

INCOME TAX LAW AND PRACTICE

UNIT 1

1. Income tax is collected on all types of income except _____.
Agricultural Income (b) Industrial Income (c) Capital Gain (d) Household Property
2. The Income Tax Act came into force from _____.
1st March 1971 (b) 1st April 1971 (c) **1st March 1961** (d) 1st April 1961
3. The Income Tax Act came into force all over India except _____.
A) Andaman & Nicobar (b) Maldives (c) Jammu & Kashmir (d) **None of the above**
4. As per Income Tax Act, 1961, income tax is charged on their come of _____ at rates which are prescribed by the Finance Act of relevant assessment year.
a) Current year (b) One year before previous year
(c) **Previous year** (d) None of the above
5. The taxpayer liability is determined with reference to his or her _____.
a) Financial Status (b) Residential Status
(c) **All of the above** (d) None of the above
6. The period of 12 months commencing on the first day of April every year and ending on 31st March is called as _____.
a) Previous Year (b) **Assessment year** (c) Accounting Year (d) Financial Year
7. Under Income Tax Act, the income liable for tax is classified on the basis of _____.
a) Income from Salaries (b) Income from House Property
(c) Agricultural Income (d) **Both (a) and (b)**
8. Agricultural income is completely exempted for assessment year _____.
a) 1974-75 (b) 1985-86 (c) 1975-76 (d) 1978-79
9. The income from foreign companies by providing the services in project connected with security of India is _____ from tax liability.

- (a) 50% exempted (b) 20% exempted (c) **100% exempted** (d) 55% exempted

10. An individual is said to be resident in India if _____.

- a) It is in India in the previous year for a period of 182 days or more
(b) It is in India for a period of 60 days or more during the previous and 365 days or more during the four years immediately preceding previous year
(c) **All of the above**
(d) None of the above

11. The HUF is said to be resident in India if _____.

- a) The control and management of its affairs is wholly or partly situated in India (b) The control and management of its affairs is partially situated out of India (c) **The control and management of its affairs is wholly or partly in out of India** (d) None of the above

12. The awards and rewards are exempted from Income Tax if _____.

- a) Payment is in cash (b) **Payment is in kind** (c) Payment is in cash or in kind (d) None of the above

13. Income received in India whether occurred in India or outside India, the tax incidence in case of resident is _____.

- a) **Taxable as per slabs** (b) Exempted from tax (c) Partly exempted (d) None of the above

14. Income received in India whether occurred in India or outside India, the tax incidence in case of resident but not ordinarily resident is _____.

- a) **Taxable as per slabs** (b) Exempted from tax (c) Partly exempted (d) None of the above

15. Income received in India whether occurred in India or outside India, the tax incidence in case of non-resident is _____.

- a. **Taxable as per slabs** (b) Exempted from slab (c) Partly exempted (d) None of the above

16. The definition of the person includes _____.

- a. a) An individual (b) A company
 b. (c) A Hindu undivided family (d) **All of the above**
17. Any rent or revenue derived from land which is situated in India and is used for agricultural purposes is _____.
 i. a) Partially taxable (b) Fully taxable
 ii. (c) **Exempted from tax** (d) none of the above
18. Basic condition will be for a person who leaves India for employment _____.
 a) At least 182 days in India
 b) At least 60 days in previous year and 365 days in preceding 4 years
 c) At least 730 days in preceding 7 years
 d) **All of the above**
19. Total income is to be rounded off to nearest multiple of _____ and tax is to be rounded off to nearest multiple of _____.
 (b) **Ten rupee** (b) Hundred, ten (c) Ten, ten (d) Rupee, rupee
20. Income accrued outside India and received outside India is taxable in case of _____.
 a) **Resident and ordinary resident (ROR) only** (b) Resident but not ordinary resident (RNOR) only (c) Non-resident only (d) ROR, RNOR and Non-resident

UNIT 2

21. The income is chargeable under the head of salary under _____ of Income Tax Act, 1961.
 i. a) **Section 15** (b) Section 20
 ii. (c) Section 14 (d) Section 16
22. Pension is _____ under the salary head
 a) **Fully taxable** (b) Partially taxable (c) Not taxable (d) None of the above
23. The salary of Member of Parliament is taxable under the head _____.
 (a) **Salary** (b) Income from Other Sources
 (c) Income from Business (d) All of the above
24. The salary, remuneration or compensation received by the partners is taxable under the head _____.
 a) Income from Other Sources (b) **Income from Business**
 (c) Salary (d) None of the above

25. The death-cum-retirement gratuity received by the Government Employee or employee of local authority is_____.
- (a) **Partially exempted** (b) Fully exempted (c) Half taxable (d) None of the above
26. Under Section 15 of Income Tax Act, the salary due in previous years and even if it is not received is _____
- a) **Taxable** (b) Not taxable (c) Partially taxable (d) None of the above
27. The assessee can claim relief under_____ for arrears or advance salary.
- (a) **Section 89(1)** (b) Section 89(2) (c) Section 89(3) (d) Section 89(4)
28. The Payment of Gratuity Act came into force in_____
- a)**1973** (b) 1980 (c) 1991 (d) 1972
29. The entertainment allowance is allowed as deduction to
- a)Public sector employees b)Private sector employees c) **Government employees** d) All of the above
30. Hostel expenditure is allowed up to
- a)100 p.m b) 200 p.m c) **300 p.m** d)400 p.m
31. Which of the following is not taxable under the head Salary?
- a) **Remuneration paid to the lecturer of a college for setting a question paper**
- b) Salary received by a member of parliament
- c) Commission received by an employee director of a company
- d) Both (a) and (b)
32. . In accordance with the provisions of Section 17(1) of Income Tax Act, 1961, the term salary includes _____.
- a) Any annuity or pension (b) Any gratuity (c) Any fees, commission, perquisite or profits in lieu of or in addition to any salary or wages (d) **All of the above**
33. . The children education allowance, the amount exempted from taxable income is limited to _____.
- a)100 per month per child up to 3 children (b) ` 1,000 per year per child upto 2 children
- (c) **100 per year per child up to 2 children** (d) None of the above

34. If the employee receives retirement gratuity from more than one employer, he can claim exemption in respect of_____.
- a) Current employer (b) Previous employer
(c) Both employer (d) Not from single employer
35. The family pension received by the family members of armed forces after death of employee is_____.
- a) Exempt fully (b) **Exempted after fulfilling of certain conditions**
(c) Not exempted (d) None of the above
36. The entertainment allowance is applicable to_____.
- a) Private sector employees (b) Public sector employees
(a) Government employees (d) All of the above
37. The entertainment tax allowed as a deduction under Section 16 of Income Tax Act is the least of _____
- a) Actual amount of entertainment allowance received
(b) 20% of basic salary of the individual (c) ` 5000 (d) **All of the above**
38. The assessment period for income tax on salary is_____.
- a) Only more than 12 months (b) 12 months and less than 12 months
(c) Only 12 months (d) 12 months and more than 12 months
39. Dearness allowance is ___ allowance
- a) **Fully taxable** b) partly taxable c) fully exempted d) partly exempted
40. Conveyance allowance is ___ allowance
- a) Fully taxable b) **partly taxable** c) fully exempted d) partly exempted

UNIT 3

41. The Income from House Property is taxable in the hands of the individual even if property is not registered in his name_____.

)When the property has been transferred to spouse for inadequate consideration

Where the property is transferred to a minor child for inadequate consideration

Where the individual holds on importable estate

All of the above

42. Under the Head Income from House Property, the basis of charge is the _____ of property

a) **Annual value** (b) Quarterly value

c)Half-quarterly value (d) None of the above

43. The following conditions must be satisfied to charge the rental income under the head Income of House Property:

a) The property should consist of any buildings or lands

b) The assessee should be one of the properties

c) The property should not be used by the owner for the purpose of business or professional purpose

d) **All of the above**

44. Rent from sub letting

a)Income from house property b) income from salary c) income from business d)

income from other sources

45. An individual who transfers house property without an adequate consideration to his owner spouse or to minor child is called as_____.

a)Co-owner (b) **Deemed Owner** (c) Owner Himself (d) None of the above

46. The rental income of person who is resident of Ladakh is _____ taxable under Income from House Property.

a)Fully taxable (b) Nottaxable (c) Partially taxable (d) **None of the above**

47. If the assesses let out the building or staff quarters to the employee of business, the rent collected from such employees is assessable as income from_____

a) Business (b) **House Property** (c) Other Sources (d) Noneoftheabove

48. The Gross annual value of the property is depending upon the_____.

a)Standard rent (b) Municipal Valuation (c) Fairrent (d) **All the above**

49. Which of the following is not a case of deemed ownership of house property?

a)Transfer toaspouse forinadequate consideration

b) Transfer toaminor child forinadequate consideration

c) Holder of an importable estate

d) Co-owner of a property

50. If an assessee earns rent from a sub-tenant in respect to tenanted property let out as a residence, the said rent is _____.

a) Exempted under Section 10

(b) Taxable under the head income from house property

c) Taxable as business income, as the letting out is a commercial activity

d) Taxable as income from other sources

51. Income chargeable under the head 'Profits and Gains from Business or Profession' is covered under _____.

a) Section 23 (b) **Section 28** (c) Section 25 (d) Section 24

52. The income charged under the head Business/Profession are _____.

a) The profit and gain of any business or profession which was carried on by the assessee at any time during the previous year

b) Export incentives available to the exporters under any scheme of Government

c) Any compensation or other payment due to or received by any person specified by the Section 28(ii)

d) All of the above

53. Which of the following income is not chargeable as income of business or profession?

(a) Profits and gains of business carried by an assessee during the previous year

b) Income derived by a trade, professional or similar association from specific services performed for its member

c) Income from the activity of owning and maintaining race horse

d) Salary received by a partner of a firm from the firm in which he is a partner

54. Expected rent shall be higher of _____.

a) Municipal value and standard rent (b) Fair rent and actual rent received

c) Standard rent and fair rent (d) Municipal value and fair rent

55. Interest on capital, borrowed for self-occupied property is deductible up to a maximum amount of _____.

a) 50,000 (b) ` 1,50,000 (c) ` 5,000 (d) None of the above

56. Deduction from annual value is allowed under _____.

a) Section 24 (b) Section 25 (c) Section 27 (d) Section 28

57. _____ Standard deduction from annual value is allowed.
a) 10% (b) 20% (c) **30%** (d) 15%
58. Interest on loan for self-occupied house taken before 1st April, 1999 will be allowed up to _____.
a) **30,000** (b) 1, 50,000 (c) 10,000 (d) 50,000
59. Deduction allowed from annual value is _____.
a) Interest on loan for construction (b) Interest on loan for repair
c) Statutory deduction (d) **All of the above**
60. Sections 28 to 44D of Income Tax Act, 1961 related to _____.
a) Income from House Property (b) **Profit and Loss from Business or Profession**
c) Income from Salary (d) Income of HUF
61. Which of the following is a admissible deductions?
a) **Rent** b) Capital expenditure c) revenue expenditure (d) none of the above

UNIT 4

62. Section 45 of Income Tax Act, 1961 is related to _____.
a) Capital assets (b) Assets (c) Capital expenses (d) **Capital gain**
63. On the occasion of marriage of Mr. Rahul, he received a gift of ` 75,000 from a relative. Such an amount shall be _____.
a) Taxable (b) **Non-taxable** (c) Taxable subject to standard deduction of 50% (d) None of the above
64. In case of winning from horse races, payment exceeding _____ are subject to tax deduction at source
(a) ` 2,000 (b) ` 3,000 (c) ` **5,000** (d) ` 10,000
65. Which of the following income from other sources is not taxable?
a) Dividend from co-operative society. B. Dividend from foreign company.
c) **Dividend from domestic company.** D. Winnings from lottery
66. Income from sale of rural Agricultural land is.....
a) Taxable capital gain. B. **Exempted capital gain.** C. Taxable income. D. None of these.
67. What is the time limit for holding of a Financial Asset, to be called Short Term Capital Asset?

- a) Not more than 6 months. B. Not more than 12 months.
Not more than 24 months. D. **Not more than 36 months.**
68. To be a long term capital asset, a non financial asset should be held more than.....
. A. 12 months. B. 24 months. C. **36 months.** D. 60 months.
69. Shares held for less than 12 months are.....
a)Short term capital asset. B. Long term capital asset.
c)Exempted capital asset. D. projected capital asset.
70. House property held for less than 36 months is.....
a)Long term capital asset. B. **Short term capital asset.**
c) Exempted capital asset. D. projected capital asset.
71. Indexation is applicable to.....
Sale of short term capital assets. B. Sale of long term debentures. C. **Sale of depreciable capital assets.** D. Sale of long term capital assets which are not depreciable assets
72. Cost of long term debentures are.....
. A. Eligible for indexing. B. **Not eligible for indexing.** C. None of these. D. All the above.
73. Cost of improvement incurred prior to 1.4.81 is.....
A. Indexed separately. B. **Indexed along with cost of acquisition.** C. Ignored fully.
D. None of these.
74. Which one of the following is not an income from other sources?
A. Interest on fixed deposit in bank. B. Winnings from cross word puzzles.
C. Gift in excess of Rs.50, 000 from an unrelated person. D. **Profit on sale of building.**
75. Which of the following is not a capital asset
. A. **stock in trade** B. Goodwill C. Agricultural land in Mumbai D. Jewellery
76. Income from other sources is a.....
A. **Residuary head of income.** B. Major Head of income. C. Income from a single source. D. Constant and regular income.
77. The income from the sale of house hold furniture is.....
a). Taxable income B. Exempted income C. Capital gain D. Business income
78. Dividend is

- a) A General income b) **specified income** c) not an income d) all of these
79. ___ is a casual income
 a) **Winning from lottery** b) Dividend c) Profit d) gift
80. Property other than immovable property includes
 a)Winning from lottery b) Dividend c) Profit d) **Jewellery**

UNIT 5

81. Long-term Capital Loss can only be set off against _____.
 Long-term capital loss (b) Short-term capital loss
 c) **Long-term capital gain** (d) all of the above
82. Income from sale of rural agricultural land is _____.
 a)Taxable capital gain (b) Taxable income (c) **Exempted capital gain** (d) None of these
83. Loss from speculation business cannot be set off against profit from any non-speculation business, however _____.
 a) Loss from non-speculative business can be set off against speculation income
 b) Loss from non-speculative business cannot be set off against speculation income
 c) Profit from non-speculative business can be set off against speculation income
 d) None of the above
84. Minors income is clubbed to _____ .
 (a) Father's income (b) Mother's income
 (c) **Father's income or mother's income whichever is greater**
 (d) Both mother's and father's income
85. Which of the following is eligible for 100% deduction ?
 A. National Children Fund B. Rajiv Gandhi Foundation C. **National Sports Fund** D. Nehru Memorial Fund
86. Section 80C provides for deduction in respect of tuition fee to..... children
 A. One B. **Two** C. Three D. None
87. The amount deductible for severe disability u/s 80U is
 . A. **Rs: 1,00,000** B. Rs: 1,20,000 C. Rs: 50,000 D. Rs: 90,000

88. . When a loan is taken for the education of a child, the father is entitled to deduction u/s
- A. 80 C B. 80 G C. **80 E** D. 80 U
89. Income of a minor child is exempted up to
- A. Rs: 1,000 B. Rs: **1,500** C. Rs: 1,200 D. Rs: 2,000
90. 184. Loss from business can be carried for years
- . A. 6 B.**8** C. 12 D. 16
91. Income of a minor child is included in the total income of.....
- A. Father B. Mother C. **Parent whose income is greater** D. Transferor of asset.
92. The amount of deduction under section 80DD regarding disability is.....
- A. Rs: 30,000 B. Rs: 50,000 C. Rs: **75,000** D. Actual expense.
93. Speculation Loss can be carried forward for.....
- A. 8 years B. 10years C. 5years D. **4years**
94. Donation is deductible u/s
- A. 80C B.80D C. 80 E D. **80 G**
95. Tax deduction available to certain industries for the initial few years is called.....
- A. **Tax holiday** B. Tax exemption C. TDS D. PAYE
96. . The maximum amount of deduction under section 80D in the case of a senior citizen is.....
- A. Rs: 10,000 B. Rs: 15,000 C. Rs: **20,000** D. Rs: 25,000
97. Which among the following deduction is available only to disabled persons :
- A. 80 C B. 80 G C. 80 Q D. **80 U**
98. Section 80C provides for deduction in respect of tuition fee to.....Children.
- A. One B. **Two** C. Three D. None
99. The maximum amount deductible u/s 80GG in respect of rent paid is.....
- A. Rs: 10,000 B. Rs: 12,000 C. Rs: 20,000 D. Rs: **24,000**
100. The amount deductible for severe disability u/s 80U is..... A. Rs:
- A.**1,00,000** B. Rs: 1,20,000 C. Rs: 50,000 D. Rs: 90,000
101. When a loan is taken for the education of a child, the father is entitled to deduction u/s.....
- A. 80 C B. 80 G C. **80 E** D. 80 U

UNIT-1

Short Answers (K2) Level.

1. Define Assessee.
A person by whom pays any tax under this act.
2. What is foreign income?
Income earned outside India is called foreign income
3. What are the different classes of residential status?
Ordinary resident, Resident but not ordinary resident, nonresident.
4. Who is nonresident?
Not satisfying any of the conditions given u/s 6(1)
5. What do you mean by Assessment year?
It means the period of 12 months commencing on the 1 st day of April every year.
6. What do you mean by previous year?
It is the financial year proceeding the assessment year.
7. Who may be called as not ordinary resident?
Satisfying any one of the conditions u/s 6(1)
8. What is total income?
Total income means the income remaining after allowing deductions.
9. What are the kinds of incomes?
Indian Income and Foreign income.
10. Define Person.
Person includes
An individual, HUF, company, firm, local authority.

UNIT -2

1. Define salary.
Salary means due from an employer or former employer in the previous year.
2. What are allowances?
Any amount or sum allowed regularly
3. What do you mean by Perquisite?
Any casual emolument attached to an office.
4. What is Un recognized provident fund?
The fund which is not recognized by income tax authority
5. Give any two allowances which are fully taxable?

Dearness allowance and city compensatory allowance

6. Give any two allowances which are partly taxable?

House rent allowance and Entertainment allowance

7. Give any two allowances which are fully exempted?

Allowances from U.N.O, allowance to member of union public service commission

8. Give any two perquisites that are exempted for all employees?

Free refreshment, Employers contribution to staff group insurance

9. Write any two perquisites that are taxable for all employees

Rent free house Obligation of employee met by employer.

10. Write any two perquisites that are taxable for specified employee

Car or other **conveyance, gas and electricity.**

UNIT-3

1. What is Actual rent?

It is the rent actually received by the owner.

2. What are the kinds of rental values?

Municipal rental value and real rental value, fair rental value.

3. What is standard rent?

The rent fixed under rent control act.

4. What do you mean by FRV?

It is based on the rent prevailing the similar type of locality.

5. What are various forms of local taxes?

House tax, Fire tax, water tax

6. What is business income?

The profits and gains of any business carried by the assessee

7. What do you mean by professional income?

Income derived by the assessee with using intellectual knowledge.

8. What is speculation business?

Contract for the purchase or sale of commodity is periodically settled otherwise than by the actual delivery of the commodity.

9. What is deemed profits?

Profit which is not earned by assessee but income tax act considers as profit.

10. What is Perquisite?

The value of any benefit.

UNIT 4

1. What is capital gain?

Profit or gain arising from transfer of a capital asset.

2. What is short term capital gain?

A non-financial capital asset held by assessee for not more than 36 months.

3. What is long term capital gain?

An asset other than short term capital asset held by assessee more than 36 months.

4. What is Cost of acquisition?

It is the amount paid by assessee to acquire it.

5. What is not included in capital asset?

Stock in trade

Raw materials

6. Write abbreviation for CII?

Cost inflation index

7. What is income from other sources?

Every income which does not fall any of the 4 heads may come under this head.

8. Write any two examples for general income.

Income from sub-letting

Income derived from coal mine

9. Write any two examples for special income.

Dividend

Winnings from Lottery

10. What are the types of gifts under income from other sources?

Gift of money

Gift of property

Unit 5

1. What is the Maximum limit for the deduction of Life insurance premium from the gross total income?

Ans: ` 1, 50,000

2. What is the Maximum amount of deduction in case of a person with severe disability under section 80U?

Ans: 75000

3. Which is covered under section 80D of the Income Tax Act, 1961?

Medical insurance premium.

4. What is casual income?

Winnings from lotteries and cross word puzzles.

5. List out the various categories of deductions?

Ans: Deduction in respect of certain payments

Deduction in respect of certain incomes

6. What is Inter Source set off?

Loss from one source of income can be adjusted with another source of income

7. What is Inter Source set off?
Loss from 1 head of income can be adjusted with another head of income in the same year.
8. When deductions available from G.T.I?
When the G.T.I is a positive figure
9. Write the deductions relating to donations.
80 G
10. What is the maximum deductible under sec.80C
Rs.150000

K3 level

UNIT 1

1. Mr. Vinayaka came to India from USA for the first time on 30th September 2010 to join an American concern as the general manager. After reporting for duty he left for Japan on 2nd October 2011 to finalize the company's transaction. He returns to India on 10th October 2011 and stayed in India till 31st July 2016. What is his residential status for previous year 2017-18? Give reason.
2. Mr. B, a married citizen of India left for Germany for the first time on 15-09-2016 on a business trip. He returned to India on 05-06-2017 during his absence from India he maintained a dwelling house for himself in Calcutta. What will be his residential status for the assessment year 2018-19?
3. Dr. K.S. Sharma an Indian national is working in USA. Every year he comes to India on leave and stayed with his parents who are staying in Calicut. What will be the residential status of Dr. K.S. Sharma during the assessment year 2018-19 under the following circumstances:
He came to India 19th December 2017 and stayed up to 5th February 2018.
His total stay during the preceding 7 years was 300 days.
He came to India on 20th September 2017 and stayed up to 31st March 2018.
His total stay during the preceding 7 years was 500 days. He had left India on 31st March 2010.
4. Mr. A an engineer, left India for London on 15-03-2017 for taking practical training in an engineering firm there. He returned to India on 28-03-2018. He was never out of India in the past. State giving reason what will be the residential status of Mr. A for the previous year 2018-19.
5. Determine the residential status of Mr. for the previous year 2017-18 who left India for the first time on 15-9-2013 and came back on 1-9-2016 he again left for Dubai on 15-6-2017 to come back on February 14, 2018 to settle in India for ever.

UNIT 2

1. Calculate the taxable amount of annual accretion to R.P.F. if following information is provided by assessee:
Pay 2 Rs.24500 p.m.
Commission received by him on the basis of turnover achieved by him: Rs.36000
Employer's contribution to R.P.F. @14% of salary;
Interest credited during the year to R.P.F. Balance @12 % is Rs.24000.

2. Mr. A joined a new job on 1-4-2016 at Rs.15000 p.m. due on last day of the month. He started contributing to URPF @ Rs.2500 p.m. His employer was also contributing same amount. The Fund was recognized from 1-8-2017. Interest credited during 2016-17 at the rate of 11% was Rs.4400 and for the period 1-4-2017 to 31-7-2017 was Rs.3300. Compute the amount of transferred balance of URPF to RPF as on 1-8-2017 and its taxable portion.
3. Mr. Hari employed at Amritsar on a salary of Rs.30000 p.m. The employer is paying H.R.A. of Rs.8000 p.m. but the actual rent paid by him (employee) is Rs.12000 p.m. He is also getting 2% commission on turnover achieved is Rs. 5000000.calculate his gross salary.
4. Mr. Vidin is working in a central Government office at Shimla. His salary particulars are as follows:

Salary	360000
D.A. [fully enters into pay for retirement benefits]	96000
Hill compensatory allowance	24000
Transport Allowance	24000
Provided with rent free house: Annual License Fee	72000
Cost of furnishing	300000

Calculate value of rent free house.

5. Mr. Arup Sen has furnished following particulars:
 Salary @ Rs.250000 p.m.
 Dearness Allowance @Rs.5000 p.m. (It enters into pay for retirement benefits)
 Entertainment Allowance @Rs.600 p.m.
 Bonus Rs.16000.
 Cost of furnishing Rs.120000 .

UNIT 3

1. Mr. had taken a shop on rent at monthly rent of 2000. He has sublet 25% of the area to Mr. @ 1000 p.m. He incurred 4000 on repairs of the shop. Calculate his income from subletting.
2. Compute ERV
 Mr.R has a house at Pune where rent control act is applicable.
 Its MRV is 160000 p.a and
 FRV is 120000 p.a Standard rent 1,02,000.
3. Calculate ARV from the particulars given below:
 MRV 60000 p.a FRV 66000 p.a
 A. If actual Rent is 72000 p.a and standard rent is 69000 p.a or

B. If actual Rent is 63000 p.a and standard rent is 69000 p.a

4. Calculate Gross annual value from the particulars given below:

MRV 80000 p.a

FRV 100000 p.a

Standard rent 70000. Actual rent 120000

It is assumed that the house was let out throughout the year and there is no realized rent.

5. Explain the procedure for computing business income.

UNIT 4

1. Find out the inflated cost in the following cases for the assessment year 2015-2016.

i) Cost of plot acquired in 1986-87 for Rs.80000

ii) Cost of house purchased in 1979-80 for Rs.90000 Fair market value on 1-4-81 1, 50,000

iii) Cost of house purchased in 1976-77 for Rs.2, 00,000 but F.M.V on 1-4-81 Rs.4, 00,000

(C.I.I for 1981-82= 100, for 1986-87=140 for 1988-89=161 and for 2014-15=1024)

2. Find out the indexed cost and capital gain from the following cases:

i) W.D.V of office furniture as on 1-4-2014 Rs.18000 (which was purchased on 15-9-98

For Rs.20000 and sold on 1-9-2014 (C.I.I =1024) for Rs.26000.

ii) Bonds Purchased on 1-11-1996 (C.I.I =305) for Rs.2, 60,000 were sold On 1-1-2015(C.I.I =1024) for 4, 00,000

3. Compute the taxable capital gain from particulars given below:

i) Net consideration of a residential house 20, 00,000 (2-6-2014) (C.I.I: 1024)

ii) Cost of acquisition of this house 2, 30,000 (1-5-87) (C.I.I:150)

iii) New house acquired on 1-9-2014 for 2, 00,000.

4. Find out the indexed cost and capital gain from the following cases:

i) W.D.V of office furniture as on 1-4-2014 Rs.18000 (which was purchased on 15-9-

98 for Rs.20000 and sold on 1-9-2014 (C.I.I =1024) for Rs.26000.

ii) Bonds Purchased on 1-11-1996 (C.I.I =305) for Rs.2, 60,000 were sold On 1-1-

2015 (C.I.I =1024) for 4, 00,000

5. Explain the concept of income from other sources.

UNIT 5

1. From the following particulars compute the total income of Mr. David for the assessment year 2018-19.

Income from house property -8000

Short term capital gain on sale of shares 95000

Long term capital loss on sale of bonds -85000

Other sources: Interest on Govt.securities 18000

The assessee has unabsorbed depreciation of 35000 being brought forward from 2016-17. Assessee had closed the business and all the assets have been disposed of.

2. Shri earned GTI of 5,00,000 in the previous year 2017-18 and made the following donations during the year.

Rs. 10000 to chief minister's earth quake relief fund Gujarat

Rs. 15000 to national foundation for communal harmony.

Rs. 20000 to municipal corp. approved promotion of family planning

Rs. 45000 to approved institutions

Rs.20000 to Swatch Baharat kosha.

Compute the amount of deduction admissible to him u/s 80 G for the assessment year 2018-19.

3. Explain the provisions relating to Set off losses.
4. Explain the applicable deductions from Gross total income.
5. Mr. is Karta of an HUF. The HUF has a child (who is mentally retarded). The HUF spent 24000 on the treatment of child. Can HUF claim deduction? How much?

UNIT-1

1. Show how the following incomes are to be assessed in the hands of an assessee who is (a) resident (b) non-resident and (c) not ordinarily resident.

Salary drawn during the year for employment outside India from Government of India Rs.93500.

Salary drawn for the employment in London office Rs.18000.

Profits earned abroad & received in India Rs.25000.

Profit earned from business transactions outside India & kept in Bank there Rs.18000

Dividend received from Indian company Rs.3000

2. Following are the incomes of Sri Amaranth for the financial year 2017-18:

Interest on saving bank deposits in Allahabad bank, Delhi Rs. 1,200

Income from agriculture in Africa invested in Nepal Rs. 10,000

Dividend received in UK from an American company, a part of which Rs. 2,000 remitted to India .

Pension received in Belgium for services rendered in India with a limited company Rs. 20,000.

You are required to compute his gross total income for the assessment year 2018-19 if he is a (a) resident (b) not ordinary resident (c) non-resident.

3. From the following particulars of taxable income of .K.K. Katya for the previous year 2017-18 you are required to compute his income assuming Mr. Katya as:

(a) Ordinary resident, (b) non-resident, and (c) resident but not ordinary resident:

Profit earned from the business in Delhi Rs. 44,000

Profit of the business established in UK but controlled from India- amount deposited in bank there Rs. 20,000.

Salary received in UK for service rendered in India Rs.10, 000.

Profit from business in Nepal and controlled from there but received in India Rs.12,000.

Income from house property in UK received in India Rs. 4000

Income from house property in Nepal Rs. 5,000 .

Past untaxed foreign income brought into India during the year 5,000 .

4. From the following particulars compute the total income of Mr. C.A for the assessment year 2018-19 if he is (a)ordinary resident (b) resident but not ordinary resident or (c) non-resident.

Income from house property in India [computed] Rs. 32,000

Loss from house property in France. Rs. (-)60,000

Income from house property in England received there and deposited in bank there Rs. 90,000.

Business income in India Rs. 2, 60,000.

Loss from business in England Rs. (-) 1, 20,000

Profit from business in England which is controlled from there Rs. 1, 00,000.

Interest on debentures of an Indian company 10,000.

Income from profession set up in India received in England for service rendered in India 2, 00,000.

5. Mr. Raj scientist from USA was appointed as senior scientist in India for the first time on 1-11-2013. On 31 st January 2016 he went to Pakistan on deputation but left his family in India, on 31 st may 2017 he came to India and took his family on 31 st October 2017, He returned to India and joined his original post on 5 th feb 2018. Determine his residential status.

UNIT -2

1. Calculate the value of rent free house if:

Case-1: Mr. Arup Sen is Govt. employee and rent of house fixed n=by Govt. is Rs.2500p.m.

Case-2: Mr. Arup Sen is working in a semi-Govt. undertaking at Chennai [Population more than 25 lakhs] and Fair rental value of the house is Rs.8000p.m.

CASE-3: Mr. Arup Sen is working I n a private sector at Chandigarh [Population below 10 lakhs] and rent of the house hired by employer is Rs.6000 p.m. He is also provided with hired refrigerator whose hire charges of Rs.600 p.m. are paid by employer.

Case-4: Mr. Arup Sen is working on private sector Delhi [Population above 25 lakhs] and actual rent of the house not owned by employer is Rs.6000 p.m. Rent charged by employer is only Rs.3000 p.m.

2. Mr. Sadhu, an employee of Govt. of India drawing a salary of Rs.30000 p.m. and D.A. of Rs.5000 p.m. from the very beginning he was getting entertainment allowance and last his E.A. was doubled. At present he is drawing Rs.2000 p.m. as E.A. The other perquisites are of Rs.4000 p.m. He was getting uniform Allowance at Rs3000 twice a year. It was claimed that whole of it has been spent of uniform. He receives Rs.20000 as Bonus during the year. Calculate his taxable salary.
3. From the following particulars, find out the taxable salary of Mrs.Babita working at Coimbatore [Population 11 lakhs]
Salary Rs.12000 p.m.
D.A. @ 100% OF SALARY

Employer's contribution to employee's RPF -14% of basic salary

Rent free accommodation (Unfurnished)-fair rental value is Rs.80000 p.a Expenses on maintenance of garden met by Employer Rs.3000.

Interest on PF balance @13% p.a. Rs.3900

A car (1.4 lt. capacity) is provided by employer. All expenses are borne by employer. It is used for both for performance of duties and private purpose. Car was used by employee for only 11 months during the year

She paid professional tax of Rs.200

She received Rs.500 p.m. as fixed medical Allowance

4. From the following calculate salary income of Mr. Raju

Basic pay 3000 p.m.

DA 2000 p.m.

HRA 1200 p.m. (actual rent paid 1400 p.m.)

Own contribution to RPF 12% of salary

Employer's contribution towards RPF 15 % of salary.

He paid 300 towards professional tax during the previous year.

5. From the following calculate salary income of Mrs.Srisha

Basic pay 3000 p.m.

DA 2000 p.m.

HRA 900 p.m. (actual rent paid 800 p.m.)

She and her employer contribute 450 p.m. to RPF

Interest credited to her RPF balance @ 14 % amounted to 9800

During the year she paid 400 as professional tax.

Compute her salary income.

UNIT -3

1. Mr. X owns a house at Delhi. During the previous year 2010-11, 3/4th portion of the house is self-occupied for full year and 1/4th portion is let out for residential purpose on a rent of ` 1,500 p.m. Municipal valuation of the house is ` 48,000 and fair rent ` 52,000. He incurs the following expenditure in respect of the house property during the year:

Municipal taxes ` 6,000;

Repairs ` 2,100;

Fire Insurance Premium ` 3,700;

Land Revenue ` 4,200;

Ground Rent ` 300.

A loan of ` 70,000 was taken on 1-4-2001 @ 15% p.a. for the construction of the house which was completed on 31-3-2004. Nothing has been repaid on loan account so far.

2. Compute Mr. X's income from house property and tax liability for the assessment year 2011-12.

Mr. X owns at Delhi whose municipal value is ₹ 1,20,000 and fair rent is ₹ 1,44,000 p.a. During the previous year 2010-11 the house was vacant for 3 months. For rest of the period it was let out for residential purposes @ ₹ 15,000 p.m. He makes the following expenditure in respect of the house property:

Municipal taxes	₹ 18,000
Repairs	₹ 12,000
Fire insurance premium	₹ 10,000

A loan of ₹ 3,00,000 was taken on 1-4-2008 @ 12% p.a. for the construction of the house which was completed on 21-3-2010, 50% of the loan has been paid back on October 1, 2010.

3. Find out the Gross Annual Value of the let out houses

S.No.	Municipal Value	Fair Rent	Actual Rent	Remark
1.	36,000 p.a.	4,000 p.m	4,500 p.m.	–
2.	80,000 p.a.	6,000 p.m.	6,000 p.m.	–
3.	55,000 p.a.	60,000 p.a.	6,000 p.m	2 months vacant
4.	90000 p.a	NA	9000 p.m	

. Light and water facilities free of cost under the terms of rent deed 1,000 P.M.

4. Mr. Bhavas Patel is a registered medical practitioner. He keeps his books on cash basis and his summarized cash account for the year ended 31st March, 2015 is as under: Balance b/d 22,000

- Cost of Medicines 10,000
- Loan from Bank for Surgical Equipment's 8,000
- Private Purposes 3,000
- Motor-car 1,20,000
- Sale of medicines 25,250
- Car Expenses 6,000
- Consultation fees 2,55,000
- Salaries 4,600
- Visiting fees 24,000
- Rent of Dispensary 1,600

- Bank FDR interest 8,100
- General Expenses 300
- Personal Expenses 1,11,800
- Life Insurance Premium 3,000
- Interest on Loan from Bank 500

Balance c/d 3,37,350

Compute his income from profession for the A.Y. year 2015-16 taking into account the following further information.

- (a) One third of motor-car expenses is in respect of his personal use.
- (b) Depreciation allowable on Motor-car and surgical equipment's @15%.

Profession income Rs.2, 70,550.

5. Mr. Balu owns a house property at Cochin. It consists of 3 independent units and information about the property is given below: Calculate income from house property.

UNIT 1: Own residence

UNIT 2: Let out

UNIT 3: Own business

MRV 1,20,000

FRV 1,32,000

Standard rent 1,08,000

Unrealized rent for three months

Repairs 10000

Insurance 2000

Interest on money borrowed for construction 96000

Municipal taxes 14400

Date of completion 1-11-2012

UNIT 4

1. From the following information of Mr. Viswa compute capital gain.
 - a) Cost of acquisition of residential house in 2003-04 400000
 - b) Sale consideration on 1-7-2017 2100000

c)) cost of acquisition of a new house prior to the date of filing tax 800000
The cost inflation index in 2003-04 and 2017-18 was 109 and 272
respectively

2. Mr.S is the owner of 3 houses sells a residential house in Chennai for 800000 on May 23, 2017. This house was purchased by him on 1-4-2002 for Rs.200000. On May 30, 2017 he purchased a flat in Mumbai for 870000 for the purpose of the residence of son in-law. On March 1, 2018 S sells the house in Mumbai for 12, 10,000. Compute the capital gain.

3. From the following particulars of Mr. ARUN,

Compute the income under the head income from other sources.

- (i). Interest on trading securities ` 10,000.
- (ii). Interest on bank deposits ` 12,000
- (iii). Royalty on patents ` 8,000
- (iv). Winnings from lotteries (Net) ` 21,000.
- (v). Interest on debentures (Net) ` 13,500.
- (vi). Interest on post office savings bank account ` 5,000.
- (vii). Dividend from Q Ltd., ` 8,000
- (viii). Bank collection charges for realization of dividend ` 500s

4. Demonstrate the different kinds of incomes specifically mentioned as chargeable to tax under the head income from other sources.
5. Find out the indexed cost and capital gain from the following cases:

- i) W.D.V of office furniture as on 1-4-2014 Rs.18000 (which was purchased on 15-9-98 for Rs.20000 and sold on 1-9-2014 (C.I.I =1024) for Rs.26000.
- ii) Bonds Purchased on 1-11-1996 (C.I.I =305) for Rs.2, 60,000 were sold On 1-1-2015 (C.I.I =1024) for 4, 00,000

UNIT 5

K4 and K5 level

1. A chartered accountant of a company computed the income of the company for the assessment year 2018-19 as 50000 without taking into account the following incomes.

Carried forward depreciation 18000

Depreciation for the current year 15000

Capital expenditure on research for the current year 10000

C/F Unabsorbed business loss relating to previous year 2014-15 2000

C/F Unabsorbed business loss relating to previous year 2015-16 5000

C/F Unabsorbed business loss relating to previous year 2016-17 10000

Other income 5000

Compute the total income of the company for the assessment year 2018-19 after making necessary adjustment of losses and also the amount of losses to be carried forward, if any.

2. Mr. Raman a chartered accountant is living at Kanpur and is carrying on his profession there.

For the year 2017b18 he has supplied the following particulars.

Compute his total income.

Professional gain 5,00,000

Rent received from house at Delhi 18000 p.a

Municipal taxes 1500 p.a

Long term capital gain 10000

Part time salary as lecturer 1,24,000

Rent paid in Kanpur 6000

Interest on Govt. securities 19000

He deposited 15000 in PPF account.

3. From the following particulars of Mr. N compute, the amount of taxable gifts chargeable as

Income from other sources.

He received a cheque of 1, 00,000 as gift from his grandfather on 15 May 2016.

He received 21000 from his friend from Canada as a gift on 31 May 2016.

He received 5, 00,000 under a will from his grandmother on 30 June 2016.

He received 50,000 from his father's friend on 30 June 2016.

He received 75000 as gift from his uncle on 30 September 2016 on his birthday.

He received 20000 as gift from his employer on 1 October 2016.

He received a gift of 51000 from his father's brother on 30 November 2016.

4. Show the adjustment of following losses and incomes of an individual for the previous year.

Depreciation B/F from Previous year 2009-10 1,00,000

Depreciation B/F from Previous year 2002-13 1,60,000

Depreciation B/F from Previous year 2005-16 2,00,000

Income under the head other sources 320,000

Income under the head profits and gains 150000

5. Describe the procedures for set off losses and carry forward of losses.

