rs.)**
Salary	2,40,000
DA	24,000
Commission	50,000
Bonus	40,000
HRA (60,000 - 40,600)	19,400
Entertainment Allowance	3,000
Income tax Penalty	1,000
Gas, Electricity	12,000
Gift of watch (Rs.9,000 - 5,000)	4,000
Employers contribution to RPF in excess of 12%	
0.5% (of 2,40,000 + 24,000 + 50,000)	1,570
Interest on RPF in excess of 9.5%	8,000
Gross salary	4,02,970
Less: Standard deduction	40,000
	3,62,970
Computation of taxable HRA	

		Rs.
HRA received		60,000
Less: Exempt minimum of 3 limits		
(1)	Rs.60,000	
(2)	Rent paid - 10% of salary	
	72,000-31,400 = Rs.40,600	
	Salary (2,40,000 + 24,000 + 50,000) = Rs.3,14,000	
(3)	50% of salary i.e. Rs. 1,57,000	40,600
	Balance taxable	19,400

(Q.14) Mr. Nagpal is the managing director of X Ltd. His salary and other particulars for the year ending 31.3.2019 are as follows:

Particulars	**Amount Rs.**
Salary	15,000 p.m.
DA.	2,000 p.m.
Bonus	6,000
Commission on turnover for 2018-19	50,000
Employers contribution to recognised provident fund	15% of salary
Professional tax paid by company	1,500
Gas, electricity bills of Mr. Nagpal paid by company	40,000

The company has provided Mr. Nagpal a Maruti Esteem (1300 cc) which is used by him both for official and personal purposes. The running and maintenance expenses of motor car amounting to Rs.20,000 was met by the employer. His major son is studying in I.I.M. Ahmedabad. His fee of Rs.50,000 as paid by employer direct to the Institute.

He has also been provided with a rent free furnished accommodation at Delhi. The company owns the accommodation. The fair rent value of this house property is Rs. 10,000 p.m.

The company has provided a gardener, a security man and a sweeper whose salaries amounting to Rs.500 p.m., 400 p.m. and Rs.300 p.m., respectively, have been paid by the company. Cost of furniture provided was Rs.2,00,000.

Compute the income under the head “Salary” of Mr. Nagpal for the assessment year 2019-20.

Solution

Particulars	**Amount (Rs.)**
Basic salary 15,000 x 12	1,80,000
DA 2,000x12	24,000
Bonus	6,000
Commission	50,000
Employer’s contribution to RPF in excess of 12% of salary	5,400
Profession tax paid by company	1,500
Gas, electricity bills paid by company	40,000
Motor-car (1800 x 12)	21,600
Education expenses of children	50,000
Gardener (500 x 12)	6,000
Sweeper (300 x 12)	3,600
Security man (400 x 12)	4,800

Rent free accommodation*		55,400
		4,48,300
Less: Standard deduction	40,000	
Less: Professional tax	1,500	41,500
Income under the head salary		4,06,800

* Working Note
Valuation of Furnished Accommodation
Meaning of Salary:
Basic + Bonus + Commission 1,80,000 + 6,000 + 50,000 = Rs.2,36,000
Value of Furnished Accommodation:

15%* of Rs.2,36,000	Rs.35,400
Add: 10% of Cost of furniture	Rs.20,000
	Rs.55,400

(Q.15) R who is neither a director nor has substantial interest in any company, is offered on 1.4.2018 as employment by G Ltd., New Delhi with the following two alternatives:

Particulars	Alternative I (Rs.)	Alternative II (Rs.)
Basic pay	40,000	40,000
Bonus	2,000	2,000
Education allowance for the children	4,400	—
Education facility	—	4,400
Servant allowance	3,000	—
Free domestic servant	—	3,000
Entertainment allowance	6,000	6,000
Club facility	—	6,000
Conveyance allowance for private purposes	3,000	—
Free car facility for private purposes	—	3,000
Allowance for gas, electricity and water supply	1,000	—
Free gas, electricity and water supply	—	1,000
A rent-free unfurnished house: Fair Rent	6,000	6,000

Which of the two alternative R should opt for

Solution :

Computation of salary Income of R

(For the Assessment year 2019-20)

Particulars	**Alternative I**	**Alternative II non-specified employee**
	(Rs.)	**(Rs.)**
Basic pay	40,000	40,000
Bonus	2,000	2,000
Education allowance [Rs.4,400 - 2,400 (100 x 2 x 12)]	2.000	—
Education facilities	—	Exempted
Club facility	—	6,000
Servant allowance	3,000	—

Free domestic servant	—	Exempted
Entertainment allowance	6,000	6,000
Conveyance allowance	3,000	—
Free car	—	—
Allowance for gas, electricity and water	1,000	—
Free gas, electricity and water	—	Exempted
Rent free house (15% of salary)	8,550	7,200
Gross salary	65,550	61,200
Less : Standard deduction u/s 16	40,000	40,000
Salary income	25,550	21,200

Note : In the case of second alternative, he is a non-specified employee as his income under the head salary exclusive of non-monetary benefits does not exceed Rs.50,000. Hence, in his case only rent free accommodation will be a perquisite. Other perquisites which are provided in the form of facility shall be tax free.

(Q.16) R a General Manager of a limited company in Delhi, retired from service on 1.1.2019 after 32 years of service and submits the following particulars of his income.

Salary Rs. 12,000 p.m., House Rent Allowance Rs.3,000 p.m. Medical Expenses reimbursed by the company during the previous year Rs. 17,000. Leave travel assistance for going to his home town, Mumbai, on leave reimbursed by the company Rs.8,000. A car of 1.6 litre engine capacity is provided by the company for official and personal use and expenses of its running and maintenance including salary of driver for official use are borne by the company.

He contributes 20% of his salary to recognised provident fund to which company contributes 14%.

He received Rs. 1,80,000 gratuity and Rs. 1,20,000 for encashment of 10 months earned leave not availed by him. As per rules of the company Mr. X was entitled to one months leave for every year of service. He was drawing a salary of Rs.12,000 per month since 1.1.2018.

He invested Rs.24,000 in National Savings Certificates (VIII Issue) and Rs. 15,000 in Public Provident Fund A/c. He paid Rs.4,000 towards Life Insurance Premium on a policy issued on 5.4.2018 for a sum assured for Rs.30,000.

His other incomes were: Interest on debentures Rs.80,000 (Gross).

He donated Rs. 10,000 to Prime Ministers National Relief Fund.

Compute the total income of Mr. R for the assessment year 2019-20 and deduction allowed under section 80C.

Solution:

Computation of Total Income of R

S.No.	**Particulars**	**Amount (Rs.)**	**Amount (Rs.)**
1.	Salary 12,000 p.m. x 9		1,08,000
	House rent allowance		27,000
	Reimbursement of medical expense fully taxable		17,000
	Leave travel assistance: exempt		—
	Value of car (Rs.600 + 900) x 9		13,500
	Contribution in R.P.F. in excess of 12% of salary		2,160
	Gratuity: Exempt		—
	Encashment of earned leave		—
	Gross salary		1,67,660
	Less: Standard deduction u/s 16		40,000
			1,27,660
2.	Income from other sources:		
	Interest on debentures		80,000
	Gross total income		2,07,660
	Less: Deduction under Chapter VIA		
	U/s 80C (See note below)	Rs. 63,600	
	U/s 80G	Rs. 10,000	73,600
	Total income		1,34,060
	Amount qualifying for deduction u/s 80C		
(i)	Employees contribution to RPF		21,600
(ii)	NSC VIII issue		24,000
(iii)	Public Provident Fund		15,000
(iv)	Life Insurance Premium		3,000
			63,600

1.	**Encashment of earned leave**	**(Rs.)**
(i)	10 months salary 12,000 x 10	1,20,000
(ii)	Encashment leave for entitled period 12,000 x 10	1,20,000
(iii)	Actual amount received	1,20,000
(iv)	Maximum amount	3,00,000

The least sum i.e. Rs.1,20,000 is exempt from tax

2. Gratuity:

(i) 1/2 month salary for each completed year of service 12,000 x 1/2 x 32 = 1,92,000

(ii) Rs.10,00,000 (likely to be increased to Rs.20,00,000)

(iii) actual amount of gratuity received, i.e. Rs.1,80,000

whichever is less exempt from tax.

Thus entire amount of gratuity received is tax free.

(Q.17) R (age: 66 years) was in the State Government service till his retirement on 31.3.2013 when he joins X Ltd. During the previous year 2018-19, he gets the following from X Ltd:

Basic salary: Rs.30,000 p.m.; Dearness allowance: Rs.4,000 p.m. (60% of which is part of salary for retirement purposes); overtime allowance up to 30.6.2018: Rs.5,000 p.m.; helper allowance for office use ; Rs. 1,500 p.m. (expenditure: Rs. 1,000 p.m.); medical bills reimbursement: Rs.48,000 (out of which Rs.33,000 is in respect of treatment in a Government hospital); free gas and electricity only for personal use; Rs.30,000, free telephone of residence: Rs.15,000; free lunch in office: Rs.30,000 (amount paid already to canteen @ Rs.100 per day for 300 days); interest-free loan for purchasing a house (repayable in 3 years) given on 1.12.2018: Rs.4,00,000 (employer's cost of capital is @ 15%, SBI lending rate on 1.4.2018: 10%); earned leave encashment: Rs.36,000 (as per service rules R is entitled for 3 days leave for each month of service and during 2018-19, R has encashed 36 days leave earned during the year);mediclaim insurance on life of R: Rs.7,000; reimbursement of mediclaim insurance premium on the life of R's brother who is not dependent upon R: Rs.6,000; leave travel concession for R and his family: 20,000 (no journey is undertaken). Up to 30.6.2018, R has been paid house rent allowance Rs.8,000 p.m. (rent paid for house in Delhi: Rs.8,000 p.m.). With effect from 1.7.2018 he has been provided rent-free furnished house at New Delhi whose lease rent is Rs.25,000 p.m. (cost of furniture provided with effect from 16.11.2018: Rs.2,40,000).

Further, X Ltd. bears the following expenses in respect of the house:

(a) repair of House Rs. 16,000

(b) rent of air-conditioning system Rs. 18,000 (for the summer, 2018)

Income of X from other sources is Rs.2,10,000 (which includes Government pension of Rs. 1,20,000).

Find out the taxable income and tax liability of R for the assessment year 2019-20 on the assumption that R annually contributes Rs.40,000 towards recognized provident fund and Rs. 10,000 towards public provident fund.

Solution :

Particulars	Amount (Rs.)	Amount (Rs.)
Basic salary (Rs.30,000 x 12)		3,60,000
Dearness allowance (Rs.4,000 x 12)		48,000
Overtime allowance (Rs.5,000 x 3)		15,000
Helper allowance [(Rs. 1,500 — Rs. 1,000) x 12]		6,000
Medical bills reimbursement	48,000	
Less Reimbursement of Government hospital bills	33,000	15,000
Free gas and electricity		30,000
Free residential telephone (not taxable)		—

Free lunch (Rs.30,000 - 15,000)	15,000
Earned leave encashment (during tenure of service - fully taxable)	36,000
Mediclaim insurance on the life of R	—
Mediclaim insurance on the life of R's brother not dependent on R	6,000
Leave travel concession	20,000
House rent allowance (see Note 1)	9,720
Interest free loan (10% of Rs.4,00,000 from 1.12.2018 to 31.3.2019)	13,333
Rent free furnished house (see Note 2)	89,040
Pension from Government	1,20,000
Gross salary	7,83,093
Less: Standard deduction	40,000
Income from salary	7,43,093
Income from other sources	90,000
Gross total income	8,33,093
Less: Deduction u/s 80C (RPF — Rs.40,000 + PPF — Rs. 10,000)	50,000
Net income (rounded off)	7,83,090
Tax	66,618
Add: Health and education cess @ 4%	2,665
Tax payable (rounded off)	69,280

Notes :

1. House rent allowance - Salary for this purpose is Rs.97,200 (being basic salary: Rs.90,000 + 60%, of dearness allowance of Rs. 12,000). Amount exempt from tax is calculated as follows—

   (a) Rs.24,000 (being house rent allowance); or

   (b) Rs. 14,280 (being the excess of rent paid over 10% of salary i.e., Rs.24,000 — Rs.9,720).

   (c) Rs.48,600 (being 50% of salary);

   The minimum of the three sums is Rs. 14,280 p.m. Amount taxable is Rs.9,720 [i.e. Rs.24,000 — Rs.14,280],

2. Rent free house - W.e.f. 1.7.2018, X has been provided a house by the employer. "Salary" for the period 1.7.2018 to 31.3.2019 for the purpose of valuation of the perquisite is as follows—

Particulars	Amount (Rs.)
Basic salary (Rs.30,000 x 9)	2,70,000
Dearness allowance (Rs.2,400 x 9)	21,600
Helper allowance (Rs.500 x 10)	5,000
Leave encashment (27 days leave calculated for 9 months)	27,000
Pension from Government [(Rs. 1,20,000 -s- 12) x 9]	90,000
Salary	4,13,600
Lease rent of 9 months	2,25,000
Value of unfurnished house (15% of salary or lease rent, whichever is lower)	62,040
Add: Value of furniture (10% p.a. of Rs.2,40,000 from 16.11.2018 to 31.3.2019)	9,000
Add: Rent of air-conditioning system	18,000
Value of furnished house	89,040

HOUSE PROPERTY

(Q.18) Mr. N is the owner of three house properties in Delhi, particulars in respect of which for the year ended 31.3.2019 are as below:

Particulars		I House	II House	III House
(i)	Construction started on	1.4.1993	1.8.1993	1.7.1988
(ii)	Construction completed on	31.12.1994	31.1.1994	31.12.1989
		Amount (Rs.)	**Amount (Rs.)**	**Amount (Rs.)**
Actual Rent received		3,50,000	1,90,000	self- occupied
Standard Rent		4,50,000	4,00,000	N.A.
Municipal Value		6,00,000	1,90,000	2,78,000
		Amount (Rs.)	**Amount (Rs.)**	**Amount (Rs.)**
Municipal Taxes (paid by owner)		60,000	19,000	1,20,000
Cost of repairs (borne by tenant)		10,000	70,000	
Collection charges		15,000	13,000	
Insurance premium		10,000	12,000	26,000
		(Paid)	(Not paid)	
Interest on loan taken for renovation of house		24,000	30,000	60,000
Unrealised rent allowed in the past, recovered during the year		20,000		

Mr. N, resided in Bombay for three months during the previous year in connection with his business and for all these months the house remained vacant. During the period of his stay in Delhi he did not occupy any other house of his own. Compute Mr. N's "Income from house property" for the assessment year 2019-20.

Solution

Particulars		**I**		**II**	**III**
		(Rs.)		**(Rs.)**	**(Rs.)**
Gross annual value		4,50,000		1,90,000	
Less: Municipal taxes		60,000		19,000	—
Net annual value		3,90,000		1,71,000	
Less: Deductions u/s 24					
(a) Standard deduction @ 30%	1,17,000		51,300	—	—
(b) Interest	24,000	1,41,000	30,000	81,300	30,000
		2,49,000		89,700	(-) 30,000

Particulars		**Amount (Rs.)**

House I		2,49,000
House II		89,700
House III		(-) 30,000
		3,08,700
Add: Unrealised rent		
Recovered	20,000	
Less: Standard deduction	6,000	14,000
Income from House Property		3,22,700

(Q.19) Mr. X is the owner of a residential house, whose construction was completed on 31.8.1995. It has been let out from 1.12.1995 for residential purposes. Its particulars for the financial year 2018-19 are given below:

S.No.	**Particulars**	**Amount (Rs.)**
(i)	Municipal valuation	55,000
(ii)	Expected fair rent per annum	60,000
(iii)	Standard rent under the Rent Control Act	6,000 p.m.
(iv)	Actual monthly rent	6,000 p.m.
(v)	Municipal taxes (including Rs.5,000 paid by tenant) paid	1,5000
(vi)	Water/sewage benefit tax levied by State Government but disputed in Court	6,000
(vii)	Fire Insurance payable	800
(viii)	Interest on loan taken for the construction of the house. The interest has been paid outside India to a non-resident without deduction of tax at source, as the non-resident agreed to pay income tax on such interest directly to the Government.	10,000
(ix)	Legal charges for the recovery of rent	4,000
(x)	Stamp duty and registration charges incurred in respect of the lease agreement of the house	2,000

(xi) The unrealised rent of the earlier years amounted to Rs. 10,000 but a deduction claimed so far was only for Rs.7,000. Now, there is a recovery of Rs.8,000 from the defaulting tenants.

Compute his income from house property for the assessment year 2019-20.

Solution

Particulars	**Amount (Rs.)**	**Amount (Rs.)**
Gross Annual Value, higher of the following two:		72,000
(a) Municipal value ('55,000), Fair rent (Rs.60,000) whichever is more but restricted to standard rent	60,000	
(b) Actual rent received or receivable (6,000 x 12)	72,000	
Less: Municipal taxes		10,000
Net annual value		62,000
Less: Standard deduction @ 30%		18,600
		43,400
Add: Out of recovery of unrealised rent	5,000	
Less: Standard deduction @ 30%	1,500	3,500
Income from House Property		46,900

(Q.20) For the assessment year 2019-20, X submits the following information:

Income from business		Rs.46,000
Particulars	**House 1**	**House 2**
Property income:	(Rs.)	(Rs.)
Fair rent	75,000	85,000
Rent	78,000	78,000
Municipal valuation	76,000	75,000
Municipal taxes (due)	13,000	14,000
Repairs	3,500	4,700
Insurance	2,000	3,000
Land revenue (paid)	2,500	4,000
Ground rent (due)	1,600	6,000
Interest on capital borrowed by mortgaging House 1		
(funds are used for construction of House 2)	14,000	
Nature of occupation	Let out for residence	Let out for business

Determine the taxable income of X for the assessment year 2019-20.

Solution

Particulars		House 1		House II
Higher of the following two:	(Rs.)	(Rs.)	(Rs.)	(Rs.)
(a) Expected rent				
(b) Actual rent received or receivable				
Gross annual value		78,000		85,000
Less: Municipal tax		Due not allowed		Due not allowed
Net annual value		78,000		85,000
Less : Deductions u/s 24	(Rs.)	(Rs.)	(Rs.)	(Rs.)
(a) Standard deduction @ 30%	23,400		25,500	
(b) Interest on borrowed capital	—	23,400	14,000	39,500
		54,600		45,500
Income: House I			54,600	
House II			45,500	
Income from House Property			1,00,100	
Income from business			46,000	
Total Income			1,46,100	

(Q.21) R has a house property situated in Mumbai, which has two units. Unit I has a floor area of 70% whereas the Unit II has a floor area of 30%. Both the units were self-occupied by the assessee. As the assessee was allowed a rent free accommodation by his employer w.e.f. 1.4.2018, he vacated and let out Unit I at a rent of Rs. 11,000 p.m. Unit II was let out for Rs.4,000 p.m. Unit I remained vacant for 1 */2 months, whereas Unit II was vacant for March 2019. Other Particulars of the house property are as

Particulars	Amount (Rs.)
Municipal valuation	1,50,000
Fair rent	1,70,000
Standard rent	1,60,000
Municipal taxes paid	30,000
Ground rent due	10,000

Compute income from house property for the assessment year 2019-20.

Solution

Gross annual valuation	Unit I (Rs.)	Unit II (Rs.)
Municipal valuation	1,05,000	45,000
Fair rent	1,19,000	51,000
Standard rent	1,12,000	48,000
∴ value as per Step 1	1,12,000	48,000
2nd Step actual rent (exclusive of vacancy period)	1,15,500	44,000
∴ Gross annual value	1,15,500	44,000
less: Municipal taxes paid (in the ratio of 7:3)	21,000	9,000
Net annual value	94,500	35,000
Less: Standard deduction @ 30%	(28,350)	(10,500)
Income from house property	66,150	24,500
∴ Income from house property (66,150 + 24,500) = Rs.90,650		

(Q.22) R is a Cost Accountant in HIFI Ltd, Mumbai, and he gets Rs. 18,000 per month as salary. He owns two houses, one of which has been let out to the employer-company which in turn was provided to him as rent-free accommodation.

Determine the taxable income of R for the assessment year 2019-20 after taking into account the following information relating to property income:

Particulars	**House 1** **Rs.**	**House 2** **Rs.**
Fair rent (Rent Control Act is not applicable)	60,000	1,82,000
Actual Rent	63,000	1,84,000
Municipal valuation — Annual value	61,000	1,85,000
Municipal taxes paid	14,000	40,000
Repairs	3,500	7,700
Insurance premium on building	3,000	33,000
Land revenue	7,500	24,000
Ground rent	4,000	7,800
Interest on capital borrowed by mortgaging		
House 1 (funds are used for construction of House 2)	18,000	—
Nature of occupation	Let out to HIFI Ltd. Mr. G for	Let out to business

Solution **Computation of Taxable Income of R**

(For the assessment year 2019-20)

Salary income		**(Rs.)**	**(Rs.)**
Basic salary ('18,000 x 12)		2,16,000	
Rent free accommodation (Refer note 1)		32,400	2,48,400
Less: Standard deduction under section 16			40,000
			2,08,400
Income from House Property			
House-1 (Let out for residence):			
Gross annual value (a) maximum of fair rent and municipal valuation i.e. Rs.61,000			
(b) Actual rent received or receivable Rs.63,000		63,000	

Less: Municipal Taxes		14,000	
Net annual value		49,000	
Less: Deductions under section 24			
Standard deduction @ 30%			
Interest on capital borrowed	14,700		
(As the funds are utilised for house 2, it is not deductible from house 1)	Nil	14,700	
Income from House 1		34,300	
House 2 (Let out for business)			
Gross Annual value (a) maximum of fair			
rent and municipal valuation i.e. Rs. 1,85,000			
(b) Actual rent received or receivable whichever is higher	Rs. 1,84,000	1,85,000	
Less: Municipal taxes		40,000	
Net annual value		1,45,000	
Less: Deductions under section 24			
(a) Standard deduction @ 30%	43,500		
(b) Interest on funds borrowed:			
as the amount is borrowed for construction of House 2, it is deductible even if House 1 is mortgaged)	18,000	61,500	
		83,500	
Income under the head house property			
Income from House I		34,300	
Income from House II		83,500	
			1,17,800
Taxable income			3,26,200

Notes : Free accommodation: R has let out House 1 to his employer company HIFI Ltd, which provides the same to him as rent free accommodation. Rental income received by R as owner will be taxable as "income from house property." As he uses the house only as an employee of the tenant, value of perquisite for rent free house is taxable under the head "Salaries". He is not entitled to the benefits permissible under section 23(2), as he occupies the house not as owner as a sub-tenant of the employer company. [D.R. Sunder Raj v C/T0979) 2 Taxman 458 (AP)].

Value of perquisites in respect of rent free house: 15% Salary of Rs.2,16,000 i.e. Rs.32,400.

(Q.23) R. uses his own house property for the purpose of his residence. Municipal valuation of the house is Rs.2,10,000, whereas a similar house in the same locality fetches annual rent of Rs.2,40,000 and Standard rent of the property under the Rent Control Act is Rs.2,16,000. Local taxes are levied at the rate of 15%. Apart from the payment of municipal taxes, R incurs the following expenditure: repairs Rs.30,000, insurance premium: Rs.4,000, ground rent: Rs.20,000, land revenue: Rs. 1,800. R borrowed Rs.3,00,000 @ 15% p.a. on 30.9.2006 (date of repayment of loan: 31.1.2018, date of completion of construction: 16.2.2012) for the purpose of construction of the property. Besides, on 10.4.2016, R borrows Rs.2,40,000 @ 15% p.a. for repairing the house property. He pays Rs.5,000 p.a. to his mother (as per will of his father, he got the land of the above property 15 years ago subject to this charge). For the previous year 2018-19, he income from other sources is as follows:

Particulars	Amount (Rs.)
Income from business X	4,50,000
Loss from business Y	1,20,000
Interest on debentures	65,000

Determine the taxable income and tax liability of R for the assessment year 2019-20 on the assumption that he contributes Rs.24,000 for P.P.F.

Solution :

Particulars	Amount (Rs.)	Amount (Rs.)
Annual value		Nil
Less: Deductions u/s 24		
Statutory deduction	Nil	
Interest on Rs.3,00,000		
— for 2018-19	Nil	
— for pre-construction period (i.e., 30.9.2006 to 31.3.2011)		
deductible in 51 ears, (i.e., 2011-12 to 2015-16)	Nil	
Interest on Rs.2,40,000 (15% of Rs.2,40,000;		
subject to maximum of Rs.30,000)	30,000	30,000
Income from house property		(-) 30,000
Business income:		
Business A	Rs.4,50,000	
Business B	(-) 1,20,000	3,30,000
Income from other sources		65,000
Gross total income		3,65,000
Deduction u/s 80C (contribution to ULIP)		24,000
Net income		3,41,000
Tax on Rs.3,41,000		4,550
Less : Rebate u/s 87A		2,500
		2,050
Add : Health and education cess @ 4%		82
Tax payable (rounded off)		2,130

PROFITS AND GAINS FROM BUSINESS OR PROFESSION

(Q.24) Calculate Depreciation of the following assets

	W.D.V. on 1.4.2018 Rs.	Rate of Dep.
Building A	5,40,000	5%
Building B	4,15,000	10%
Building C	5,20,000	10%
Furniture	24,500	10%
Plant & Machinery A	5,60,000	30%
Plant & Machinery B	3,20,000	15%

Following assets have been purchased on 5.4.2018 and put to use on the following dates during the previous year.

	Date put to use	Rs.	Rate of Dep.
Plant C	01.08.2018	1,60,000	100%
Plant D	18.11.2018	2,80,000	30%
Plant E	10.09.2018	4,00,000	15%
Building D	01.12.2018	3,00,000	10%
Building E	11.04.2018	1,60,000	5%

Following assets have been sold during the previous year.

	Date of sale	Sale consideration Rs.
Building B	25.10.2018	6,40,000
Plant A	08.05.2018	5,80,000

Rs.90,000 were also spent to renovate and modify Building A. Rs. 1,20,000 also been spent in June 2018 on Machinery B to make it suitable for the new system of production.

Solution

Calculation of depreciation

Sr.No.	Block of assets	W.D. V./Cost	Depreciation
1.	Building Block 1 [Rate 5%]		
	Building A: W.D.V. on 1.4.2018	5,40,000	
	Add: New addition (Cost) building E	1,60,000	
		7,00,000	
	Add: Capital expenditure to Renovate building A	90,000	
		7,90,000	
	5% on Rs.7,90,000		39,500
	W.D.V. on 1.4.2019 (Rs.7,90,000 - 39,500 = 7,51,500)		
2.	Building Block II [Rate 10%]		
	Building B: W.D.V. on 1.4.2018	4,15,000	
	Building C: W.D.V. on 1.4.2018	5,20,000	
		9,35,000	
	Add : New building D (Cost) put to use for less than 180 days	3,00,000	
		12,35,000	
	Less: Sale consideration of building B	6,40,000	
		5,95,000	
	On Rs.2,95,000 @ 10%	29,500	
	On new 3,00,000 @ 5%	15,000	
			44,500
	W.D.V. on 1.4.2019		
	5,95,000-44,500 = 5,50,500		
3.	Furniture Block III [Rate 10%]		
	W.D.V. on 1.4.2018	24,500	2,450
	On Rs.24,500 @ 10%		
	W.D.V. on 1.4.2019 (Rs.24,500 - 2,450) = 22,050		

4.	Plant & Machinery Block IV [Rate 15%]		
	P&M(B) W.D.V. on 1.4.2018	3,20,000	
	Add: Capital expenditure on modernization	1,20,000	
		4,40,000	
	Add: New plant E put to use for more than 180 days	4,00,000	
		8,40,000	
	15% of 8,40,000		1,26,000
	W.D.V. on 1.4.2019		
	Rs.8,40,000 - 2,10,000 = 6,30,000		
5.	Plant & Machinery Block V [Rate 30%]		
	P & M (A) W.D.V. on 1.4.2018	5,60,000	
	Add: New addition of Machine D (Cost)		
	put to use for less than 180 days	2,80,000	
		8,40,000	
	Less: Sale consideration of Machine A	5,80,000	
	W.D.V. on 31.3.2019	2,60,000	
	Less: Depreciation (30% of 2,60,000 x V2)		39,000
	W.D.V. on 1.4.2018 (Rs.2,60,000 - 39,000) = 2,21,000		
6.	Plant & Machinery Block VI [Rate 100%]		
	Cost in August 2018	1,60,000	
	Less: Depreciation	1,60,000	1,60,000
	W.D.V. on 1.4.2019	Nil	
	Total depreciation		4,11,450

Note : Additional depreciation is not provided as the question does not state that it is acquired for manufacturing of an article or a thing.

(Q.25) R, who is carrying on a business whose accounts have been subject to tax audit regularly, submits his profit & loss account for the year ending 31.3.2019.

	Rs.		Rs.
Office expenses	25,600	Gross profit	5,23,600
Audit fees	32,000	Sundry receipt	11,000
Legal expenses	18,000	Customs duties recovered from the government (Earlier not allowed as deduction)	22,000
Depreciation on machinery	24,000	Bad debts recovered (earlier allowed as deduction)	6,000
Salary to staff	84,000	Gift from son	30,000
Bonus to staff	45,000		
Contribution to an approved gratuity fund	24,000		
Outstanding liability in respect of	24,000		
excise duty			
Rent payable to railways	1,20,000		
General expenses	36,000		
Net Profit	1,60,000		
	5,92,600		**5,92,600**

Other relevant particulars:

1. Bonus payable to employees according to the payment of Bonus Act, 1965, comes to Rs.40,000.
2. Depreciation on machinery shown in the Profit and Loss Account is calculated according to the income-tax provisions.
3. General expenses include payment of Rs. 12,000 to an approved and notified education institute for the purpose of carrying on research in social sciences. The research is, however, not related to the business of the assessee.
4. During the previous year 2018-19, R also makes a capital expenditure of Rs.25,000 for the purpose of carrying on a scientific research related to his business. This expenditure is, however, not recorded in the Profit and Loss Account.
5. Outstanding liability in respect of GST is paid as follows: Rs.5,000 on 11.4.2019 Rs.3,000 on 5.5.2019; Rs.6,000 on 30.6.2019 and the balance on 10.11.2019.
6. Audit fee of Rs.32,000 was credited on 31.3.2019. No tax has been deducted at source.
7. Outstanding liability in respect of rent payable to railways is paid as follows:

   Rs.90,000 on 15.6.2019 and the balance on 14.12.2019

   Compute his income from business for the assessment year 2019-20. Assume the due date of filing return of income is 30th September.

Solution

Computation of total income

	Rs.	Rs.
Net Profit		1,60,000
Less: Items credited to P & L A/c but not treated as income:		
(i) Customs duties recovered	22,000	
(ii) Gift from son	30,000	52,000
		1,08,000
Add:		
(1) Expenses disallowed: Outstanding liability for GST not paid before filing the return (30.9.2019) disallowed u/s 43B (24,000 - 14,000)	10,000	
(2) Outstanding liability of rent payable to railway not paid before filing the return i.e. 30.9.2019 disallowed u/s 43B	30,000	
(3) 30% Audit fee as tax has not been deducted at source (Section 40(a)(ia)	9,600	49,600
		1,57,600
Less: Capital expenditure incurred on scientific research related to business but not debited to P & L A/c		25,000
Business income being total income		1,32,600

1. Bonus paid to staff is fully deductible.
2. Capital expenditure on scientific research related to business is fully deductible u/s 35.

(Q.26) From the particulars given below compute the business income for the assessment year 2019-20.

Profit and Loss Account

	Rs.		Rs.
To salary to staff	2,92,000	By gross profit	8,01,000
Bad debts	15,000	By rent of quarters given to	
Bonus	30,000	employee	50,000
Reserve for bad & doubtful debts	11,000	By Customs duty recovered	
Provision for income tax	25,000	from Govt, (not allowed earlier)	60,000
Expenditure on acquisition of copy		By Bad debts recovered (Out of	

Right	12,000	which 5,000 were not allowed	
Cost of extension of office building	36,000	earlier)	15,000
Postage expenses	8,000	By sundry receipts	10,000
Legal expenses	12,000		
Expenses on diwali	15,000		
General expenses	7,000		
GST	69,000		
Lumpsum amount paid to acquire			
technical know how	30,000		
Lumpsum amount paid to			
acquire a patent right	40,000		
Legal expenses regarding			
income tax appeal	24,000		
Net profit	3,10,000		
	9,36,000		**9,36,000**

Other relevant information are:

1. General expenses include expenditure of Rs.5,000, incurred on the training of an employee.
2. GST amounting to Rs.42,000 was due on 31.3.2019 the due date of deposit under GST is 20.5.2019. It is deposited as under:
   — Rs.35,000 on 29.6.2019
   — Rs.7,000 on 5.11.2019
3. Salary staff includes a payment of Rs.30,000 paid to a relative employee which is considered to be unreasonable upto Rs.5,000.
4. Provisions for income-tax is excessive to the tune of Rs.5,000.
5. Bonus includes Rs.20,000 due on 31.3.2019 which is paid on 2.11.2019
6. The particulars about the assets of the business are as under:
   (i) Building (Office) W.D.V. on 1.4.2018 Rs.5,00,000
   (ii) Godown W.D.V. on 1.4.2018 Rs.3,00,000 (iii) Plant and Machinery W.D.V. on 1.4.2018 Rs.2,80,000
7. Technical know how was acquired on 1.11.2018 from an institution, which was wholly financed by Government of India.
8. Due date of furnishing the return of income is 30.9.2019.

Solution:

	Rs.	Rs.	Rs.
Net profit			3,10,000
Add : Inadmissible expenses:—			
Acquisition of copy right (eligible for depreciation)		12,000	
GST (paid after due date of return)		7,000	
Staff salary		5,000	
Provision for income-tax		25,000	
Bonus not paid within due date		20,000	
Technical know how		30,000	
Reserve for bad & doubtful debt		11,000	
Cost of extension of office building		36,000	
Patent right		40,000	1,86,000
			4,96,000
Less : Expenses allowed and receipt not chargeable			
Under this head:—			
Depreciation			
(i) Building 10% of (8,00,000 + 36,000)	83,600		
(ii) Plant and machinery 15% of 2,80,000	42,000		
(iii) Intangible Assets (See Working Note)	16,750	1,42,350	
Bad debt not allowed earlier		5,000	
Custom duty		60,000	
			2,07,350
Business income			2,88,650

Working Note

Depreciation on intangible assets		
Opening WDV		Nil
Acquired and put to use for 180 days or more (12000 + 40,000)		52,000
Acquired and put to use for less than 180 days		30,000
		82,000
Less: Depreciation 25% on Rs.52,000	13,000	
12.5% on Rs.30,000	3,750	16,750
WDV as on 1.4.2019		65,250

CAPITAL GAINS

(Q.27) R is a resident of India. He furnishes the following information about his incomes during previous year 2018-19:

(i) Capital gain Rs. 10,500 from a house which he occupied for 1 year before the date of sale 31.7.2018.

(ii) On 31.12.2018, he sold equity shares of Thapar Ltd., for Rs.2,00,000 through the recognised stock exchange, which were purchased by him on 1.4.2002 for Rs.66,000. Securities transaction tax paid Rs. 125. FMV of the shares on 31.1.2018 was Rs.I,75,000.

(iii) He sold an agricultural land for Rs.5,25,500 on 5.4.2018. The land was owned by him since 4.7.2001, and was purchased for Rs.6,000. The land is situated in a village with population of 8,000.

(iv) On 1.3.2019, he sold a flat for Rs.11,82,500 which was purchased by him on 1.1.1977 for Rs.60,000. The fair market value of this flat was Rs.3,80,000 on 1.4.2001.

Compute his taxable income from capital gain for assessment year 2019-20.

Solution

Income from capital gain of R

1.	Capital gain on sale of house		
	Short-term capital gain		10,500
2.	Capital gain from sale of equity shares of Thapar Ltd. Sale consideration	2,00,000	
	Less: Cost of acquisition (See note below)	1,75,000	
	Securities transaction tax	Not allowed	
	Long-term capital gain [Exempt u/s 10(38)]		25,000
3.	Capital gain on sale of flat		
	Sale consideration	11,82,500	
	280Less: Indexed cost of acquisition (Rs.38OOOO x $\frac{280}{100}$)	10,64,000	
	Long-term capital gain		1,18,500
	Taxable income from capital gain		1,43,500

Note I : Cost of acquisition

It will be higher of

(a) Cost of shares — Rs.66,000

(b) Lower of—

(i) FMV as on 31.1.2018 Rs. 1,75,000

(ii) Sales price Rs.2,00,000

Note 2 : Rural agricultural land is not a capital asset land there will be no capital gain on transfer of such rural agricultural land.

(Q.28) R owns many properties in India. He sold some of these during the previous year 1.4.2018 to 31.3.2019.

1. Jewellery costing Rs.l,20,000 (which was acquired in October, 2015) was sold for Rs.1,40,000 in August, 2018.
2. House at New Delhi: Let-out for residential purposes. It was inherited by him in 1964: Sale Price on 31.10.2018 Rs.20,00,000. Fair Market value on 1.4.2001 Rs.5,00,000. Cost of improvement made during 2009-10 Rs.l,45,000. Expenses on transfer are Rs.30,000.
3. House hold furniture costing Rs.20,000 in 2002 was sold in March, 2019 for Rs.25,000.
4. Sale price of Maruti Car which was purchased by him in March 2011 for Rs.90,000 was sold on 5.12.2018 for Rs.40,000. Written down value of the block on 1.4.2018 was Rs.26,000.
5. Self-cultivated land in an urban area was sold for Rs.12,50,000 on 4.1.2019 and its cost in 2002-03 was Rs.3,60,000. He purchased a new piece of land for his own cultivation for Rs.2,60,000 in June 2019.

From the above particulars, compute his total income assuming that he has no other income except these and cost inflation indices are 2002-03 — 105, 2009-10 — 148, 2010-11 — 167, 2018-19 — 280.

Solution

Computation of Total Income of R

Capital gain

Short-term capital gain	**Rs.**	**Rs.**	**Rs.**
(i) Jewellery (October, 2015 to August, 2018)			
Sales consideration	1,40,000		
Cost	1,20,000		20,000
(ii) Maruti car: sales consideration	40,000		
Less: W.D.V. on 1.4.2018	26,000		14,000
Total short-term capital gain			34,000
Long-term capital gain			
(i) Residential house: sales consideration		20,00,000	
Less: Cost or F.M.V. whichever is higher			
$\left(Rs.5,00,000 \text{ x } \frac{280}{100}\right)$	14,00,000		
Cost of improvement (Rs. 1,45,000 x$\frac{280}{148}$)	2,74,324		
Expenses of transfer	30,000	17,04,324	
Long-term capital gain			2,95,676

(ii) Self-cultivated land: Sales consideration		12,50,000	
280Less: Indexed cost [Rs.3,60,000 x $\frac{280}{105}$]		9,60,000	
		2,90,000	
Exempted u/s 54B: Amount invested in new agricultural land		2,60,000	30,000
Long-term capital gain			3,25,676
Income under the head capital gains Rs.34,000 + 3,25,676			3,59,676

Household furniture is not a capital asset, hence its gain or loss is not taxable.

(Q.29)

(a) A Hindu undivided family purchased a house on 1.7.2006 (C.I.I.: 122) for Rs. 16,00,000. It sold the house on 10.11.2018 for Rs.40 lakhs. On 14.12.2018, it purchased another house at Gurgoan at a total cost of Rs.5.6 lakhs. It did not own any other house property. Compute the income chargeable under the head Capital Gains.

(b) R sold listed shares of a company through a recognised stock exchange on 5.8.2017 for Rs.10,00,000 (cost of acquisition on 15.7.2003 (C.I.I.: 109) Rs.3,00,000, FMV of the shares as on 31.1.2018 was Rs.6,50,000. He makes the following investments. Purchase of RECL Bonds notified u/s 54EC Rs.3,00,000 on 5.9.2018, Rs.4,00,000 on purchase of a residential house at Delhi on 7.2.2019. He does not own any residential House.

Determine his Taxable Capital Gain for the assessment year 2019-20.

Solution

Computation of Capital Gain

		Rs.
(a)	Sale price of house	40,00,000
	Less: Indexed cost [Rs. 16,00,000 x $\frac{280}{122}$]	36,72,131
	Long-term capital gain	3,27,869
	Exemption u/s 54 — amount invested in new house	
	limited to capital gain	3,27,869
	Taxable long-term capital gain	Nil

(b)	Computation of capital gain	
	Consideration price of shares	10,00,000
	Less: Cost of acquisition (see Note below)	6,00,000
	Long-term capital gain	4,00,000
	Less : Exempt u/s 54EC Rs.3,00,000	
	Less: Exempt u/s 54F Rs.4,00,000 x 4,00,000/1,00,000 1,60,000/4,60,000	4,00,000
	but limited to	
	LTCG	Nil

Hence, cost of acquisition is Rs.6,00,000.

Note : Cost of acquisition

Higher of

(a) Cost Rs.30,00,000

(b) Lower of

(i) FMV as on 31.1.2018 Rs.6,00,000

(ii) Sale price Rs.10,00,000

Hence, cost of acquisition is Rs.6,00,000.

INCOME FROM OTHER SOURCES

(Q.30) From the following particulars submitted by R, compute his income from other sources for the assessment year 2019-20.

	Rs.
Director's meeting fees received from Y Ltd.	3,000
Agricultural income from land situated in India	10,000
Agricultural income from Nepal	15,000
Interest:	
(a) from bank on FDR (Net)	10,800
(b) on post office saving account	600
(c) on Government securities	1,200
(d) on Public Provident Fund a/c	4,000
(e) on National Savings Certificate VIII issue	3,000
Dividend from A Limited declared on 25.8.2018	8,000
Lottery prize received after T.D.S.	28,000
Rent from sub-letting of a flat	12,000
(rent paid to landlord for the flat is Rs.6,000)	

Solution

Computation of income under the head "income from other sources"

		Rs.
1. Director's Meeting fee		3,000
2. Agricultural Income from Nepal		15,000
3. Interest on fixed deposits (Rs. 10,800 x 100/90)		12,000
4. Post Office Saving Bank Account		Exempt
5. Government Securities		1,200
6. PPF		Exempt
7. NSC		3,000
8. Dividend from A Ltd.		Exempt
9. Lottery Rs.28,000 x 100/70		40,000
10. Rent received	12,000	
Less: Rent paid and expenses for realising rent	6,600	5400
		79,600

Agricultural income from land situated in India is exempt.
Interest of post office saving account is exempt upto Rs.3,500.

(Q.31) R submits you the following particulars of his income for the previous year 2018-19.

	Rs.
Income under the head salary (computed)	8,00,000
Income under the head house property (computed)	4,00,000
Dividends from domestic company	16,00,000
Income from winnings of lottery	80,000

Compute tax payable by him for the assessment year 2019-20.

Solution

Computation of total income of R for the assessment year 2019-20

		Rs.
Income under the head salary (computed)		8,00,000
Income under the head house property		4,00,000
Income from other sources	16,00,000	
Less: Exemption u/s 10(34)	10,00,000	
Balance taxable	6,00,000	
Income from winnings of lottery	80,000	6,80,000
Gross total income		18,80,000
Less: Deductions u/s 80C to 80U		Nil
Total income		18,80,000
Tax payable		—
Tax on dividends exceeding Rs. 10,00,000 (6,00,000 x 10%)		60,000
Tax on lottery income Rs.80,000 x 30%		24,000
Tax on balance total income of Rs.12,00,0000		
Rs.2,50,000 —	Nil	
Tax on next Rs.2,50,000 @ 5%	12,500	
Tax on next Rs.5,00,000 @ 20%	1,00,000	
Tax on balance income Rs.2,00,000 @ 30%	60,000	1,72,500
Tax		2,56,500
Add: Health and education cess @ 4%		10,260
Total tax payable		2,66,760

CLUBBING OF INCOME

(Q.32) Decide about the person in whose hands the following incomes shall be taxable:

(i) R transfers 1000 debentures of Rs. 100 each carrying 12% interest to S on the condition that he will have a right to receive 5% interest till his life-time.

(ii) Master Pranay (Age 14 Years) received following incomes during 2018-19.

		Rs.
(a)	Interest on Bank deposits	11,000
(b)	Interest on Debentures	7,000
(c)	Dividend on shares of a company	11,000
(d)	Income from a singing concert held by him	60,000
(e)	His fathers total income	50,000
(f)	His mothers total income	8,00,000

(iii) R transfers a shop (monthly rent Rs.7,000) to his relative S on the condition that shop will revert back to R on the death of S

Solution

(i) In this case there is a revocable transfer of asset, therefore, it will be taxable in the hands of R as he has a right to the part income of the debentures. Thus, the entire income of Rs. 12,000 shall be taxable in the hands of R.

(ii) Under section 64(1 A) income of a minor child is clubbed with the income of that parent whose other income is higher. In this case, income of Pranay will be clubbed with his mother's income as her income is higher. Incomes to be clubbed are:

		Rs.
(a)	Interest on Bank Deposit	11,000
(6)	Interest on debentures	7,000
(c)	Dividend on shares of a company exempted u/s 10(34)	Exempt
		18,000
	Less: Exempted u/s 10(32)	1,500
	Income to be clubbed in mothers income	16,500

As regards income of singing, it will be taxable in his hands through his guardian

(iii) In case transfer of asset is not revocable during the lifetime of transferee, it is treated as irrevocable transfer under section 62 and as such remains transferee's income. In this case income from shop will remain S's income and will not be clubbed with the income of R till the death of S. However, after the death, it will be included as it will become revocable.

(Q.33) R held 18 per cent shares in a private limited company. He gifted all the shares to his wife, G on 1.10.2018. On 1.11.2018, G obtained a loan of Rs.90,000 from the company, when the company's accumulated profit was Rs.60,000. What are the tax implications of the above transactions?

Solution

This problem is based on section 2(22)(e) and section 64(1)(Zv).

According to section 2(22)(e), any payment by a company, (other than a company in which the public are substantially interested), of any sum by way of advance or loan,—

(i) to a equity shareholder, holding not less than ten per cent of the voting power; or

(ii) to any concern in which such shareholder (holding not less than 10% voting power) is a member or a partner and in which he has a substantial interest; or

(iii) any payment by any such company on behalf, or for the individual benefit, of any such shareholder.

is deemed as dividend to the extent of accumulated profits (excluding capitalised profits):

This provision is applicable only with effect from 1st June, 1987 and is applicable only to companies in which the public is not substantially interested i.e. closely held companies.

Accordingly, Rs.60,000 shall be treated as dividend in the hands of G on which the company shall have to pay tax @ 30%.

Further section 64(1)(iv) provides that in computing the total income of an individual, all such income as arises directly or indirectly to the spouse of such individual from assets (other than house property) transferred directly or indirectly to the spouse of such individual otherwise than for adequate consideration or in connection with an agreement to live apart shall be included.

As Rs.60,000 is deemed dividend in the hand of G due to these shares it shall not part of total income of her husband R as it is exempt but as the company shall pay tax on such dividend.

(Q.34) Determine the Gross Total Income of R and his wife from the following particulars for the year ending 31.3.2019:

(i) R and his wife are partners in a firm carrying on garments business, their respective shares of profit being Rs.25,000 and Rs.30,000.

(ii) Their 17 years old son has been admitted to the benefits of another firm, from which he received Rs. 15,000 as his share of profit in the firm and Rs.24,000 as interest on capital. The capital was invested out of the minor's own funds amounting to Rs. 1,50,000.

(iii) A house property in the name of R was transferred to his wife on 1.12.2018 for adequate consideration. The property has been let at a rent of Rs.4,000 p.m.

(iv) Debentures of a company of Rs.2,00,000 and Rs. 1,00,000 purchased two years ago are in the names of R and his wife respectively, on which interest is receivable at 14% p.a. His wife had in the past transferred Rs. 1,00,000 out of her income to R for the purchase of the debentures in R's name.

(v) R had transferred Rs.60,000 to his wife in the year 1990 without any consideration which was given as a loan by her to G. She earned Rs. 15,000 as interest during the earlier previous years which was also given on loan to G. During the financial year 2018-19, she received interest at 10% p.a. on Rs.75,000.

(vi) R transferred Rs.60,000 to a trust, the income accruing from its investment as interest amounted to Rs.9,000, out of which Rs.6,000 shall be utilised for the benefit of his son's wife and Rs.3,000 for the benefit of his son's minor child.

Solution

Computation of Gross Total Income of R

(For the assessment year 2019-20)

		Rs.	Rs.
1.	Income from House Property.		
	Rental value for 8 months (i.e., before transfer) (8 x 4,000)	32,000	
	Less: Standard deduction @ 30%	9,600	22,400
2.	Profit from Business:		
(i)	Share from firm (Exempt)	Nil	
(ii)	Minor Son's share in another firm (Exempt)	Nil	
(iii)	Interest on minor's capital with firm		
	(Rs.24,000 - Exemption u/s 10(32) Rs. 1,500)	22,500	22,500
3.	Income from other Sources:		
(i)	Interest @ 14% on Rs. 10,000 Debentures (only one-half		
	of Rs.2,00,000 were bought by own funds)	14,000	
(ii)	Interest received by his wife @ 10% on Rs.60,000		
	(being transferred without any consideration)	6,000	
(iii)	Interest on Rs.6,000 from his trust		
	(Interest income utilised for the benefit of son's wife)	6,000	26,000
Gross total income			70,900

Computation of Gross Total Income of Mrs. R

(For the assessment year 2019-20)

Income from House Property:	**Rs.**	**Rs.**
Rental value for 4 months (i.e., after transfer) (4,000 x 4)	16,000	
Less: Standard deduction @ 30%	4,800	11,200
Income from business :		
Share from firm (Exempt)	Nil	
Income from Other Sources:		

(i)	Interest on Rs. 1,00,000 14% Debentures	14,000	
(ii)	Interest on Rs. 1,00,000 14% Debentures in husband's name but funds invested by her	14,000	
(iii)	Interest on Rs. 15,000 @ 10%	1,500	29,500
(This interest is on accrued income of Rs.60,000, which have been transferred to her by the husband and interest on such accrued income is treated as the income of the transferee, although the income on the transferred amounts is treated as the income of the transferor as it was transferred without any consideration.)			
Gross total income			40,700

1. Shares of profit from a firm, which is assessed as such, is fully exempt u/s 10(2A) in the hands of the partners; although husband and wife may be partners in the same firm. Even in a case where one spouse gifts some amount to the other spouse to be invested as capital in the firm, the clubbing provisions though applicable, it will not affect the Total Income since the share of the profit is itself exempt. However, if interest on capital contribution is received, it will be clubbed to the extent of the amount invested as capital contribution out of the transfer made without adequate consideration.
2. Similarly, the minor son's income though clubbed, but as the share of the profit from the firm is exempt, will not affect the Total Income. However, if interest on capital contribution is received, it will be clubbed to the extent of the amount invested as capital contribution out of the transfer made without adequate consideration.
3. Where the asset is transferred to a Trust for the benefit of son's wife, the income from such asset is taxable in the hands of the transferor. However, income utilised for the benefit of son's minor son shall be clubbed in the hands of that parent of the son's minor son, whose income is greater. It shall, therefore, not be clubbed in the hands of the transferor i.e. R.

SET OFF AND CARRY FORWARD OF LOSSES

(Q.35) X, a resident individual, submits the following information, relevant to the previous year ending 31.3.2019:

(1)	Income from salary (computed)	2,12,000
(2)	Income from house property	
	House I	12,000
	House II	(-) 2,50,000
	House III (Self-occupied)	(-) 10,000
(3)	Profit and gains of business or profession	
	Business I	8,000
	Business II	(-) 12,000
	Business III (Speculative)	(-) 64,000
	Business IV (Speculative)	36,000
(4)	Capital gains	
	Short-term capital loss	(-) 6,000
	Long-term capital gains on transfer of shares	5,400
(5)	Income from other sources (computed):	
Income from card games		36,000
Income from betting		24,000
Loss on maintenance of race horses		(-) 4,600

Determine the gross total income for the assessment year 2019-20.

Solution

	Rs.	**Rs.**
Income from salary	2,12,000	
Less: House property loss set off	2,00,000	12,000
Income from House Property		
House I	12,000	
House II	(-) 2,50,000	

House III	(-) 10,000	
	(-) 2,48,000	
Less: Set off from salary upto Rs. 2,00,000Balance loss to be carried forward Rs. 48,000	2,00,000	Nil
Profit and gains from B/P		
Business I	8,000	
Business II	(-) 12,000	
Business loss carried forward	(-) 4,000	
Business III (Speculation)	(-) 64,000	
Business IV (Speculation)	36,000	
Speculation loss carried forward	28,000	Nil
Capital Gain		
Short-term capital loss	(-) 6,000	
Long-term capital gain	5,40 0	
Carried forward to next year	(-) 600	
Income from other sources		
Card Game (Computed)	36,000	
Betting (Computed)	24,000	60,000
Loss on maintenance of race horse carried forward	(-) 4,600	
Gross total income		72,000

(Q.36) R, a resident individual, submits the following information relevant for the previous year ending on 31.3.2019.

		Rs.
(a)	Income from salary (computed)	+ 2,62,000
(b)	Interest on securities	+ 2,000
(c)	Income from House Property	
	House No. 1	+ 12,000
	House No. 2	- 2,20,000

	House No. 3	- 10,000
(d]	Profit and Gains from Business:	
	Business No. 1	+ 16,000
	Business No. 2	- 12,000
	Business No. 3 (speculative)	- 64,000
	Business No. 4 (speculative)	+ 36,000
(e)	Capital gains:	
	Short-term capital gain (computed)	- 60,000
	Long-term capital gain (computed)	+ 54,000
(f)	Income from card games and betting (gross)	+ 60,000
	Loss from maintenance of race horses	- 46,000
	Income from maintaining horses and winning of races	+ 20,000
Determine the total income of R for the assessment year 2019-20.		

Solution

Total Income of R

(For the assessment year 2019-20}

Income from salary	2,62,000	
Less : House property loss	2,00,000	62,000
Income from House Property 12,000 - 2,20,000 - 10,000	-2,18,000	
Less : Set off from salary	2,00,000	Nil
Balance carried forward	18,000	
Income from Profits and Gains from business		
Non-Speculative Business 16,000 - 12,000		4,000
Speculative Business (3)	- 64,000	
(4)	+ 36,000	
Carried forward	- 28,000	
Income from capital gain		

Short-term capital loss	- 60,000	
Long-term capital gain	54,000	
Carried forward capital loss	- 6,000	
Income from other sources		
Interest on securities	2,000	
Income from card game and betting	60,000	
		62,000
Income from maintaining horses	20,000	
Loss from maintenance of race horses	46,000	
To be carried forward	(-) 26,000	
Gross total income		1,28,000

GENERAL DECUTIONS

(Q.37) The following are the particulars of income of R for the previous year 2018-19:—

		Rs.
(i)	Income from House Property	1,11,200
(ii)	Business income	80,000
(iii)	Dividends from co-operative society	500
(iv)	Long-term capital gain from (i) Land	1,27,000
	(ii) Listed Shares sold through a recognised stock exchange	45,000
(v)	Life Insurance premium on his life on policy of Rs.3,00,000	28,000
(vi)	Donation to charitable institution approved u/s 80G	20,000
(vii)	Deposit in a scheme notified u/s 80C	10,000
(viii)	Deposit in National Saving Scheme, 1992	12,500
(ix)	Interest accrued on National Saving Certificate VIII issue purchased in May, 2016	1,840
(x)	Interest on saving bank deposit	30,000

Compute his total income and tax payable for assessment year 2019-20.

Solution

Gross Total Income of R

(For the assessment year 2019-20)

Income from house property		1,11,200
Business Income		80,000
Long-Term Capital Gain		
Land		1,27,000
Shares		45,000
Income from Other Sources		
Dividend from co-operative society		500
Interest accrued on N.S.C.		1,840
Interest on saving bank deposit		30,000
		3,95,540

Less : Deduction u/s 80C	52,340	
Less: Deduction u/s 80G (50% of Rs. 16,120)	8,060	
Deduction u/s 80TTA	10,000	70,400
Total Income		3,25,140
Tax on LTCG taxable u/s 112A of amount exceeding Rs.l,00,000 as it is only Rs.45,000		Nil
Tax on LTCG of Rs.30,140 (Rs. 1,27,000 - 96,860) @ 20%		6,028
Tax on other income (Rs. 1,53,140 + Rs.96,860) = Rs.2,50,000		Nil
Tax		6,028
Less: Rebate u/s 87A limits to Rs.2,500 provided total income does not exceed Rs.3.5O,OOO		2,500
		3,528
Add: Health and education cess @ 4%		141
		3,669
Tax rounded off		3,670
Less: Deduction u/s 80C		
LIC	28,000	
Notified Scheme	10,000	
NSS	12,500	
NSC interest	1,840	
	52,340	

Note : Adjusted Gross Total Income has been computed as under—

Aggregate of income without LTCG (Rs. 1,11,200 + 80,000 + 500 + 1,840 + 30,000)		2,23,540
Less: Deduction u/s 80C	52,340	
Deduction u/s 80TTA	10,000	62,340
Adjusted gross total income		1,61,200

Qualifying limit 10% of adjusted gross total income = Rs. 16,120.

(Q.38) The gross total income of A for the previous year 2018-19 as computed is Rs.3,65,000 which includes Rs.2,75,000 Long-term Capital Gain on sale of jewellery and Rs.30,000 on account of Short-term Capital Gain from the sale on 5.11.2018 of listed shares through a recognised stock exchange. Besides the above he provides you the following information:

(a) He has deposited Rs.12,000 to effect a contract for annuity plan of L.I.C.

(b) He has paid the following premium to the New India Assurance Co. Ltd. for mediclaim scheme for himself and his relatives:

(i)	his own health	1,000
(ii)	for health of spouse	600
(iii)	Major son not dependant on him	800
(iv)	Mother dependant on him	1,200
(v)	Brother dependant on him	1,100

(c) One of his brothers is a person with disability wholly dependant on him for medical treatment and rehabilitation. A spends Rs. 10.000 on such brother.

(d) He has also deposited Rs.25,000 under a scheme framed by U.T.I. for the maintenance of his dependant brother with disability.

Compute his total income and tax payable for the assessment year 2019-20.

Solution

Gross total income		3,65,000
Deduction u/s 80CCC	12,000	
U/s 80D: (1,000 + 600+ 1,200)	2,800	
U/s 80DD	75,000	
	89,800	
but limited to Rs.60,000 as it cannot exceed GTI exclusive of long term capital gain and short-term capital gain on listed shares sold through a recognised stock exchange		60,000
Total income		3,05,000
Tax payable		
on Rs.25,000 (Rs.2,75,000 - 2,50,000 shifted)		
of long-term capital gain @ 20%		5,000
on Rs.30,000 of short-term capital gain @ 15%		4,500
on balance income 0 + 2,50,000 shifted from LTCG		Nil
		9,500
Less: Rebate u/s 87A (limited to Rs. 2,500 provided total income does not exceed Rs. 3,50,000)		2,500
		7,000
Add: Health and education cess @ 4%		280
Tax		7,280

Note : In case of short-term capital gain on shares sold through a recognised stock exchange, the tax shall be levied @ 15%. Further, in this case, the deduction under Chapter VIA shall not be allowed from such short-term capital gain or any long-term capital gain. Besides the above, in case other income of an individual or HUF resident of India is either nil or less than Rs.2,50,000, then the amount of Rs.2,50,000 or the amount which falls short of Rs.2,50,000 shall be shifted from the short-term capital gain on listed shares through a recognised stock exchange and any other long-term capital gain to claim basic exemption of Rs.2,50,000. In the above case, Rs.2,50,000 has been shifted from long-term capital gain as it is taxable at 20%.

(Q.39)R has computed his income under various heads for the previous year 2018-19 as under:

			Rs.
(a)	Income under the head salary		1,35,000
(b)	Income under the head house property		(-) 15,000
(c)	Profits and Gains of business or profession		90,000
(d)	Capital Gains — short-term	30,000	
	— long-term	1,90,000	2,20,000
(e)	Income from other sources		
	— Winnings of lotteries (gross)	15,000	
	— Interest on Government securities	45,000	60,000
	A also submits the following information:		
(1)	Payment made by cheque for Mediclaim policy		5,000
(2)	Expenses on Medical treatment of		
	dependant son with severe disability		25,000
(3)	Re-payment of loan, with interest to Canara Bank,		
	which was taken for pursuing approved higher education		35,000
	(Principal amount Rs.25,000 + 10,000 interest)		
(4)	Donations to:		
	Prime Minister's Drought Relief Fund		3,000
	National Fund for Communal Harmony		4,000
	Jawaharlal Nehru Memorial Fund		4,000
	Prime Minister's National Relief Fund		4,200
	Government for Family Planning		11,000
	Approved Charitable Institution		7,000

Compute the tax liability for the assessment year 2019-20, if he deposits Rs.60,000 in his PPF Account during the previous year.

Solution :

			Rs.
Income from salary		1,35,000	
Loss from house property	(-) 15,000		
Less: Set off from LTCG	15,000		Nil
Business income			90,000
Capital gain short-term		30,000	
long-term	1,90,000		
Less: Loss from house property	15,000	1,75,000	2,05,000
Income from other sources (15,000 + 45,000)			60,000
Gross total income			4,90,000
Less: Deduction u/ss. 80C to 80U			
(i) U/s 80C (PPF)		60,000	
(ii) U/s. 80D		5,000	
(iii) U/s. 80DD		1,25,000	
(iv) U/s. 80E		10,000	
(v) U/s. 80G (Calculated as under)		22,950	2,22,950
Total income			2,67,050
Tax on Rs.2,67,050 shall be calculated as under:			
At special rate			
(a) on lottery income of Rs. 15,000 @ 30%			4,500
(b) on long-term capital gain (Rs. 1,75,000 - 1,72,950)			
Rs.2,050 @ 20%			410
Other income without long-term capital gain and lotteries			
Rs.77,050 + Rs. 1,72,950 (shifted from LTCG)			Nil
			4,910
Less: Rebate u/s 87A			2,500
			2,410
Add: Health and education cess @ 4%			96
Tax payable (rounded off)			2,510

1.	Adjusted Gross Total Income is computed as under:	**Rs.**	**Rs.**	**Rs.**
	Gross Total Income			4,65,000
	Less: (1) Long-term capital gain (1.90,000 - loss			
	of house property Rs. 15,000)		1,75,000	
	(2) Deductions u/s 80C to 80U			
	(60,000 + 5,000 + 1,00,000 + 10,000)		1,75,000	3,50,000
				1,15,000
2.	Donation to which qualifying limit is not applicable:			
(a)	Allowed @ 100%			
(i)	National Fund for Communal Harmony		4,000	
(ii)	Prime Minister's National Relief Fund		4,200	
				8,200
(b)	Allowed @ 50%			
(i)	Prime Minister's Drought Relief Fund (3,000)		1,500	
(ii)	Jawaharlal Nehru Memorial Fund (4,000)		2,000	
				3,500
Donations to which qualifying limit is applicable:				
(i)	Government for family planning	11,000		
(ii)	Approved charitable institutions	7,000		
		18,000		
Limited to 10% of Adjusted Gross Total Income		**Rs.**	**Rs.**	**Rs.**
i.e., Rs. 1,15,000 and it shall be Rs.11,500.				
Donations to Family Planning 100%			11,000	
Other donations 50% of Rs.500			250	11,250
Total deduction for donations u/s 80G				22,950

(Q.40)

X, who is a person with disability submits the following information.		Rs.
(i)	Salary (per annum)	3,05,000
(ii)	Rent received (per month)	2,000
(iii)	Dividend from Co-operative Society	3,000
(iv)	Interest on Bank Deposits	7,000
(v)	Interest on Government securities	5,000
(vi)	Winnings from Lotteries	2,000
(vii)	NSC (VIII Issue) purchased during the year	15,000
(viii)	Deposit under PPF Scheme	35,000

He earned a long-term capital gain of Rs.78,000 on sale of shares during the year.

Compute (a) the taxable income; (h) the tax payable for the assessment year 2019-20.

Solution

(A) Computation of Total Income

Income from salary	Rs.	Rs.
Basic Salary	3,05,000	
Less: Standard deduction	40,000	2,65,000
Income from house property		
Rent received	24,000	
Less: Standard deduction @ 30%	7,200	16,800
Capital Gains		
Long-term capital gains		78,000
Income from other sources		
Dividend from co-operative society	3,000	
Interest on bank deposits	7,000	
Interest on Government Securities	5,000	
Winnings from lotteries	2,000	17,000
Gross Total Income		3,76,800

Less:	Deductions u/s 80CCC to 80U		
(i)	80C	50,000	
(ii)	80U	75,000	1,25,000
Total Income			2,51,800
(B)	Computation of tax on Total Income		
(i)	Tax on Winnings from lotteries		
	(30% of Rs.2,000)		600
(ii)	Tax on long-term capital gains Rs.78,000 - 78,000		
	shifted to other income		Nil
(iii)	Tax on Balance Total Income Rs. 1,71,800 + 78,000 shifted		
	from long-term capital gain		Nil
Gross tax payable			600
Less: Rebate u/s 87A			600
			Nil

Income from winning of lotteries cannot be shifted to other income to claim full exemption of Rs.2,50,000.

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY

(Q.41) From the following information, compute the tax liability of R, for the assessment year 2019-20.

	Rs.
Business income	4,60,000
Receipt from sale of trees of spontaneous growth	1,00,000
Agricultural income	60,000

Solution

Computation of tax liability of R

			Rs.	Rs.
1. Add: Agricultural income with non-agricultural income [Rs.4,60,000 + 60,000] = Rs.5,20,000				
2. Tax on this total income				
		Rate of tax		
on first	Rs.2,50,000	Nil	Nil	
on next	Rs.2,50,000	5%	12,500	
on next	Rs.20,000	20%	4,000	16,500
3. Add: Agricultural income with exempted limit				
[Rs.60,000 + Rs.2,50,000] = Rs.3,10,000				
4. Compute tax on this total				
on first	Rs.2,50,000		Nil	
on next	Rs.60,000		3,000	3,000
5. Balance tax payable (step 2 - step 3)				13,500
Less: Rebate u/s 87A as total income exceed Rs. 6,35,000				Nil
				13,500
Add: Health and education cess @ 4%				540
Total tax payable				14,040

Receipt from sale of trees which are of spontaneous growth is a capital receipt and not taxable under the head capital gain as trees of spontaneous growth can be said to be self generated and their cost of acquisition cannot be determined as per CIT v Suman Tea and Plywood Industries (P) Ltd. (1997) 226 ITR 34 (Cal).

(Q.42) Calculate the income tax payable by following individuals for the assessment year 2019-20:

	Sridevi	**Tanuja**	**Asha**
Date of Birth	14.9.1972	10.1.1993	15.8.1942
Total Income which includes:	Rs.2,42,000	2,80,000	3,95,000
(a) Long-term capital gains	Rs.17,000	17,000	17,000
(6) Net-agricultural income	Rs.20,000	20,000	20,000

Solution

Income tax payable by following person

	Sridevi	**Tanuja**	**Asha**
Total income (non-agricultural)	2,42,000	2,80,000	3,25,000
Tax payable	Nil	2,000	9,200
Less: Rebate u/s 87A	—	2,000	5,000
Add: Education cess & SHEC @ 3%	—	—	126
	Nil	Nil	4,330

Notes :

1. Sridevi's income exclusive of agricultural income is Rs.2,42,000 which is less than, exemption limit of Rs.2,50,000. Hence, there will be no integration of agricultural income with non- agricultural income. Thus tax on Rs.2,42,000 shall be Nil.

2. Total income exclusive of agricultural income is Rs.2,60,000. But it includes Rs.17,000 on account of LTCG which is taxable at a flat rate of 20%. Since, non-agricultural income exclusive of LTCG is less than maximum exemption limit there cannot be any partial integration.

   The tax shall be calculated as under:

	Rs.
Tax on LTCG of Rs.10,000 (17,000 - 7,000 shifted to other income) @ 20%	2,000
Tax on other income Rs.2,43,000 + 7,000 shifted from LTCG	Nil
	2,000
Less: Rebate u/s 87A	2,000
	Nil

3. Tax on non-agriculture income of Asha, aged more than 60 years

Tax on Rs.3,75,000 + 20,000 = Rs.3,95,000	
Tax on LTCG of Rs.17,000 @ 20%	3,400
Other income Rs.3,78,000	3,900
	7,300
Less: Tax on Rs.3,00,000 + 20,000 = Rs.3,20,000	1,000
	6,300
Less: Rebate u/s 87A (Nil as the total income exceeds Rs.3,50,000)	Nil
	6,300
Add: Health and education cess @ 4%	252
Tax	6,552
Tax (rounded off)	6,550

(Q.43) Following are the particulars of Mr. Raj Thakur's Income:

(a) Salary received from a firm of Indore Rs.2,88,000; Bonus, 12,000; Travelling allowance for official work Rs.4,000.

(б) Annual value of self occupied residential house 'A' Rs.80,000 and rental income of house 'B' Rs.60,000; Net income from house property 'C' situated in Japan Rs.90,000 which was received there and later on brought into India.

Expenses relating to the house:

Expenses	**House 'A'**	**House 'B'**
	Rs.	**Rs.**
Municipal Tax	8,000	6,000
Repairs	4,000	2,000
Insurance	1,000	—
Collection charges	—	3,000

(c) He was a Government employee in Japan during 1990 to 2002. During the previous year he got pension of Rs. 10,000 per month from Japan Government which is deposited there in a bank.

			Rs.
(d)	Interest on fixed Deposit with Bank of Maharashtra		1,500
(e)	Interest on Japan Government Securities received in India		4,000
(f)	He made the following payments:		
	(i)	Life Insurance premium	4,000
	(ii)	National Saving Certificate (VIII)	3,000
	(iii)	Contribution to Unrecognised Provident Fund	2,000

Compute his total income for the assessment year 2019-20. During the previous year 2018-19 he was resident but not ordinarily resident in India.

Solution

	Rs.	**Rs.**
Income from salary		
Salary	2,88,000	
Bonus	12,000	
Gross Salary	3,00,000	
Less: Standard deduction	40,000	2,60,000
Income from house property		
Annual Value	60,000	
Less: Municipal Tax	6,000	
	54,000	
Less: Standard deduction @ 30%	16,200	
	37,800	
Income from self-occupied house property	Nil	37,800
Income from other sources		
Interest on FDR	1,500	
Interest on Japan Govt, securities	4,000	5,500
Gross Total Income		3,03,300
Less: Deduction u/s 80C (LIP — Rs.4,000 + NSC — Rs.3,000)		7,000
Total Income (rounded off)		2,96,300

Note : Since Raj Takur is a resident and not ordinarily resident in India, pension served from Japan Government shall not be and income from house property in Japan included in his total income.

(Q.44) R is a resident individual. His profit and loss for the year ending 31-3-2019 is given below:

	Rs.		**Rs.**
General charges	40,400	Gross Profit	11,40,000
Insurance	15,800	Commission	42,000
Staff Salary	2,80,000	Rent received from house property let	3,00,000
Donation to Political Party	40,000	Interest on debenture received (net)	36,000
Depreciation	1,40,950	TDS deduct @ 10%	
Advance tax for financial year 2018-19	1,20,000	Agricultural income	1,80,000
Municipal tax of property let	48,000	Dividend from Indian company	20,000
Insurance premium of property let	12,000		
Net profit	10,20,850		
	17,18,000		17,18,000

1. Depreciation as per income tax rule Rs. 1,90,000.
2. He has deposited Rs. 15,000 in the Bank for fixed deposit scheme for 5 years.
3. He had bought 500 shares of X Y Ltd. on 5-10-2017 @ Rs.90 per share, 200 shares of B Ltd. on 4-9-2018 @ Rs.140 per share and 300 shares of C Ltd. 5-9-2018 @ Rs.125 per share. All the shares were sold by him for Rs. 135 per share on 4-1-2019. All shares were sold through NSE through a registered broker and securities transaction tax was paid. FMV of shares as on 31.1.2018 was Rs. 140 per share.
4. His life insurance policy matured on 16-9-2018. The sum assured was Rs.5,00,000 and the amount received on maturity Rs.5,95,000.
5. Donation included in profit and loss account was made to Registered Political Party.
6. Income-tax department refunds Rs.39,600 (including interest of Rs.3,900) which was directly credited to his personal account.
7. He incurred expenditure of Rs.58,000 on treatment of his dependent father aged 63 years who was suffering from specified disease mentioned in rule 11DD. The payment of medical expenses was made by cheque and an amount of Rs.7,500 was reimbursed to him by insurance company.
8. Bad debt of business which was discontinued in earlier year recovered during the year Rs.24,000.

Compute the total income and tax payable thereon by R for the assessment year 2019-20.

Solution

Computation of total income of R for the assessment year 2019-20

Income from house property		**Rs.**	**Rs.**
Rent received		3,00,000	
Less: Municipal tax paid		48,000	
Net annual value		2,52,000	
Less: Standard deduction @ 30%		75,600	1,76,400
Income from business			Rs.
Net profit as per profit and loss account		10,20,850	
Add: Expenses disallowed/for separate consideration			
Donation to political party		40,000	
Municipal taxes		48,000	
Insurance Premium		12,000	
Depreciation		1,40,950	
Advance tax		1,20,000	
		13,81,800	
Less: Depreciation	1,90,000		
Rent	3,00,000		
Interest on debentures	36,000		
Agricultural income	1,80,000		
Dividend	20,000	7,26,000	
		6,55,800	
Add: Bad debt recovered		24,000	6,79,800
Capital gains			
Short-term capital loss on shares of B Ltd. (Rs.27,000 - 28,000)		(-) 1,000	
Short-term capital gain on sale of shares of C Ltd. (40,500 - 37,500)		3,000	
		2,000	

Long-term capital gain on shares of XY Ltd.			2,000
Sale price (Rs.500 x 135)	67,500		
Less: Cost of acquisition (See Note below)	67,500	Exempt	
Income from other sources			
Interest on debenture (gross) (36,000 + 4,000)		40,000	
Agricultural income		Exempt	
Dividend		Exempt	
Maturity of Life Policy		Exempt	
Interest on income tax refund		3,900	43,900
Gross total income			9,02,100
Less: Deduction under section Chapter VIA			
U/s 80C fixed deposit in bank		15,000	
U/s 80DDB 58,000 - 7,500		50,500	
U/s 80GGC		40,000	1,05,500
			7,96,600

Since R has agricultural income also tax will be computed as under:

Step 1: Tax on Rs.7,96,600 + 1,80,000 = 9,76,600

Tax on 9,74,600 at normal rate		1,07,420
Tax on 2,000 at special rate of 15%		300
		1,07,720
Step II: Tax on agricultural income Rs. 1,80,000 + 2,50,000 = 4,30,000		9,000
Tax on non-agricultural income		98,720
Add: Health and education cess @ 4%		3,949
		1,02,669
Less: TDS	4,000	
Advance Tax	1,20,000	1,24,000
Refund due (rounded off)		21,330

Note : Cost of acquisition of shares of XY Ltd. It shall be higher of—

(a) Cost of shares and Rs.45,000

(b) Lower of—

(i) FMV as on 31.1.2018 Rs.70,000

(ii) Sale price Rs.67,500

Hence, cost of acquisition shall be Rs.67,500.

(Q.45) Profit & Loss Account of R Co. (a Partnership Firm) for the year ending 31.3.2019 is as follows:

	Rs.		**Rs.**
Cost of goods sold	10,00,000	Sales	18,00,000
Remuneration to partners	4,49,000	Rent of house property	60,000
Interest to partners @ 18% p.a.	60,000	Dividend	1,70,000
Municipal tax of house property	25,000		
Other expenses	2,36,000		
Net profit	2,60,000		
	20,30,000		**20,30,000**

Other information:

(a) Out of other expenses, Rs. 18,400 is not deductible u/ss 36, 37(1) and 43B.

(b) On 15.1.2019, the firm pays an outstanding GST Liability of Rs.54,700 of the previous year 2017-18. As this amount pertains to the previous year 2017-18, it has not been debited to the aforesaid Profit & Loss Account.

Calculate remuneration deductible under section 40(7Rs.) assuming the firm does not opt for presumptive income scheme u/s 44AD.

Solution

Calculation of remuneration deductible under section 40(b)

(i)	Calculation of Book Profits	**Rs.**	**Rs.**
	Net Profit as per P & L A/c		2,60,000
	Less: Income credited to P & L A/c		
	but taxable under other heads or not taxable:		
	Rent of home property	60,000	
	Dividend	1,70,000	2,30,000

			30,000
	Add: Inadmissible expenses		
	Remuneration treated separately	4,49,000	
	Municipal tax of house property	25,000	
	Other expenses	18,400	
	Interest to partners in excess of 12% p.a.	20,000	5,12,400
			5,42,400
	Less: GST paid for previous year 2017-18		
	during 2018-19 (deductible on payment basis u/s 43B)		54,700
	Book profits		4,87,700
(ii)	Maximum amount allowable on account of remuneration		
	First Rs.3,00,000 @ 90%	2,70,000	
	Balance Rs. 1,87,700 @ 60%	1,12,620	
	Rs.3,82,620 or Rs.4,49,000 whichever is less	3,82,620	3,82,620