

## Practice Session 2

1. Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2022-23 was ₹ 250 lakhs and in the current previous year 2023-24, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31.03.2024 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023-24.

- (i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	Particulars	Amount
01.04.2023	Opening written down value of machinery used for manufacturing purpose.	4,75,000
03.07.2023	New machinery purchased during the year, payment made by an account payee cheque.	7,25,000
10.03.2024	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

- (ii) Received subsidy of 20% on new machine purchased on 03.07.2023 during the previous year under technology upgradation fund Scheme from the Central Government.
- (iii) She paid a job charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.
- (iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2023-24, from the agent due to settlement with commission agent.
- (v) ₹ 25,000 paid to creditor for goods in cash.
- (vi) Incurred loss of ₹ 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange.
- (vii) Interest received amounting ₹ 2,00,000, duly authorised by partnership deed of M/s Ramji textiles, @ 15% p.a. on the capital employed. She is sleeping partner in

the Ramji textiles.

- (viii) She Received ₹ 60,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.
- (ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01.05.2023 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01.03.2005. A diamond was embedded onto bracelet on 01.05.2007 of ₹ 50,000. (cost inflation index 2004-05 - 113, 2007-08 - 129 and 2023-24 - 348).
- (x) She received a gold coin (bullion) worth ₹ 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2023-24.
- (xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹ 75,000.
- (xii) She deposited a sum of ₹ 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- (xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹ 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2024-25. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary. (14 marks)

2. From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the previous year ended 31.03.2024, you are requested to compute his total income and tax liability under normal as well as special provisions (AMT), if any, applicable to him for the Assessment Year 2024-25.
  - (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year.
  - (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 ₹ 200 lakhs, which includes ₹ 140 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 ₹ 25 lakhs.
  - (iii) He received royalty of ₹ 2,88,000 from abroad for a book authored by him on the

- nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹40,000. The amount remitted to India till 30<sup>th</sup> September, 2024 is ₹ 2,30,000.
- (iv) Received ₹ 40,000 as interest on saving bank deposits.
  - (v) He also sold his vacant land on 10.11.2023 for ₹ 10 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1<sup>st</sup> April, 2001 was ₹4 lakhs. This land was acquired by him on 5.08.1995 for ₹ 1.80 lakhs. He had incurred registration expenses of ₹ 10,000 at that time The cost of inflation index for the year 2023-24 and 2001-02 are 348 and 100 respectively.
  - (vi) He paid the following amounts, out of his taxable income:
    - (a) Insurance premium of ₹ 39,000 paid on life insurance policy of son, who is not dependent on him.
    - (b) Insurance premium of ₹48,000 on policy of his dependent father.
    - (c) Tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child. (14 marks)
3. Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.
- (i) Mr. Tandon received a sum of ₹ 1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
  - (ii) A sum of ₹ 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).
  - (iii) Ms. Kaul won a lucky draw prize of ₹ 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.
  - (iv) Finance Bank Ltd. sanctioned and disbursed a loan of ₹ 10 crores to Borrower Ltd. on 31-3-2024. Borrower Ltd. paid a sum of ₹ 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.
  - (v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2023 to February, 2024) at Hyderabad where he pays a monthly house rent of ₹ 52,000 for those three months, totalling to ₹ 1,56,000. Rent is paid by him on the first day of the relevant month. (7 marks)

**Answer:**

- (i) According to Rule Number 9 of Schedule IV and Section 111 of the Income Tax Act, the rules of unrecognised provident fund would be applicable in case of withdrawal before the completion of five years. All the four components of EPF will be taxable. The amount of tax liability would have to be recomputed for each of the financial years at the tax rates that were applicable to the withdrawer in those respective years.  
There are certain cases when withdrawal before five years does not become taxable. These cases are as follows:

- (a) If terminated due to employee's ill health;
- (b) Due to discontinuance of the employer's business;
- (c) Or any other reason beyond the control of the employee."

In the present case, Mr. Tandon's termination is due to ill health. Therefore withdrawal is not taxable and hence no TDS implication for the same.

- (ii) As per the third proviso to Section 194A(3), no tax is required to be deducted at source in the case of senior citizens where the amount of interest or the aggregate of the amount of interest credited or paid during the financial year by a banking company, Co-operative Society engaged in banking business or post office does not exceed ₹ 50,000. In the given case, since Mr. Hasan aged 63 years is a senior citizen receiving interest on recurring deposit of ₹ 42000/- below the specified limit hence no TDS is required to be made.
- (iii) According to the provisions of Section 194B, every person responsible for paying to any person, whether resident or non-resident, any income by way of winnings from lottery or crossword puzzle or card game and other game of any sort, is required to deduct income-tax therefrom at the rate of 30% if the amount of payment exceeds ₹10,000. As Mr. Kaul won a lucky draw prize of ₹ 21,000 TDS is required to be made on entire 21000@30% i.e. ₹ 6,300/-
- (iv) According to Section 2(28A) - "interest" means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised. From the above definition it is clear that processing fees is included in the definition of Interest u/s 2(28A). No tax is deductible at source under section 194A, since the service fee are paid to a banking company, i.e., Finance Bank Ltd.
- (v) Mr. Ashok, a salaried individual, is liable to deduct tax at source @ 5% under section 194-IB on ₹ 1,56,000 (being rent for 3 months from December 2023 to February 2024) from the rent to ₹ 52,000 payable on 1<sup>st</sup> February, 2023, since the monthly rent exceeds ₹ 50,000.

4. Mr. Rangamannar resides in Delhi. As per new rule in the city, private cars can be plied in the city only on alternate days.

He has purchased a car on 21-09-2022, for the purpose of his business as per following details:

Cost of car (excluding GST)	12,00,000
Add : Delhi GST at 14%	1,68,000
Add : Central GST at 14%	1,68,000
Total price of car	15,36,000

He estimates the usage of the car for personal purposes will be 25%. He is advised that since

the car has run only on alternate days, half the depreciation, which is otherwise allowable, will be actually allowed. He has started using the car immediately after purchase.

Determine the depreciation allowable on car for the AY 2023-24, if this is the only asset in the block.

Rate of depreciation may be taken at 15%

If this car were to be used in the subsequent Assessment Year. 2024-25 on the same terms and conditions above, what will be the depreciation allowable? Assume that there is no change in the legal position under the Income -Tax Act, 1961. (4 marks)

5. Mr. Ganesha (a salaried person) has three houses. One in Thane (Maharashtra), second in Jaipur (Rajasthan) and third in Ratlam (Madhya Pradesh). Details of the flats/houses are as follows: -

- Thane flat: 3 BHK flat purchased in April, 2003 for ₹ 90 lakhs. Afterwards, interior work done in 2006 of ₹ 15 lakhs. Mr. Ganesha took loan of ₹ 65 lakhs for purchase of this flat in 2001 and settled full loan in 2021.
- Jaipur house: Purchased in July, 2019 of ₹ 62 lakhs and interior work done in September, 2020 of ₹ 15 lakhs. Loan taken for purchase of this house of ₹ 15 lakhs in June, 2019. As per interest certificate, he paid ₹ 12,00,500 and ₹ 43,500 towards principal and interest, respectively, during the P.Y. 2023-24.
- Ratlam House: Purchased in December 2021 for ₹ 70 lakhs (stamp duty value of ₹ 65 lakhs). For acquiring this house, he took loan of ₹ 40 lakhs from Canara Bank. Loan was sanctioned on 1.8.2021. He pays EMI of ₹ 38,100 per month. As per interest certificate, for the previous year 2023-24, he paid ₹ 60,900 and ₹ 3,96,300 towards principal and interest, respectively.

Particulars	Thane House	Jaipur House (Apr-23 to Dec-23)	Ratlam House
Municipal Taxes paid by Mr. Ganesha	18,574	8,090	6,909
Municipal value (per month)	30,500	6,800	7,200
Fair Rent (per month)	33,000	7,000	7,500
Standard Rent (per month)	32,000	8,000	7,300

Other details are as follows:

- He has sold Jaipur house on 1st January, 2024 for ₹ 90 lakhs and invested ₹ 15 lakh in RECL bonds issued by the Central Government on 10th August 2024.
- Mr. Ganesha is working in WinDoor Exports Pvt Ltd, Mumbai and self-occupied Thane flat. He earned salary of ₹ 22,50,350 for the previous year 2023-24.
- He has no other income from any source for the P.Y. 2023-24.
- He has given Ratlam house on rent for F.Y. 2023-24 to Mr. Pratap on a monthly rent of ₹ 8,500.
- He has given Jaipur house on rent for the period of April, 2023 to June, 2023 to Mrs. Madhura Mahto on monthly rent of ₹ 7,100 and vacant for remaining period from

July, 2023 to December, 2023.

Mr. Ganesha wants to exercise the option to shift out of the default tax regime under section 115BAC.

Cost inflation index (CII) for the Financial Year (F.Y.) 2019-20 is 289; 2020-21: 301; F.Y. 2023-24: 348.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. What would be Net Annual Value of each house for the previous year 2023-24?
  - a) Thane – Nil; Jaipur – ₹ 13,210; Ratlam – ₹ 95,091
  - b) Thane – Nil; Jaipur – ₹ 54,910; Ratlam – ₹ 95,091
  - c) Thane – Nil; Jaipur – ₹ 21,300; Ratlam – ₹ 1,02,000
  - d) Thane – Nil; Jaipur – ₹ 13,210; Ratlam – ₹ 80,691
  
2. What would be income/loss under the head “Income from house property” in the hands of Mr. Ganesha?
  - a) Loss of ₹ 1,67,689
  - b) Loss of ₹ 2,86,236
  - c) Loss of ₹ 3,20,489
  - d) Loss of ₹ 3,63,989
  
3. How much amount will be carried forward as loss from house property for the subsequent assessment year 2025-26?
  - a) ₹ 3,63,989
  - b) ₹ 1,63,989
  - c) ₹ 2,00,000
  - d) ₹ 1,50,000
  
4. What would the amount of capital gains chargeable to tax in the hands of Mr. Ganesha during the previous year 2023-24?
  - a) Short-term capital gains of ₹ 13,00,000
  - b) Long-term capital gains of ₹ 18,98,962
  - c) Long-term capital gain of ₹ 3,78,110
  - d) Long-term capital gain of Nil, since he is eligible for deduction u/s 54EC in respect of amount invested in RECL bonds issued by Central Government
  
5. What would be the gross total income of Mr. Ganesha for the A.Y. 2024-25?
  - a) ₹ 22,99,810
  - b) ₹ 20,99,810
  - c) ₹ 23,78,460
  - d) ₹ 38,99,312

6. Mr. Akshaya Biyani celebrated his 26th birthday on 15th May 2023 and arranged a grand party at Radisson Blu hotel. On this occasion, he invited his friends, blood relatives and distant relatives to attend the party. The ceremony was very grand, the feast was also very spectacular. All the arrangements and decorations were absolutely wonderful. At the end of party, Mr. Akshaya was awarded by gifts and flower's bouquet as infra:

Gifts received from	Type of Gift	Remarks
Mother	One 22K Gold Chain	She purchased on the same day for ₹37,822
Father	One 22K Gold Bracelet	He purchased on the same day for ₹ 56,075
Wife	4 Gold Rings	She purchased these rings on 15.5.2022 for ₹ 35,500 each. Fair market value on 15th May 2023 is ₹ 37,429 each.
Sister	Painting	This painting is made by her. Fair market value is ₹ 45,000
Father's brother	One Gold chain	He purchased it on the same day for ₹ 18,200.
Closest cousins (mother's sister's sons/daughters)	1-20 Car	Value of ₹ 4,10,000
Friends and other distant relatives	Cash	₹ 1,51,000

Mr. Akshaya desires to set up a new manufacturing unit with his friend in partnership on 1.12.2023. For making investment in the firm, he sold following jewellery which he has received on his 26th birthday celebration as gifts:

- Mother's gifted Gold Chain for ₹ 42,150
- Father's gifted Gold Bracelet for ₹ 60,180
- Father's brother's gifted Gold Chain for ₹ 20,600

His wife gave him ₹ 1 lakh as a gift so that he could invest sufficient money in the unit. On 1st December 2023, he invested ₹ 6,00,000 (including the amount received on sale of above gifts and amount received from his wife) and his friend invested ₹ 4,00,000 in the firm.

On 1st February 2024, his wife again gave him ₹ 1 lakh as a gift to invest such money in the firm and apart from that he invested ₹ 50,000 more from his individual savings. On this day, his friend also invested ₹ 1,00,000 in the firm.

Since the firm is a manufacturing unit and at initial stage, the firm requires sufficient fund so Mr. Akshaya sold his wife's gifted Gold Rings for ₹ 40,250 each as on 31st March 2024 and he deployed the funds as partner's capital in the firm on 01st April, 2024.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. What is the amount of capital gain taxable in the hand of Mr. Akshaya for P.Y. 2023-24?
  - a) Short term capital gains ₹ 10,833
  - b) Short term capital gains ₹ 29,833
  - c) Short term capital gains ₹ 22,117
  - d) No, capital gains is taxable in his hands, since he received the capital assets as gift.
  
2. What is the gift amount not considered as income under section 56(2)(x) for P.Y. 2023-24?
  - a) ₹ 8,98,613
  - b) ₹ 3,06,813
  - c) ₹ 9,16,813
  - d) ₹ 7,16,813
  
3. What is the gift amount taxable in the hands of Mr. Akshaya for P.Y. 2023-24?
  - a) ₹ 1,51,000
  - b) ₹ 1,69,200
  - c) ₹ 5,79,200
  - d) ₹ 5,61,000
  
4. Is any amount taxable in the hands of Akshaya's wife in respect of sale of jewellery by Mr. Akshaya, if yes, what shall be the taxable amount in her hands for P.Y. 2023-24?
  - a) No
  - b) Yes; ₹ 15,284
  - c) Yes; ₹ 19,000
  - d) Yes; ₹ 11,284