INCOME TAX LAW AND PRACTICE-16UEC515

K1 LEVEL
UNIT I

1. Direct Tax is getting from
    a) customer
    b) buyer
    c) employees
    d) persons
2. Income Tax Act was passed
    a) 1955
    b) 1961
    c) 1956
    d) 1939
3. The basic objective of Taxation is
    a) To procure resources
    b) To provide incentives to save
    c) To check inflation
    d) To achieve reduction in consumption of goods
4. Previous year starts from
    a) 1st of April
    b) 1st of March
    c) 1st of January
    d) 1st of September
5. The total of all the incomes shown under the major heads of income is called as
    a) Taxable income
    b) Operating income
    c) Net income
    d) Gross Total Income
6. If a person is considered as an Assessee in place of another person due to valid reasons or causes, he is a
    a) Replacement assessee
    b) Deemed assessee
    c) Assessee in due course
    d) Assessee-in-default

7.As per the first basic condition under residential Status, an Individual must have stayed in India for days.
    a) 186
    b) 182
    c) 181

d) 180

8. A person is said to be a non resident when the person is

a) not fulfilling any one of the basic conditions
b) only basic conditions
c) only additional conditions
d) both basic and additional conditions

9. An individual who wants to be resident of India must satisfy at least

a) One of the two basic conditions
b) Both the basic conditions
c) Both the additional conditions
d) None of these

10. A person who is of Indian origin visiting India during the previous year to be called resident must say in India for at least

a) 60 days in PY
b) 6 days in PY and 365 days or more during 4 years preceding the PY
c) 182 days in PY
d) 730 days during 7 years preceding the PY

11. Second additional condition for resident to be an ordinarily resident is that he must have stayed in India during the seven previous years proceeding the relevant previous year at least

a) 182 days
b) 365 days
c) 60 days
d) 730 days

12. Who is assessee in HUF?

a) Father
b) spouse
c) karta
d) deemed karta

13. The person who has to pay tax or other sum of money payable under I.T. Act is :

a) a client
b) a Debtor
c) an assessee
d) a Creditor

14. In case of shipping business income of a Non-Resident ship owners % of tax is to be paid by the captain of ship.

a) 17.5
b)7
c) 7.5
d) 70.5

15. Income from rent of agricultural lands is

a) Income from house property
b) Income from other sources
c) Business income
d) Agricultural income

16. No integration of agricultural income with non-agricultural income if agricultural income is below
a) 2,00,000
b) 5,000
c) 50,000
d) 2,50,000

17. In case of Individuals the exempted limit of income for assessment year 2018-19 is
a) 2,50,000
b) 2,10,000
c) 2,00,000
d) 1,50,000

18. Agriculture Income in India is
a) Taxable
b) Exempted
c) partly taxable
d) Rebateable

19. Under the income- tax act, the incidence of taxation depends on
a) The citizenship of the tax-payer
b) The age of the taxpayer
c) The residential status of the tax-payer
d) The gender of the taxpayer

20. An Indian company is always in India.
a) Resident
b) Non-Resident
c) Ordinarily resident
d) Not ordinary Resident

UNIT II

1. Which of the following is an exempted salary?
a) Payment of Employer in kind
b) Salary from former employer
c) Salary received by UNO Employees
d) Leave salary

2.Death cum retirement gratuity paid to a government employee is
a) Fully taxable
b) partially taxable
c) fully exempted

d) government pays the tax

3. Reimbursement of medical bill for treatment from an unrecognised hospital is.
   a) Fully exempted
   b) Exempted upto 15,000
   c) Fully taxable
   d) not an income
4. House rent allowances is
   a) Fully taxable
   b) partly taxable
   c) fully exempted
   d) Rebateable
5. What are the exemption limit in Hostel Expenditure Allowance?
   a) Rs.200pm
   b) Rs.300pm
   c) Rs.400pm
   d) Rs.500pm
6. Notified Limit for Gratuity is
   a) Rs. 2,00,000
   b) Rs. 3,00,000
   c) Rs. 5,00,000
   d) Rs. 10,00,000
7. The following is not taxable as income under the head "Salaries".
   a) Commission received by a full time director
   b) Remuneration received by a partner
   c) Allowances received by an employee
   d) Free accommodation given to an employee
8. Salary paid by an employer out of capital will be
   a) a revenue receipt in the hands of employee
   b) a capital receipt in the hands of employee
   c) a casual receipt
   d) None of the above
9. Salary paid by an Indian company to its employees working in one of its branches outside India is
   a) Salary accruing in India
   b) Salary deemed to accrue in India
   c) Salary accruing outside India
   d) None of these
10. Treatment of Gratuity comes under section
   a) Section 10(10)
   b) Section 11

c) Section 12
d) Section 13

11. Salary received by a member of parliament is.
a) Taxable as salary income
b) Exempt from tax sources
c) Taxable as income from other sources
d) None of these

12. Allowances received by a government employee posted abroad are.
a) Fully exempted
b) Partly exempted
c) Fully taxable
d) Taxable by the country where posted

12. Dearness allowance is taxable in the hands of.
a) Govt employees
b) Non Govt employees
c) All employees
d) None of these

13. House rent allowance is.
a) Fully exempted
b) Partly taxable
c) Fully taxable
d) Actual rent paid alone is taxable

14. Exempted limit of HRA in metropolitan cities is.
a) 50% of salary
b) 40% of salary
c) 15% of salary
d) none of these

15. Education allowance is exempted upto a maximum of.
a) One child
b) Two children
c) Three children
d) Four children

16. Children education allowance is exempted upto.
a) Rs. 200 p.m. per child
b) Rs. 300 p.m. per child
c) Rs. 100 p.m. per child
d) Rs. 400 p.m. per child

17. Entertainment allowance to govt, employees is exempted, which is least of 20% of basic salary or actual allowance or.
a) Rs. 1,000

b) Rs. 2,000

c) Rs. 20,000

d) Rs. 5,000

18. A Perk is.

a) Cash paid by employer to employee

b) Facility provided by employer to employee

c) Amount credited to employees

d) None of these accounts

19. Perquisites to employees are covered in the I.T. Act 1961 under.

a) Sec 2a

b) Sec. 17b

c) Sec 28a

d) Sec. 36c.

20. Payment of Gratuity Act (POGA) was passed in the year---------------

a) 1942

b) 1952

c) 1962

d) 1972

UNIT III

1. Annual value of self occupied house is

a) always nil

b) always fully taxable

c) higher of MRV/FRV

d) None of these

2. Municipal taxes are deductible on

a) Accrual basis

b) due basis

c) payment basis

d) not allowed

3. Expected rent cannot exceed

a) MRV

b) FRV

c) Actual Rent

d) Standarad Rent

4. Which sections of the income tax act 1961 deals with income under the head "Income from House Property"?

a) Sections 6 to 9

b) Sections 22 to 27

c) Sections 38 to 44

d) Sections 61 to 68

5. Which of the following incomes from house property is not exempted from Tax?

a) Annual value of any one palace of ex-indian ruler.

b) Income of local authority

c) Income from house property of salaried employee

d) Income of charitable trust.

6. General deductions for Business or Profession are covered in the I.T.Act 1961 under.

a) Sec.20

b) Sec.31

c) Sec.37

d) Sec.45

7. Specific disallowances while computing profits and gains of business or profession are included in the I.T. Act 1961.

a) Sec.20

b) Sec.40

c) Sec.60

d) Sec.80

8. Preliminary expenses shall be allowed as deduction in.

a) 5 Instalments

b) 10 Instalments

c) 15 Instalments

d) 12 Instalments

9. Bad debts allowed earlier and recovered latter on is.

a) Business income

b) Non business income

c) Exempted income

d) Income from other sources

10. Gifts from clients are.

a) Professional income

b) Income from other sources

c) Non taxable item

d) None of these

11. Rate of depreciation on residential building is.

a) 5%

b) 10%

c) 15%

d) 20%

12. Rate of depreciation on non residential building is.

a) 10%

b) 15%

c) 20%
d) 25%

13. Rate of depreciation on furniture is
a) 5%
b) 15%
c) 10%
d) 20%

14._________ is the rent actually received by the owner of the house property from the tenant.
a) Actual rent b) Real rent c) Expected rent d) Others

15.____________is based on the rent prevailing for similar type of accommodation in same or similar type of locality.
a) Actual rent **b) Real rent** c) Expected rent d) Others

16. A person occupies a building as tenant and lets out full or part of the hired building to another person, it is called_________
a) Sub-letting b) Buying c) Accepting d) nothing

17. Any income from a house property held for charitable or religious purpose is also__
a) Exempted b) Taxable c) Partially d) Others

18.The income from houses, buildings, bungalows, godowns is to be computed and assessed to tax under the head of___________
a) House property b) Salary c) Capital gain d) Others

19. Standard deduction of house property is
a) 30% b) 10% c) 20% d) 5%

20. Out of MRV or FRV whichever is higher is selected as_______
a) ARV b) Real rent **c) ERV** d) SR

UNIT IV

1. Capital expenditure on scientific research which cannot be absorbed on account of insufficiency of profit in any accounting year can be carried forward for
a) 16
b) 8
c) indefinite
d) 12

2. Dividend earned from Indian company are
a) assessable under Income from other source
b) Exempted income
c) assessable under Capital gain
d) assessable under Casual income

3. A short term capital asset (except financial assets) is the one held for not more than
a) 12 months
b) 36 months

c) 24 months

d) 20 months

4. Amount paid as secret commission to employees of buyer of assessees goods is a

A. Revenue expenditure

B. Capital expenditure

C. Illegal expenditure.

D. Personal expenditure

5. Share of income from firm is.

a) Taxable in the hands of partner

b) Exempted in the hands of partner

c) Exempted in the hands of firm

d) None of these

6. Casual income is.

a) Fully taxable

b) Partly taxable

c) Fully exempted

d) None of these

7. Profits earned from an illegal business are.

a) Taxable

b) Tax free

c) Ignored by Tax Authorities

d) treated as other income

8. Unabsorbed capital expenditure on scientific research can be carried forward for.

a) 15 years

b) 14 years

c) 8 years

d) 10

9. Income from sale of house hold furniture is.

a) Taxable capital gain

b) Exempted capital gain

c) Short term capital gain

d) Long term capital gain

10. 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

c) Not more than 24 months

d) Not more than 36 months

11. 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.

12. 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
13. Tax on long term capital gain is.
    a) 10%
    b) 20%
    c) 30%:
    d) 25%
14. 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
15. 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 Non-Relatives
    d) profit on sale of building
16. 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
17. Dividends from co-operative society are.
    a) Exempted
    b) Taxable
    c) Partially Exempted
    d) Partially Taxable
18. Indexation is applicable to.
    a) 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
19. Short term capital gain on sale of unlisted shares are.
    a) Taxable

b) Exempted
c) Partially Exempted
d) Partially Taxable

20. Long term capital gain on sale of unlisted shares are.
a) Taxable
b) Exempted
c) Partially Exempted
d) Partially Taxable

UNIT V

1. Unabsorbed depreciation can be carried forward for set off for a period of
a) four years only
b) eight years only
c) unlimited number of years
d) eighteen years only

2. Loss due to fire of hired machinery is
a) Capital loss
b) Revenue loss
c) Capital expenditure
d) None of the above

3. Exempted incomes are defined under section.
a) 15 of income tax Act
b) 18 of income tax Act
c) 10 of income tax Act
d) 20 of income tax Act

4. Any payments made under and awards instituted by central or state Governments are.
a) Fully exempted
b) Fully taxable
c) Partly exempted
d) None of these

5. Grossing up of interest on securities is required when.
a) Interest is received after T.D.S.
b) They are central govt. securities
c) The interest on bank deposit is less than Rs. 10,000
d) None of these

6. Tax is reduced from casual incomes at.
a) 10% + surcharge and cesses
b) 20% + surcharge and cesses
c) 30%
d) none of these.

7. Interest on Bank Term Deposits is subject to tax deduction at source if the interest amount during the relevant previous year exceeds.

a) Rs..2,000
b) Rs.5,000
c) Rs.. 10,000
d) Rs.30,000

8. Speculation Loss can be carried forward for.

a) 8 years
b) 10 years
c) 5 years
d) 4 years

9. Exemption u/s 54 is allowed.

a) on sale of land
b) on sale of shares
c) on sale of residential house
d) sale of personal effects

10. Exemption u/s 54 is allowed for investment in.

a) another residential house
b) land
c) shares
d) jewellery.

11.For any loss to be c/f and set off against the income of subsequent years the return of such loss must be filed:

a) Under section 139(1) b) Under section 140(1)
c) Under section 138(1) d) Under section 144(1)

12. Unabsorbed depreciation can be c/f for set off_________

a) For a period of four years only
b) For a period of five years only
c) For a period of six years only
d) For an unlimited number of years

13. Unabsorbed speculation business loss can be c/f for set off_________

a) For a period of four years only
b) For a period of eight years only
c) For a period of six years only
d) For an unlimited number of years

14.Deduction allowed u/s 80D shall be

a) Rs.15000 b) Rs.5000
c) Rs.25000 d) Rs.10000

15.Statutory limit for deduction u/s 80GG is

a) Rs.1000 **b) Rs.5000**

c) Rs.2000 d) Rs.1500

16. Deduction allowed u/s 80QQB for authors of book of scientific, artistic nature is allowed upto:

a) Rs.100000 b) Rs.500000

c) Rs.300000 d) Rs.10000

17.Speculation loss can be set-off from

a) Speculation gain b) Capital loss

c) Speculation d) Capital gain

18. _________can be set off from income under short term capital gains or from long term capital gain.

a) Short term capital gain b) long term capital gain

c) Speculation gain d) Capital gain

19.________________ can be set off only from long term capital gain.

a) long term capital loss b) long term capital gain

c) Speculation gain d) Capital gain

20. A c/f speculation business loss can be set-off against the profits of any _____business.

a) Short term b) long term

c) Speculation d) Other

INCOME TAX LAW AND PRACTICE-16UEC515

K2 LEVEL
UNIT I

1. What is Taxation?

Taxation is one of the modes used by the government to finance their expenditure by imposing charges on citizens and corporate entities. Government levy tax on citizens to encourage or discourage certain economic decisions.

2. What is income tax? How is it calculated?

Income tax is an annual tax charged on income of a person by the government. It is charged for the corresponding assessment year at the rates laid down by the Finance Act for the assessment year in respect of the previous year.

3. Define Assessment Year.

Assessment year is the period that starts from 1 April and ends on 31 march. It is the year immediately succeeding the financial year wherein the income of the previous financial year is assessed. Government use assessment year for calculating tax on the previous year.

4. Define Previous Year.

Previous Year is the year in which the income earned becomes taxable in the following assessment year. It can be stated as the Financial year preceding the Assessment year. For example- If the present assessment year is 2015-16 then the previous year will be 2014-2015.

5. Who is an assessee?

An "Assessee" is a person who is liable to pay tax or any other sum of money under the Act.

6. Define Residential status.

Resident and Ordinarily resident is given as if person is resident for 9 years in 10 preceding previous year which should be 2 years in 10 preceding years.

7. How will you decide the residential status of an individual?

As per the provisions of Income Tax Act residential status of an individual is categorized as Resident and Non Resident.

Under Section 6(1), an individual is said to be resident in India in any previous year if he satisfies any one of the following basic conditions:

1. He is in India in the previous year for a period of at least 182 days.
2. He is in India for a period of at least 60 days during the relevant previous year and at least 365

days during the four years preceding that previous year.

8. Who are resident but not ordinary resident?

A resident but not ordinary resident is the one who is not the resident in India for 9 out of the 10 preceding previous years or he has during the 7 preceding years been in India for a period of, or period amounting to 729 days or less.

9. Who are non resident?

An individual who does not fulfill the below mentioned conditions in that previous year will be considered as Non Resident:

1. You have to be in India atleast 182 days in that year, OR

2. You have to atleast be in India for 365 days during 4 years preceding that year and atleast 60 days in that year.

10. What is deemed assessee?

A person may not be liable only his own income or loss but also on the income or loss of other persons.

UNIT II

1. What is Provident Fund?

Provident fund is calculated at 12% on the basic salary which is deducted from employee's salary plus 12% on the basic is contributed by the employer. So, the aggregate 12% + 12 % is remitted to the Provident Fund Department.

2. List out the types of Provident funds.

There are 4 types of provident funds. they like

a)Recognized Provident Fund (RPF)

b)Unrecognized Provident Fund (URPF)

c)Statutory Provident Fund (SPF)

d)Public Provident Fund (PPF)

3. What is Unrecognized Provident Fund?

URPF are not approved by The Commissioner of Income Tax and is started by employer and employees in an establishment.

4. What is Public Provident Fund?

PPF involves minimum contribution of Rs.500 per annum and the maximum contribution is Rs. 100,000 per annum. The contribution made along with interest earned is repayable after 15 years, unless extended.

5. Define the term person.

A “person” means an individual, an ordinary partnership, a non-juristic body of person and an undivided estate. The term "person" under the Income Tax Act includes an individual, a Hindu Undivided Family, a Company, a Firm, an Association of Persons, a Local Authority and Artificial Juridical persons.

6. How many heads are there under total income? Name them.

There are five heads under total income. They are

- Income from Salaries
- Income from house property
- Profits and gains of business or profession
- Capital gains

Income from other sources

7. What is the Meaning of Salary?

The salary for the purpose of calculation of income from salary includes:

- Wages;
- Pension;
- Annuity;
- Gratuity;
- Advance Salary paid;
- Fees, Commission, Perquisites, Profits in lieu of or in addition to Salary or Wages;
- Annual accretion to the balance of Recognized Provident Fund;
- Leave Encashment;
- Transferred balance in Recognized Provident Fund;
- Contribution by Central Govt. or any other employer to Employees Pension A/c as referred in Sec. 80CCD.

8. How meaning of Salary for HRA is calculating?

Meaning of Salary for calculating HRA (Basic Salary + Dearness allowance if terms of employment so provide + fixed percentage of turnover achieved by employee)

9. What is City Compensatory Allowance?

This allowance is paid to those employees who move to urban cities.

10. What is mean by Entertainment Allowance?

Entertainment allowance received is already included in the income of the employee and then a deduction is made only for government employees. A sum equal to 1/5th of salary (excluding all allowances, benefits and other perquisites) or Rs. 5,000, whichever is less is being deducted.

UNIT III

1. What is Professional Tax?

Professional Tax is imposed by the government on employment by whatever name called, under Article 80C 276 of the Constitution and shall be allowed as a deduction. [Sec. 16(iii)]

2. What is house property?

House property means any building of which the assessee is the owner. Ownership of the building is must in case of calculation of income from house property.

3. What is the Meaning of Annual Value?

Annual value of house property means the sum which might reasonably be expected to fetch if the property is let from year to year.

4. What do you mean by fair rent?

Fair rent is the rent charged for a private property that is fixed and registered by a rent officer. Fair rent is decided on the basis of size, condition, and usefulness of the property. Fair rent is calculated in place of mortgage interest, other financing costs and depreciation related to certain property, including land, buildings and non movable equipment. It is calculated only once; at the time the facility begins operation.

5. What is mean by Self-Occupied House Property?

A self-occupied house property is used for one’s own residential purposes. This may be occupied by the taxpayer’s family – parents and/or spouse and children. A vacant house property is considered as self-occupied for the purpose of Income Tax.

6. What is mean by Let Out House Property?

A house property which is rented for the whole or a part of the year is considered a let out house property for income tax purposes

7. What is mean by Standard Deductions?

Repair & collection charges @ 30% of the net annual value shall be allowed. (Net Annual Value means Rent received minus Property tax paid).

8. What is mean by Interest on borrowed capital?

Interest on borrowed capital will be allowed without any limit after the completion of construction. If interest is paid prior to construction or acquiring the property, will be deducted in 5 installments commencing from the previous year in which the house was acquired or constructed.

9. What is mean by unrealized rent?

Unrealized rent is that portion of rental income which the owner could not realize from the tenant. Unrealized rent is allowed to be deducted from actual rent received or receivable

10. Define profession.

A profession is an occupation requiring purely intellectual skill or manual skill controlled by the intellectual skill of the operator.

UNIT IV

1. What is the difference between profit and gain?

Profit is the amount that is left after deducting expenses from revenue that makes the receipt of revenue possible. There are two streams of earnings that is direct earnings and indirect earnings. Direct earnings are incurred from main activities and indirect earnings are incurred from other activities so the profits is calculated as gross profit and net profit. Gross profit is the amount of revenue from which trading expenses has been deducted (expenses related to main activities of the business). Net profit is the amount of revenue that includes incomes from other activities.

2. What is capital gain?

Capital gains' means the profit earned from the sale of an asset. When the Capital Asset is being sold or transferred, the profit or gains arising out of it or you can term that as the difference between the actual price at which the asset was acquired and the price at which it is sold or transferred.

3. What is long term capital gain?

A long-term capital gain is the profit that arises with the sale of an asset that has been on hold for a definite period. This period ranges from one year to three years across different asset classes.

4. What is short term capital gains?

Short term capitals are kept for short period only that is less than a years.

5. Defining Capital Assets

Land, building, house property, vehicles, patents, trademarks, leasehold rights, machinery, and jewellery are a few examples of capital assets. This includes having rights in or in relation to an Indian company. It also includes the rights of management or control or any other legal right.

6. List the Types of Capital Assets?

What is mean by Short-term capital asset An asset held for a period of 36 months or less is a short-term capital asset. The criteria of 36 months have been reduced to 24 months for immovable properties such as land, building and house property from FY 2017-18.

7. What is mean by Long-term capital asset?

An asset that is held for more than 36 months is a long-term capital asset. The reduced period of the aforementioned 24 months is not applicable to movable property such as jewellery, debt-oriented mutual funds etc. They will be classified as a long-term capital asset if held for more than 36 months as earlier.

8. What is mean by Cost of Acquisition?

Cost of acquisition of an asset is the amount for which it was originally acquired by the assessee. It includes expenses of capital nature incurred in connection with such purchase or for completing the title of the property.

$$\text{Indexed Cost of Acquisition} = \frac{[(\text{Cost of Acquisition}) \times (\text{CII for the year of transfer})]}{(\text{CII for the year of acquisition or for the Financial Year 1}}$$

9.What is Cost of improvement?

Expenses of a capital nature incurred in making any additions or alterations to the capital asset by the seller. Note that improvements made before April 1, 2001, is never taken into consideration.

10. What is Full value consideration?

The consideration received or to be received by the seller as a result of transfer of his capital assets. Capital gains are chargeable to tax in the year of transfer, even if no consideration has been received.

UNIT V

1. What is mean by Speculation loss?

Any laws computed in respect of speculation business carried on by assessee sell not be set off except against profit and gains, if any, of another speculation business.

2. What is Set off of losses?

Set off of losses means adjusting the losses against the profit/income of that particular year. Losses that are not set off against income in the same year, can be carried forward to the subsequent years for set off against income of those years. A set-off could be

a. An intra-head set-off

b. An inter-head set-off

3. What is Intra-head Set Off

The losses from one source of income can be set off against income from another source under the same head of income.

For eg: Loss from Business A can be set off against profit from Business B where Business A is one source and Business B is another source and the common head of income is “Business”.

4. Write the Exceptions to an intra-head set off:

1. Losses from a Speculation business will only be set off against the profit of the speculative business. One cannot adjust the losses of speculative business with the income from any other business or profession.

2. Loss from an activity of owning and maintaining race-horses will be set off only against the profit from an activity of owning and maintaining race-horses.

3. Long-term capital loss will only be adjusted towards long-term capital gains. Interestingly, a short-term capital loss can be set off against long-term capital gain or short-term capital gain.

4. Losses from a specified business will be set off only against profit of specified businesses. But the losses from any other businesses or profession can be set off against profits from the specified businesses.

5. What is Inter-head Set Off?

The intra-head adjustments, the taxpayers can set off remaining losses against income from other heads.

Eg. Loss from house property can be set off against salary income

6. What is Capital Losses?

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Long-term capital losses can be adjusted only against long-term capital gains.
- Short-term capital losses can be set off against long-term capital gains as well as short-term capital gains
- Cannot be carried forward if the return is not filed within the original due date

7. What is Carry forward of losses?

Any loss related to any previous year cannot be set of either under the same head or against the income of another heads. During same previous year, such a loss can be carry forward to future previous years.

8. What is carry forward of speculation business loss?

Any speculation business loss can be carry forward up to four assessment years immediately following the assessment year for which the loss was first computed.

9. Who can carry forward and set off business loss?

The person who has incurred the loss, alone has the right to carry forward it.

10. Write the Losses from owning and maintaining race-horses.

- Can be carry forward up to next 4 assessment years from the assessment year in which the loss was incurred
- Cannot be carried forward if the return is not filed within the original due date
- Can only be set off against income from owning and maintaining race-horses only

INCOME TAX LAW AND PRACTICE-16UEC515

K3 LEVEL

UNIT I

1. Write short notes on "Agricultural Income".

2. Who is an assessee ? and its different types.

3. List out the "Exceptions" of the general rule.

4. Calculate the taxable amount of annual accretion to R.P.F. if following

 Information is provided by assessee:

 (i) Pay @ Rs.7,500 p.m.

 (ii) Commission received by him on the on the basis of turnover

 Achieved by him :Rs. 6,000;

 (iii) Employer's contribution to R.P.F. @ 14% of salary;

 (iv) Interest credited during the year to R.P.F. Balance@ 12% is Rs. 24,000.

5. The following are the incomes of Mr . Salman for the Previous year 2017-18

 i. Profit on sale of machinery in Bangaloer but received in Australia.
 ii. Profit from business in Canada ,the business being controlled from India (one-third is received in India).
 iii. Income from house property in Iran.
 iv. Agricultural Income in England and was received there but later brought into India
 v. Past untaxed foreign income brought into India during the previous year 2017-18

 Computer the total income of Mr.salman for the Assessment year 2018-19 if he is (a) Resident;(b) not ordinarily resident or (c) Non Resident.

UNIT II

1. Write the rules regarding the calculated value of rent free house.

2. Compute gross salary from information given below for each situation separately:

i)	Salary	30000 p.m.
ii)	Dearness allowance	6000 p.m.
iii)	City Compensatory allowance	1000 p.m.

iv)	House Rent allowance	8000 p.m.
v)	Commission on sales achieved by him	40000

Situation a) Living in own house

a) Living in rented house at Delhi as D.A. enters into pay for retirement benefits and rent paid is Rs. 7000 p.m.
b) Living in rented house at Chandigarh and D.A. does not enter into pay for retirement benefits and rent paid is Rs. 10000 p.m.

3. Mr. Z gets a salary of Rs.13,000 p.m. and he has been provided with rent-free furnished accommodation at karnal [population 7.5 lakhs]. The unfurnished house is Rs.20,000 p.a. he gets D.A.@ 40% of salary which is given as per terms of employment. He gets education allowance of Rs. 300 p.m. for education of his son. The cost of furnishing of the house is Rs. 30,000. The employee has been provided with hired air conditioner for five months and hire charges of Rs. 1,000 p.m. are paid by the employer.

4. An individual received House Rent Allowance @ Rs.300 p.m. from his employer. He paid house rent @Rs.500 p.m. for his hired accommodation at bhubneshwar. His basic pay was Rs.1600 p.m. and D.A was Rs. 1000 p.m. Find out his taxable house rent allowance for the assessment year 2018-19.

5. Mr. A receives Rs.63500 p.a. as net salary. Employer had deducted Rs.7500 as employee's contribution to R.P.F. Rs.1300 p.a. as tax deducted at source and Rs.120 p.a. as professional tax. During the year employer had deducted Rs.2500 towards the recovery of house building advance taken by Mr. A.

UNIT III

1. Mr. Rama rao had taken a shop on rent of Rs.2000. He has sub-let 25% of the area to Mr.D.K.Rai @ Rs.1000 p.m. He incurred Rs.4000 on repairs of the shop. Calculate his income from sub-letting.

2. What are the disallowed deductions under the head "profits & gains" of business or profession?

3. Mr. Ashok is the owner of a house which is let-out at a rent of Rs. 500 p.m. The municipal taxes are equal to 10% of the received.

Compute the annual value of the house, if

i) The municipal taxes are paid by Mr. Ashok, and

ii) 1/2 of the municipal taxes are borne by the tenant.

4. MRV of the residential house is RS 24,000 and actual rent is RS 2,500 p.m. During the previous year 2017-18 house was vacant for two months. The Municipal taxes are @ 10% of MRV. During the year owner paid RS 30,000 as arrears of Municipal Taxes. Interest on loan taken for the construction of house payable to his employer is RS 16,000. Compute income from house property.

5. During 2015-16Mr.B claimed a bad debt of rs.45000.after going through the claim assessing officer only rs.30000.During 2017-18 rs.25000 were recovered from same debtor. Find out the amount which will be taxable during assessment year 2018-19.

UNIT IV

1. Briefly explain the type of capital assets.

2. Mr.G. Bedi owns horses at Bombay and Bangalore. These horses run for races at the race course. During the year 2013-14 Mr. Bedi submits the following information:

Expenses on race horses at Bombay	2,60,000
Expenses on race horses at Bangalore	4,30,000
Stake money earned by horses at	
a) Bombay	1,20,000
b) Bangalore	5,00,000
Mr. Bedi received	1,05,000

On 1-7-2013 on betting during horse races at Bombay. Compute his taxable income under other sources.

3. Ram sells a residential house in Mumbai for rs.7.8 lakhs on may 1st 2017, its cost of acquisition in 2001-02 being rs.130000.On july 20th,2017 he purchased anew residential house for rs.210000 in meerut. On july 30,2018, he deposited rs.120000 in the capital gains account scheme. compute the amount of exempted capital gain under the IT act.C.I.I. for 2001-02 is 100 and for 2017-18 is 272.

4. From the the following information of viswanath, compute the capital gain for the assessment year 2018-19:

a) Cost of acquisition of residential house in 20003-04. 400000
b) Sale consideration on 1-7-2017 2100000
c) Cost of acquisition of new house prior to the date of filing the IT return 800000

The cost inflation index in 2003-04 and in 2017-18 was 109 and 272 respectively.

5. Mr. A sells a residential house in Chennai for rs.10 lakhs on may 1st 2017, its cost of acquisition in 2001-02 being rs.300000.On july 20th,2017 he purchased a new residential house for rs.400000 in bangalore. On july 30,2018, he deposited rs.100000 in the capital gains account scheme. compute the amount of exempted capital gain under the IT act.C.I.I. for 2001-02 is 100 and for 2017-18 is 272.

UNIT V

1. Compute taxable income and loss to be C/F:

I	Business profit for the previous year 2013-14	20,000
Ii	B/F Business Loss of 2011-12	10,000
Iii	Capital loss on shares	60,000
Iv	Loss from self-occupied house (u/s 24)	5,000

2. From the following particulars compute the total income of Mr.

David for the assessment year 2014-15 :

Loss from house property	(-) 8,000
Short term capital gain on sale of shares	95,000
Long term capital loss gain of bonds	(-)85,000
Other sources: Interest on Government securities	18,000

The assessee has unabsorbed depreciation of Rs. 35,000 being forward

from 2011-12. Assessee had closed the business and all the assets

have been disposed of.

3. From the following particulars compute the total income of Mr.David for the assignment year 2018-19 : Rs.

i. Loss from house property (-)8,000

ii.	Short term capital gain on sales of share	95,000
iii.	Long term capital loss on sales of bonds	(-)85,000
iv.	Other sources: Interest on Government securities	18,000

The assessee has unabsorbed depreciation of Rs.35,000 being brought forward from 2006-2007 assessee had closed the business and all the assets have been deposited of.

4. From the particulars given below compute the total income from the previous year 2017-2018

		Rs.
i.	Income from let-out house (Computed)	6,000
ii.	Annual Rental value of his self-occupied house	4,000
iii.	Municipal taxes	400
iv.	Profit from electric goods business after Depreciation	10,000
v.	Profit from agency business	3,000
vi.	Speculation gain from gold	2,000
vii.	Long-term capital gain from land	7,000
viii.	Short-term capital gain	2,000

5.Following losses have been brought forward from 2016-17 previous year

i.	Loss from electric goods business	6,000
ii.	Loss from an agency business	1,000
iii.	Speculation loss from silver	4,000
iv.	Unabsorbed Deprecian	1.000
v.	Long-term capital loss (Land)	4,400
vi.	Short-term capital loss	3,000

INCOME TAX LAW AND PRACTICE-16UEC515

K4 LEVEL

UNIT I

1. State the residential status and briefly explain the various types of residential status of a person.

2. Briefly explain the term ‘Assessee’ and its types.

3. Mr.X joined a new job on 1.4.2008 at Rs.15,000 p.m. due on last day of the month. he started contributing to URPF @ Rs. 2,500 p.m. his employer was also contributing same amount. The fund was recognized from 1.8.2016. Interest credited during 2015-16 @ the rate of 11% was Rs.4,400 and for the period 1.4.2016 to 31.7.2017 was Rs. 3,300 compute the amount of transferred balance of URPF as on 1.8.2016 and its taxable portion.

4. Mr.X joined a new job on 1.4.16 at Rs.18000 p.m. due on last day of the month. He started contributing to URPF Rs.3000 p.m. His employer was also contributing same amount. The fund was recognized from 1.10.17. Interest credited during 2017-18 at the rate of 12% was Rs.4800 and for the period 1.4.17 to 31.9.17 was Rs.3600. compute the amount of transferred balance of URPF to RPF as on 1.10.17 and its taxable portion.

5. Briefly explain the agriculture income.

UNIT II

1.What are all the items included in the heading of “Income”?

2.Shri Sukhwasi is secretary to Hamesha Nuksan Ltd., at Pune [Population 20Lakhs] and for the period between 1-4-2013 and 31-3-2014 has received the following salary and other payments from his company.

i)	Salary	18,000 p.m.
ii)	Dearness allowance	2500 p.m.
iii)	City Compensatory allowance	8,00 p.m.
iv)	Entertainment allowance	12,000 p.a.
v)	Commission on sales achieved by him	24,000

vi) rent - free accommodation of a building (furnished) on which employer pays municipal tax on Rs. 60,000 per annum and furniture value is

Rs. 1,20,000.

vii) Medical bills reimbursed by company(treatment taken from a private hospital)= Rs.2000

viii) He is provided with a car of 1.8lt.capacity which is partly used for personal and partly for employment purposes. During the year company incurred Rs. 44,000 on maintenance of car. Normal depreciation of car is Rs. 30,000 and driver's salary is Rs. 12,000 p.a. it was agreed by the Assessing officer that 40% of the time car is used for personal purposes.

ix) As per terms of agreement his professional tax of Rs. 2,000 was paid by the employer.

x) During the year he traveled in connection with his job and was paid Rs.16,000 as travelling allowance and Rs. 12,000 as daily allowance.

xi) He and his employer contributed Rs. 35,000 p.a. (each) to RPF.

xii) During the year he paid Rs. 6,450 as life insurance premium to insure the life of his major son. Compute his income under the head salaries and qualifying amount for deduction u/s 80c.

3. Mr. X is employed at Hyderabad at a basic salary of Rs.25000 p.m. and he is also getting following allowances:

S.NO	Particulars	Amount
1	Dearness allowance	2000 p.m.
2	Lunch allowance	1000 p.m.
3	Servant allowance(He is paying Rs.1200 p.m. to a servant)	1000 p.m.
4	Transport allowance	2000 p.m.
5	Education allowance @ 200 p.m. per child for three children.	
6	Hostel allowance to one child	500 p.m.
7	Conveyance allowance	800 p.m.
8	Overtime allowance	2000 p.m.
9	Officiating allowance	2000 p.m.
10	Cash allowance	1200 p.m.
11	Entertainment allowance	2000 p.m.
12	Medical allowance	800 p.m.
13	City compensatory allowance	600 p.m.
14	House rent allowance	5000 p.m.

He is having a family house at the place of his posting but he is living in rental house and is paying a rent of Rs.7000 p.m. Find out his gross salary.

4. Mr. A.B. Sen has furnished following particulars:

(i) Salary@ Rs.10,000 p.m.

(ii) D.A@ Rs.500 p.m.(it enters into pay for retirement benefits).

(iii) Entertainment allowance @ Rs.600 p.m.

(iv) Bonus Rs. 8400

(v) Cost of furnishing Rs. 20,000.

Calculate the value of rent-free house if:

Case I. Mr. A.B. Sen is Govt. employee and rent of house fixed by Govt. is Rs. 300 p.m.

Case II. Mr. A.B. Sen is working in a semi - Govt. undertaking at chennai (population more than 25 lakhs) and fair rental value of the house is Rs.1000 p.m.

Case III. Mr. Sen is working in private sector in Chandigarh (population below 10 lakhs) and rental value of the house hired by employer is rs.3,000 p.m he is also provided with hire refrigerator whose hire charges of Rs.600 p.m. are paid by employer.

Case III. Mr. Sen is working in private sector in Delhi (population above 25 lakhs) and rental value of the house not owned by employer is Rs.3,000p.m.

5. Mrs. Priya is employed in H.L. Limited as marketing officer at

Vijayawada . She resigned from the job on 31.07.2018. Her Salary

particulars are :

Pay Rs. 5,000 p.m.

DA Rs. 3,500 p.m.

CCA Rs.500 p.m.

Conveyance allowance Rs. 1,000p.m. She claims to have spent 75% of

this in the in the performance of her duties. From 01.08.2018 she joined

XYZ limited at Hyderabad. Her salary particulars from her new

employer are as follows :

Pay Rs. 7,500 p.m.

DA Rs. 3,500 p.m.

CCA Rs.700 p.m.

HRA Rs. 3,000p.m. (She pays Rs.5,000p.m. as rent)

She and her both employers were contributing @14% of salary towards Recognized provident fund. Compute her salary income for the Assessment year 2018-19 if her salary is due on last date of the month.

UNIT III

1. Mr. B owns a house property at Cochin. It consists of 3 independent units and information about the property is given below.

UNIT 1: Own residence

UNIT 2: Let out

UNIT 3: Own business	RS
MRV	1,20,000 p.a.
FRV	1,32,000 p.a.
Standard Rent	1,08,000 p.a.
Rent	3,500 p.a.
Unrealised rent	for three months
Repairs	10,000
Insurance	2,000
Interest on money borrowed	
for the construction of property	96,000
Municipal Taxes	14,400
Date of completion	1-11-2012

2. Mr.Joseph is owner of residential house construction completed on 31.10.2017 and it has been let out from 1.12.2013 for residential purposes it is other particulars are:

Particulars	Amount
Municipal valuation	15000 p.a.
Fair Rent	18000 p.a.
Standard rent under rent control act	1500 p.m.
Actual rent	1600 p.m.
Municipal taxes paid (including Rs.1500 paid by tenant)	2500
Water and sewerage benefit tax levied by the state govt not paid yet As it is distributed in appeal	1200
Fire insurance payable	600
Legal charges for recovery of rent	1500
Stamp duty and registration charges incurred in respect of lease agreement of the house	3000

The unrealized rent for the year 2017-18 amounted to Rs.16000 out of which a deduction has been claimed for Rs.12000 during the year Rs.14000 were recovered from the defaulting tenant. Compute income from house property previous year 2018-19.

3. From the following statement, compute the income from business of sun ltd if accounts are maintained on cash/receipt system :

	Rs
To Office Salary	2,06,500
To Bad Debts written off	1,700
To Provision for Bad Debts	3,000
To Advertisement	53,800
To Fire Insurance Premium (House Property)	550
To General Expenses	52,750
To Depreciation	1,200
To Interest on Capital	2,000
To Interest on Bank Loan (due)	1,300
To Net Profit	1,22,500
	4,45,300

Rs

By Gross Profit	4,36,750
By Commission	1,250
By Discounts	500
By Sundry Receipts	200
By Rent of Building	3,600
By Profit on Sale of Investments	3,000

	4,45,300
	-----------------

4. Computation of income from profession of m/s D.D. Dewan & Co.

Professional Receipts	Rs	Rs
Audit fees	2,24,000	
Financial Consultancy		
Works	98,000	
Accountancy works	24,000	

Gross Professional Receipts		3,46,000
Less:Professional Receipts		
Office rent	42,000	
Telephone Installation		
Charges	15,000	
Electricity bill	4,200	
Salary of	66,000	
Car expense [21,000*70%]	14,700	
Subscription of a journal	2,500	
Institute fees	1,200	
Stipends to trainees	12,000	
Depreciation	3,500	

		1,61,100

		1,84,900

Find out the indexed cost of following long term capital assets if they are sold during the previous year 2017-2018.

5. Mr.B owns a house property at cochin. It consists of 3 independent units and information about the property is given below:

Unit 1:Own house
Unit 2: Let out
Unit 3:Own business

MRV	1,20,000 p.a.
FRV	1,32,000 p.a.
Standard Rent	1,08,000 p.a.
Rent	3,500 p.a
Unrealised rent	for three months
Repairs	10,000
Insurance	2,000
Interest on money borrowed for the construction of property	96,000
Municipal Taxes	14,400
Date of completion	1-11-2012.

UNIT IV

1. Ram, a resident individual, submits the following particulars of income for the previous year ending march 31,2014 :

Dividend from REC International Ltd.Rs.4,800. Dividend on 16-5-2013 by Sundaram Finance Ltd. Rs.2,700, interest paid on capital borrowed for the purpose of investment in shares of Sundaram Finance Ltd.Rs.4200. Collection charges in respect of dividend Rs.50.

Winning from lottery : net amount Rs.70,000, Tax deducted at source Rs. 30,000, Winning from card games : Rs.23,5000, Interest on securities issued by the Government of Singapore Rs.20,570.

2. Determine the income chargeable under the head "Income from other sources" for the assessment year 2014-15.

Sr.No	Asset	Year of purchase	Cost	FMV On 1-4-2001
1.	Jewellery	2004-05	80,000	-
2.	Bonds	2006-07	2,00,000	-
3.	House	2010-11	4,00,000	-
4.	Plot inherited in 1999-2000	Acquired by father in 1998-1999	1,00,000	2,00,000

C.I.I, For 2004-2005 is 113, for 2006-2007 is 112, for 2010-2011 is 167.

Find out the indexed cost and capital gain in following case: Rs

(a) W.D.V of office furniture as on 1-4-2017 18,000
(Which was purchased on 15-9-2008 for Rs

20,000 and sold on 1-9-2017[C.I.I.=272] for
Rs 26,000)

(b) Bonds purchased on 1-11-2016 [C.I.I. =122] For Rs.2,60,000 were sold on 1-1-2018 [C.I.I.=272]For 4,00,000

(c) Cost of acquisition of house at Delhi in

1996-97	1,00,000
cost of improvement made in 1999-2000	50,000
fair market value on 1-4-2001 [C.I.I.=100]	4,60,000
cost of additions made in 2008-2009 [C.I.I=137]	3,20,000
Sale price of the house on 1-11-2017[C.I.I=272]	28,60,000
Expenses on sale	60,000

(d) Mr. Raman Raju inherited a house at Ludhiana from his father Mr. D. Raju on 1-1-2006[C.I.I.=117] the house was acquired by Mr. D. Raju in 1989-1990 for Rs.60,000 and its F.M.V. As on 1-4-2001 was Rs.5,20,000 and it was sold in 2017-18 [C.I.I.=272] For Rs 13,50,000

3. A new industrial undertaking set up on 1.4.17 has acquired following assets as per dates mentioned against each:

Asset	Date of acquisition	Date of use	Cost	Rate of dep
Machinery	31.3.2017	5.9.17	600000	15%
Electric Motor	1-7-17	1-10-17	78000	15%
Plant	12-11-2017	15-12-2017	120000	15%

Calculate amount of admissible depreciation and written down value as on 1-4-18.

4. An industrial undertaking set up on 1.6.17 has acquired following assets as per dates mentioned against each:

Asset	Date of acquisition	Date of use	Cost	Rate of dep
Machinery	31.3.2017	5.9.17	300000	10%
Electric Motor	1-7-17	1-10-17	98000	5%
Plant	12-11-2017	15-12-2017	220000	15%

Calculate amount of admissible depreciation and written down value as on 1-4-18.

5. Hari, a resident individual, submits the following particulars of income for the previous year ending march 31,2018 :
Dividend from ABC International Ltd.Rs.5,600. Dividend on 16-5-2013 by Sahana Finance Ltd. Rs.6,700, interest paid on capital borrowed for the purpose of investment in shares of Sundaram Finance Ltd.Rs.6200. Collection charges in respect of dividend Rs.100.

Winning from lottery : net amount Rs.76,000, Tax deducted at source Rs. 30,000, Winning from card games : Rs.33,0000, Interest on securities issued by the Government of kanada Rs.30,570.

UNIT V

1. The following item have been brought forward from proceeding assessment year

i.	Loss from cycle business discontinued during the Previous year 2016-17	3,900
ii.	Loss from electric business	2,700
iii.	Loss from radio business	1,900
iv.	Unabsorbed depreciation of electric business	1,000
v.	Unabsorbed family planning expenditure	2,600
vi.	Speculation loss	3,200
vii.	Short-term capital loss from the year 2014-15	4,100
viii.	Long-term capital loss from the year 2015-16	6,450

You are the required to compute his gross total income and deals with the carry forward of losses

2.The particular of assessment year 2017-18 and 2018-19 are as under

	2017-18 Rs.	2018-19 Rs.
Income from house property	(+)8,000	(+)8,000
Profit and gaining business or profession: (a) Manufacturing business:		
Trading profit or loss before depreciation	(-)15,000	(+)36,000
Depreciation	32,000	23,000
(b)speculative transactions	(+)6,000	(-)8,000
Income from other sources	(+)5,000	(+)6,000
Capital gains:		
Short-term loss	NIL	(-)5,000

3.Mr. Singh a resident of India submit the following particular of income from the adjustment year 2018-19

i.	Income from house let out (Computed)	9,500
ii.	Profit from radio business	19,600
iii.	Profit from electric business	1,800
iv.	Speculation income	1,900
v.	Short-term capital gains	3,200
vi.	Long –term capital gains	9,250

Current year's depreciation relating to electric good business is Rs. 2,500.

4. The following item have been brought forward from proceeding assessment year

ix.	Loss from cotton business discontinued during the Previous year 2016-17	5,000
x.	Loss from cycle business	2,500
xi.	Loss from radio business	1,500
xii.	Unabsorbed depreciation of electric business	1,000
xiii.	Unabsorbed family planning expenditure	4,000
xiv.	Speculation loss	5,000
xv.	Short-term capital loss from the year 2014-15	4,500
xvi.	Long-term capital loss from the year 2015-16	6,800

You are the required to compute his gross total income and deals with the carry forward of losses.

5. Explain the provisions of Income Tax Act, 1961 regarding carry forward and set-off of losses.