

QUESTION BANK

FOR JAN 25

(CONTAINING RTP, MTP AND PYQ)



WITNESS UNMATCHED CONCEPTUAL TEACHING FOR CA INTERMEDIATE

By CA POOJA DATTE

Question 8

Mr. Rajesh is a working partner in M/s Sunflower Associates, a partnership firm. Mr. Rajesh has contributed ₹15 lakhs as capital in the firm.

Partnership deed authorises payment of interest to partners @ 13% and also payment of remuneration to partners @20,000 per month. Whole of the remuneration is allowable as deduction to M/s Sunflower Associates.

Mr. Rajesh has set up a unit in SEZ in May, 2017. The total turnover, export turnover and net profit for the year ended 31.3.2024 were ₹ 120 lakhs, ₹ 45 lakhs and ₹7.5 lakhs respectively. Out of the export turnover of ₹ 45 lakhs, only ₹ 40 lakhs has been received in convertible foreign exchange by 30.9.2024.

During the P.Y. 2023-24, Mr. Rajesh has commenced a business of warehousing facility for storage of edible oil. The net profit of this business as per profit & loss account is ₹ 7,50,000. The following items are debited to Profit & Loss Account:

- (i) Personal drawings ₹70,000
- (ii) Advance income-tax paid ₹1,00,000
- (iii) Purchase of warehouse building of ₹10 lakhs on 10.6.2023 for the purpose of storage of edible oil.

The following items are credited to Profit & Loss account:

- (i) Interest on saving bank account with post office ₹15,000
- (ii) Interest on fixed deposit with SBI ₹20,000
- (iii) Dividend from Indian companies (Gross) ₹32,000

He has paid the premium of ₹ 60,000 on life insurance policy in the name of her married daughter. The policy was taken on 1.10.2018 and the sum assured being ₹5,00,000.

Compute the total income and tax payable by Mr. Rajesh for the

A.Y. 2024-25 under default tax regime and normal provisions of the Act. **(RTP May 24)**

Question 9

Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2024:

Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		

Miscellaneous expenses	7,88,475		
Net profit of the year	50,85,000		
	66,66,000		66,66,000

Following are the further information relating to the financial year 2023 -24:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Bonus to staff includes an amount of ₹ 7,500 relating to P.Y. 2022-23, paid in the month of December 2023.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include:
 - (a) amount of ₹ 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
 - (b) amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Kamal had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2023 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000.
- (x) Interest on loans includes an amount of ₹ 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the A.Y. 2024-25 in a most beneficial manner. **(RTP Nov'22)**

Question 10

AB Light LLP consists of 2 working partners, Mr. Anand and Mr. Bheem with 60% and 40% share, respectively. As per the partnership deed, they are eligible for interest on capital @15% p.a. on their capital contribution of ₹ 15 lakhs each and remuneration of ₹ 50,000 p.m. to Anand and ₹ 40,000 p.m. to Bheem. The firm is engaged in manufacturing business. During the year ended 31.3.2024, the net profit as per profit and loss account was ₹ 25,86,000 before considering interest on capital and remuneration to partners as well as the following items:

		₹
(i)	Current year revenue expenditure on scientific research	2,40,000
(ii)	Unabsorbed capital expenditure on scientific research relating to P.Y. 2020-21	85,000
(iii)	Brought forward business loss of A.Y. 2015-16	40,000
(iv)	Unabsorbed depreciation of A.Y. 2012-13	52,000
(v)	Current year depreciation under section 32	4,70,000
(vi)	Brought forward business loss of A.Y. 2019-20	49,000
(vii)	Current year capital expenditure on scientific research	3,45,000

You are required to compute the total income of AB Light LLP for A.Y. 2024-25 after considering the above items. Also, determine the amount of remuneration taxable in the hands of Mr. Anand and Mr. Bheem. **(RTP Nov '23)**

Question 11

Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2024

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	11,25,000	By Winning from lottery (Net of TDS @ 30%)	47,250
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	23,61,750		
Total	90,92,250	Total	90,92,250

Explanatory information:

(i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 3,30,000 and Closing stock of ₹ 4,38,000 was shown.

(ii) Salaries & wages include following items:

Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.

(a) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2024.

(iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2023 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.

(iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:

Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2023.

(v) An asset was purchased for ₹ 7,00,000 on 17-11-2022 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2023 for a consideration of ₹ 9,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2023. The compensation of ₹ 15,63,525 was

received on 27.01.2022. Such property was purchased by him on 08.10.2006 for ₹ 2,50,000. He has purchased another plot of industrial land on 15.04.2024 for ₹ 7,00,000. Government has also paid ₹ 1,05,000 as interest on such compensation on 28.02.2024. Cost Inflation Indices: FY 2021-22: 317, FY 2006- 07: 122, FY 2023-24-384

Compute the total income and tax liability of Mr. Kamal for the assessment year 2024-25 assuming that he has not opted for the provisions of section 115BAC. (MTP 14 Mark Sep'22) (Same concept different chapters PYP 14 Marks Dec'21)

(The value of consideration has been changed from Rs 15,00,000 to Rs. 15,63,525 to keep the essence of the question)

Question 12

Mr. Dheeraj, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:

He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.

- (i) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2017.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iii) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (iv) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (v) He also sold his vacant land on 01.12.2023 for ₹ 13 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.9.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time. The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100 respectively.
- (vi) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings. (RTP Nov '21)(MTP 14 Marks Oct '23) *(The full value of consideration of land has been changed from Rs 14 lakhs to Rs. 14.88 Lakhs & the stamp duty value has been changed from 14 lakhs to 15 lakhs to keep the essence of the question)*

COMBINED QUESTION – Based on Other Chapters

Question 13

Compute total income and tax liability thereon of Mr. Raghav for the A.Y. 2024-25 from the following details:

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2023-24 are:

(i) Basic Salary	1,70,000 p.m.
(ii) Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
(iii) Commission	32,000 p.m.
(iv) Transport Allowance	5,000 p.m.
(v) Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2023 after completing 10 years and 5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972. He started business of hiring of goods vehicle, purchased 4 small goods vehicle on 10th December, 2023 and 4 heavy vehicles having gross weight of 20 MTs each on 1st January, 2024. He did not maintain books of accounts for the business of hiring of goods vehicle. Mr. Shivpal, his very close friend gifted him ₹ 2 lakhs to purchase the vehicles.

He was holding 30% equity shares in TSP (P) Ltd., an Indian company. The paid up share capital of company as on 31st March, 2023 was ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each. Company allotted shares to shareholders on 1st October, 2016.

He sold all these shares on 30th April, 2023 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Raghav has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.

On 12.2.2024, interest of fixed deposits of ₹ 90,000 credited to his SBI Bank. On 30.4.2023, ₹ 5,500 and on 30.12.2023, ₹ 8,500 credited to interest on saving bank A/c with SBI Bank.

He deposited ₹ 1,10,000 in PPF A/c. He paid insurance premium of ₹ 20,000 on his life policy during the financial year 2023-24. The policy was taken in April 2014 and sum assured was ₹ 3,00,000. He also made payment of ₹ 25,000 towards L.I.C. pension fund and premium of ₹ 40,000 towards mediclaim policy for self and ₹ 20,000 for his wife. All the payment he made by A/c payee cheque.

There was no change in salary of Mr. Raghav from last two years. He does not opt to pay tax as per section 115BAC. (RTP May 21)

(Interest on FD has been changed from Rs. 92,500 to Rs. 90,000 to keep the essence of the question)

Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2020-21	301
2023-24	348

Question 14

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2024, you are requested to compute his total income and tax payable for the Assessment Year 2024-25. (Assuming he does not opt for the Section 115BAC):

- (i) He sold his vacant land on 09.12.2023 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100, respectively.
- (ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.
- (iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.
- (iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child. (PYP 6 Marks May'22)

(The stamp duty value of land has been changed from Rs 19 lakhs to Rs. 20.55 Lakhs to keep the essence of the question)

Question 15

From the following information of Ms. Kareena, born on 16th August, 1975, an Indian resident, you are required to compute total income and tax payable by Ms. Kareena for the Assessment Year 2024-25.

Particulars	Rs.
Long-term capital gains on sale of house	1,50,000
Short-term capital gains on sale of shares in B Pvt. Ltd.	50,000
Loss from house property	3,50,000
Interest from saving account in post office	15,000
Prize winning from a T.V. show (Gross)	20,000
Business income	5,50,000
Net agricultural income	1,10,000
LIC premium for self and husband	70,000
Tuition fees to University for full time education of her daughter	50,000

(MTP 7 Marks, Aug'18)

COMBINED QUESTION – 115 BAC & MTP May RTP 24

115 BAC - by PKD

115 BAC - chapterwise benefit to be forgone v/s 115 BAC

- MD MLA - Daily All / Constituency All X
- Salary → HRA X
- LTC X
- Allowance X 1979 (4 exceptions) → Travelling / Daily / Conveyance / Transport all hand/capped.
- 16(ii) std → 16(ii) std dedn. → TTAC
- 16(ii) EA X
- 16(ii) PT X 50% lunch facility X v/s 115 BAC

- PGBP**
- 35 AD X (if you dont take 35 AD then claim depreciation)
 - additional dep X
 - donation / Condi 35 X for scientific research

HP → 24b Int on borrowed -SO X

Clubbing → 10(32) - 1500 p.a

- Set off**
- Interhead adj of HP loss not allowed. without 115 BAC interhead adj HP-2L
 - loss arising due to above adj cannot clif

- VIA**
- all deductions X
 - 80CCD(2) ✓
 - NPS - Employer Contri ✓
 - 80CCH(2) ✓
 - CG - Contri Agri/veer corpus ✓
 - 80JJAA ✓
 - 10AA X

	normal	115 BAC
Basic Sal	10,00,000	10,00,000
DA	1,00,000	1,00,000
HRA exemption	6,00,000	→ 6,00,000
	4,00,000	2,00,000
Gross Sal	13,00,000	17,00,000
less std ded 16(ii)	50,000	→ 50,000
EA	-	→ NA
PT 16(ii)	2,500	→ NA
Net Sal	12,47,500	16,50,000

Question 1 - Assessee opting for default scheme

- Ans - one working 115 BAC - NTI / sacrifices
 - Tax working 115 BAC

Question 2 ∴ Assessee wants to opt out of 115 BAC

Assessee does not to opt for 115 BAC
 Optional - working - Compute NTI (no sacrifices)
 Tax - optional

Question 3 Calculate Tax Liability

Choose the & method what is beneficial for assessee

Answer - Both working
 Choose the lesser tax liability.

Suggestion - start with optional and then go for 115 BAC

115 BAC - You can get questions to compute Income

115BAC = BEL always = 3,00,000 [irrespective of age]

0 to 3,00,000	0%	3,00,000 0% = 0
3L to 6L	5	next 3,00,000 5% = 15,000
6L to 9L	10	next 3,00,000 x 10% = 30,000
9L to 12L	15	next 3,00,000 x 15% = 45,000
12L to 15L	20	next 3,00,000 x 20% = 60,000
<u>above 15L</u>	<u>30</u>	<u>15,00,000 = 1,50,000</u>

on 15,00,000 Tax = 1,50,000

above 15,00,000 Tax @ 30%

Special Rates LTCG 112 20%
 LTCG 112A 10% on gain exceeding 1 lakh
 STCG 111A 15%
 Casual Income = 30%

Surcharge above 50-100 lakhs = 10%
 above 100-200 = 15%
 above 200 = 25%
 25% is highest rate of Surcharge

Income LTCG 112 (LTCG 112A) STCG 111A and dividend - 10% and 25%

HEC 4%

Rebate - R. Ind NTI is upto 7,00,000

Rebate = Tax @ 25,000 ↓

In Rebate concept of relief is available

this concept of relief in rebate is only in 115BAC

✗ LTCG 112A is not eligible for Rebate.

Agri Income - Partial Integration also applicable in 115BAC

Benefit of unexhausted BEL also available.