

APS COLLEGE OF COMMERCE
NR Colony
Bangalore-560019
INCOME TAX -1

2018 solved question paper

Section-A

a) ans: specified employees are company directors employees with substantial Interest in the company and any other employee whose salary income Exclusive of non monetary benefits and exceeds rs.50000

B)ans: The word person is defined to include:

- An individual
- A HUF
- A company
- A firm
- Body individuals whether incorporated or not

C)ans: The two income tax authorities are:

- Central board of direct tax
- Director general of income tax
- Directors of income tax
- Deputy director

D)ans: A person who fails to do the work for which he is responsible under the IT act is called an assessee in default.

E)ans: it means the amount left after making the deductions u/s 80C TO 80U from the gross total income.

F)ans: when a tenant defaults on the payment of his/her rent for income tax Purposes it is called unrealized rent.

G)ans:The IT department explains it as the amount of rent that the owner cannot realise and the amount can be equal to the amount of rent payable.Income earned by a minor or other person is called deemed assessee.

H)ans: The period from borrowing money until construction of the house is Completed is called pre construction period. the interest paid during this period is called pre construction interest

Section-B

2)ans: calculation of uncommuted pension

Retires 31/5/2017

200000 as pension upto 31/dec/2017 = 7 months

1/jan/2018 = 60% pension commuted

$$20000 * 7 = 140000$$

$$(20000 * 40) + 8000 * 3 = \underline{24000}$$

Uncommuted pension 164000

Particulars	Amount	Amount
Uncommuted pension		164000
1. Actual commuted pension	540000	
2. (-) least of the following exempted		
a) Actual commuted pension-540000		
b) 1/3 of commuted pension		
$1/3 * 540000 * 100/60\% = 300000$	300000	240000
Taxable pension		404000

Computation of commuted pension(does not receive gratuity)

Particulars	Amount	Amount
Uncommuted pension		164000
Commuted pension	540000	
(-) least of the following exempted		
a) actual commuted pension=540000		
b) $1/2 * 540000 * 100/60 = 450000$	450000	90000
Taxable pension		74000

3)ans:

Previous years	No.of days stayed in india	No of days in 4 PPY	7 PPY
2007-08	365 days		
2008-09	365 days		
2009-10	365 days		
2010-11	365 days		
2011-12	365 days		
2012-13	365 days		
2013-14	365 days	1461 days	2557 days
2014-15	365 days		
2015-16	365 days		
2016-17	365 days		
2017-18	107 days		
2018-19			

16/July/2017 to 31/3/2018 = 107 days

- Mr Sathish has satisfied second basic condition he had stayed in india More than 60 days . Mr Sathish is a resident.
- Mr Sathish has satisfied 1st additional condition i.e he has stayed in india 2 out of 10 PPY in india
- Mr Sathish has satisfied 2nd additional condition i.e he has stayed more than 730 days during 7 PPY

Therefore Mr Sathish is a ordinary resident

5)ans:

Computation of taxable (net annual value of house property)

Particulars	Amount
Municipal value	216000
Fair rental value	180000
Notional rent (WEH)	216000
Standard rent (WEL)	162000
Expected rent	162000
Actual rent	
Annual rent-unrealized rent (198000-24750)	173200
GAV before vacancy period loss	16500
Gross annual value	
(-) municipal tax	156750
	21600
Net annual value	135150

6)ans:

- a) Non agricultural income
- b) Non agricultural income
- c) Non agricultural income
- d) Non agricultural income
- e) Agricultural income
- f) Non agricultural income

Section-C

7)ans: computation of gross total income of sri ram

Particulars	Ordinary	Not resident	Non resident
1. Income from HP in hasana	650000	650000	650000
2. Salary from an Indian employer received in newyork	150000	150000	150000
3. Income from business in mumbai	1250000	1250000	1250000
4. dividend from foreign company received in chennai	180000	180000	180000
5. Income from business in hongkong business is controlled by tumkur (25% received in tumkur)	375000	375000	375000
6. Interest on POSB account in bangalore (held in joint names)	1125000	1125000	
7. Income from agricultural land in srilanka (205000*50%)	10500	10500	10500
8. Share from HUF	102500	-	-
9. Royalty received in india services rendered in Japan	Exempted	Exempted	Exempted
10. Interest earned on U.S government bonds received in London	600000	600000	600000
11. Interest on SBI deposits received in Bhutan	175000	-	-
12. past untaxed profit	Exempted	Exempted	Exempted
13. Interest on housing received	Taxfree	Taxfree	Taxfree
In bangalore	65020	65020	65020
Total gross total income	4785520	4508020	3383020

8)ans:

computation of taxable income from salary

Particulars	Amount
Basic salary (40000*12)	480000
Dearness allowance (24000*12)	288000
Commission (1500*12)	18000
Bonus	65000
HRA	101400
Transport allowance (8000*12)	9600
Reimbursement of medical expenses(17500-15000)	2500
RPF contribution	23580
Interest credited to RPF(11000*1.5/11)	1500
Children education allowance (600*2*12) = 14400 (100*2*12) = 2400	12000
Children hostel allowance (1000*2*12 =24000) (300*2*12) =7200)	16800
Gross salary	
(-) Deduction u/s 16 : GS or 50000	
Professional tax (400*12)	1018380
	50000
	4800
Taxable salary	963580

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Working note:

1) Calculation of HRA:

Particulars	Amount	Amount
Actual HRA received		150000
(-) least of the following exempted		
1) Actual HRA received	150000	
2) rent paid-10% of salary (127200-78600)	48600	
3) 40% of salary (786000*40%)	314400	48600
Taxable HRA		101400

Calculation of salary:

Basic salary	480000	$786000 * 10\% = 78600$
DA	288000	
Commission	<u>18000</u>	
	786000	

2) calculation of RPF:

$$786000 * 15\% = 117900$$

$$786000 * 12\% = \underline{94320}$$

$$23580$$

9ans: computation of taxable income from house property:

a) Calculation of pre constructed period

$$\begin{aligned}
 1/11/14 \text{ to } 31/3/15 &= 875000 * 11\% * 5/12 = 40104 & 13654/5 &= 27271 \\
 1/4/15 \text{ to } 31/3/16 &= 875000 * 11\% &= \underline{96250} & 500000 * 11\% &= 55000 \\
 & & & & & & 136354 & & 82271
 \end{aligned}$$

Particulars	Amount
Municipal value	144000
Fair rental value	180000
Notional rent (WEH)	180000
Standard rent	120000
Expected rent (WEL)	120000
Actual rent	120000
(Annual rent-unrealized rent) (216000-10000)	206000
GAV before vacancy period loss (WEH)	206000
(-) vacancy period loss	206000
Gross annual value	27000
(-) municipal tax	179000
Net annual value	14400
(-) Deduction u/s 24	164600
30% of NAV	49380
Interest on loan	49380
Taxable income from house property	82271
(+) unrealized rent	32949
	16000

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Taxable income	48949
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10)ans: computation of taxable income from house property

Particulars	House-1	House-2	Self occupied
Municipal value	120000	132000	
Fair rental	150000	160000	
Notional rent (WEH)	150000	160000	
Standard rent	144000	150000	
Expected rent (WEL)	144000	150000	
Actual rent (180000-12000)	168000	198000	
GAV before vacancy period loss (WEH)	168000	198000	
(-) vacancy period	30000	36000	
Gross annual value	138000	162000	
(-) municipal tax	18000	19800	
Net annual value	120000	142200	
(-) Deduction u/s 24	36000	42660	
Standard deduction 30% of NAV	45000	60000	
Interest on loan	45000	60000	
Taxable income from house property	39000	39540	

11)ans: computation of taxable income from salary

Particulars	Amount
Basic salary (40000*12)	480000
Dearness allowance (480000*60%)	288000
Commission	18000
Bonus	60000
CCA (500*12)	6000
Medical allowance (800*12)	9600
Telephone bill	Tax free
Gift voucher (12500-5000)	7500
Motor car (1800+900*12)	32400
RFA	72000
Gross salary	973500
(-) Deduction u/s 16 GS OR 50000 (WEL)	50000
	923500
Professional tax	5400
Taxable salary	918100

Working note:

Calculation of RFA:

Basic salary	480000	(843600*15%)=126540	
DA	288000	(10% of FA)	12000
Bonus	60000	(120000*10%)	
CCA	6000	(5000*12)	60000
Medical Allowance	<u>9600</u> 843600	(126540 or 60000)	

2019 question paper

Section-A

A)ans: As per section 2(34) of income tax act 1961 the previous year is a period of 12 months beginning from April 1st to march 31st of every year.

B)ans: CBDT – central board of direct tax

PAN – Permanent account number

C)ans: under section 2(1A) of income tax act 1961 it means any rent or revenue derived from a land situated in india and used for agricultural purpose only. (i.e basic operations like tilling of land , sowing of seeds planting ,harvesting, irrigation should be carried out on the land.

D)ans: repeated question in 2018

E)ans: The two examples of capital expenditure

- Cost of acquisition of fixed assets
- Cost of installation of fixed assets

F)ans: The period of his previous year is 6 months

G)ans: The person who does not fulfill none of the basic conditions is known as non resident of india.

Section-B

2)ans: computation of residential status of Mr. Kishore

Previous year	No of days stayed in india	4 PPY	7 PPY
2008-09	365 days		
2009-10	365 days		
2010-11	365 days		
2011-12	365 days		
2012-13	365 days		
2013-14	365 days	1459 days	2555 days
2014-15	365 days		
2015-16	365 days		
2016-17	365 days		
2017-18	365 days		
2018-19	162 days		
2019-20			

Conclusions:

5/august/2018 to 31/3/2019 $127+35 = 162$ days

Mr Kishore has satisfied 2nd basic condition he had stayed in india more than 60 days during the PY

Mr Kishore has satisfied both the additional condition i.e has stayed 2 out of 10 PPY and He has stayed more than 730 days during the 7 PPY

Mr Kishore is a resident and ordinary resident

3)ans: cannons of taxation :

The cannons of taxation viz cannon of equity, cannon of convenience, Cannon of simplicity, cannon of co-ordination, and cannon of flexibility Suggested by Adam smith is still regarded as classic because they can be Still used as instrument to achieve economical progress.

1. Cannon of equity:

This cannon embodies the principle of equity or justice i.e the amount of tax to be paid should be in proportion to the respective abilities of the tax payers. This clearly emphasis on progressive taxation system.

2. Cannon of certainty:

According to Adam smith the time and the manner of payment of tax should be certain to the tax payer so that he can maintain balance between his income and expenditure.

2. Cannon of convenience:

The cannon of convenience say that the time of payment and the manner of payment should be convenient to the payer.

3. Cannon of economy:

According to this cannon of taxation the tax is economical if the cost of collecting tax is very small for instance if the salaries of the officers engaged in collecting the tax take away a big portion of the tax revenue the tax is certainly uneconomical.

4. Cannon of simplicity:

Calculation of taxable income and taxable liability should be simple and understandable to the tax payer.

5. Cannon of co-ordination:

There should be co-ordination between the various taxes imposed by Central, state and local bodies otherwise there will be over lapping and causes unnecessary inconvenience to all the tax payers.

6. Cannon of flexibility:

Income tax authorities should revise the tax structure at the right time in order to meet the changing needs of the economy.

4)ans:

- Agricultural income
- Agricultural income
- Non agricultural income
- Non agricultural income
- Non agricultural income
- Non agricultural income

5)ans: computation of taxable pension of Mr. Arun

Particulars	Amount	Amount
Commuted pension		508000
(-) least of the following exempted		
Commuted pension	508000	
($1/3 * 508000 * 3/2$) (WEL)	254000	254000
Taxable pension		254000

6)ans: computation of net annual value

Particulars	Amount
Municipal value	100000
Fair rental value	150000
Notional value (WEH)	150000
Standard rent	120000
Expected rent (WEL)	120000
Actual rent (216000-36000)	180000
GAV before vacancy period loss (WEH)	180000
(-) municipal tax	20000
Net annual value	160000

Section-C

7)ans: Computation of income from salary of Mr.Praveen

Particulars	Amount
Basic salary (8000*12)	96000
Dearness allowance (6000*12)	72000
Education allowance (350*2*12) 8400	
(-) exempt (100*2*12) 2400	6000
HRA	nil
RPF	2160
Interest of RPF	nil
Company paid income tax	6000
Children hostel allowance (400*2*12) 9600	
(-) exempt (300*2*12) 7200	2400
Bonus (8000*2)	16000
Professional tax paid by the employer	3000
Gross salary	
(-) Deduction u/s 16 GS or 50000	
Professional tax	203560
	50000
	3000
Taxable salary	150560

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Working note:

Calculation of HRA:

Particulars	Amount	Amount
HRA received		19200
(-) least of the following exempted		
Actual HRA received	19200	
Rent paid – 10% of salary (36000-10800)	25200	
40% of salary (108000 *40%)	43200	19200
Taxable HRA		nil

Calculation of salary:

Basic salary	96000	$108000 * 12\% = 12960$
Dearness allowance	<u>12000</u> (1000*12)	$108000 * 14\% = \underline{15120}$
	108000	2160

8)ans: computation of gross total income of Mr Avanish

Particulars	ordinary	Not resident	Non resident
1. Income from business from Mumbai	100000	100000	100000
2. profit from business in USA controlled from india	50000	50000	
3. Income from HP in Japan	50000		
4. Income from business in india received in London	30000	30000	30000
5. salary received in india for services rendered in USA	70000	70000	70000
6. profits from business in Malaysia controlled from india (1/3 received in india)	30000	30000	10000
7. Past untaxed income	8000	8000	8000
8. Dividend received from domestic company	Tax free	Tax free	Tax free
9. Agricultural income in Nepal	25000		
10. Interest received on pvt company	25000	25000	25000
11. Interest on POSB	Exempted	Exempted	Exempted
12 .Gift in cash from father	Exempted	Exempted	Exempted
Total gross Income	388000	313000	243000

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9)ans: computation of income from house property of Mr Shekhar

Particulars	House-1	House-2	House-3
Municipal value	150000	200000	100000
Fair rent	180000	150000	120000
Notional rent (WEH)	180000	200000	120000
Standard rent	-	-	-
Expected rent (WEL)	180000	200000	120000
Actual rent	240000	180000	300000
GAV before vacancy period loss (WEH)	240000	200000	300000
(-) vacancy period (25000*2)	-	-	50000
Gross annual value	240000	200000	250000
(-) municipal tax (150000*10%)	15000	-	-
Net annual value	225000	200000	250000
(-) Deduction u/s 24	67500	60000	75000
30% of NAV	157500	140000	175000
Interest on loan	100000	-	10000
Taxable income from house property	57500	140000	175000

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10)ans: computation of taxable income from house property of Mr Harish

Particulars	House-1	House-2	SOP
Municipal value	16000	14000	E
Fair rent	-	-	
Notional rent (WEH)	16000	14000	
Standard rent	18000	12000	
Expected rent (WEL)	16000	12000	
Actual rent	24000	18000	
GAV before vacancy period loss (WEH)	24000	18000	
(-) vacancy period	4000		
Gross annual value	20000	18000	
(-) municipal tax	1600	700	
Net annual value	18400	17300	
(-) Deduction u/s 24			
Standard deduction 30% of NAV	5520	5190	
	12880	12110	
Interest on loan	800	600	
Taxable income from house property	12080	11510	
(+) unrealized rent recovered	4000	-	
Taxable income	16080	11510	

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11ans: computation of taxable income from salary of Savitha

Particulars	Amount
Basic salary	147500
Dearness pay	30000
Dearness allowance	15000
Children education allowance (250*1*12) = 3000	
(-) exempt (100*1*12) =1200	1800
Re-imburement of medical expenses (21500-15000)	6500
RFA	29145
Watchman allowance (700*12)	8400
Cook (700*12)	8400
Interest on loan (120000*12%)	14400
Gross salary	261145
(-) Deduction u/s 16: GS OR 50000 (WEL)	50000
Professional tax (200*12)	2400
Taxable salary	208745

Working note:

Calculation of RFA:

Basic salary 147500

Dearness allowance 15000

Dearness pay 30000

Education allowance 1800 = 194300*15%=29145

Rent paid =80000 = 29145(WEL)

2021 Solved question paper

Section -A

a)ans: As per section 2(9) of the income tax act 1961 on the other hand assessment year is the year following the financial year in which your income is assessed. This also starts from April 1st of every year and ends in 31st march every year in which you file your income tax returns for the paid for the relevant previous year.

B)ans: The person who stays in india for an aggregate period of 182 days or More is known as resident. The person who satisfies any one of the basic condition and both the additional conditions is known as ordinarily resident.

C)ans: repeated question in 2018

D)ans: unrecognized Provident fund is not recognized by the commissioner Of income tax. No deduction is available to the employee u/s 80c Of the income tax act for this contribution to an unrecognized EPF.

E)ans: CIT : commissioner of income tax

F)ans: Annual value is the amount for which the property might be let out On a yearly basis.

G)ans: Expected rent is the rent which the owner is expected to receive.

Section-B

2)ans:

- Non agricultural income
- Non agricultural income
- Non agricultural income
- Agricultural income
- Agricultural income
- Non agricultural income

3)ans: computation of taxable gratuity of Mr. veeresh

Particulars	Amount	Amount
Actual gratuity received		780000
(-) least of the following is exempted		
a) actual gratuity received	780000	
b) $\frac{1}{2}$ *avg salary*service period (1/2*28000*	448000	
C) maximum limit	2000000	448000
Taxable gratuity		332000

Working note:

Calculation of salary:

$$\text{Basic salary } 28000 * 12 = \underline{280000}$$

280000

calculation of average salary:

$$\text{Average salary} = \text{total salary} / 10$$

$$280000 / 10 = 28000$$

4)ans: computation of net annual value

Particulars	Amount
Municipal value	100000
Fair rent	90000
Notional rent (WEH)	100000
Standard rent	110000
Expected rent (WEL)	100000
Actual rent	
Actual rent-unrealized rent (120000-100000)	110000
GAV before vacancy period loss (WEH)	110000
(-) vacancy period loss	-

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Gross annual value	110000
(-) Municipal tax	10000
Net annual value	100000

5)ans: six exempted incomes under income tax act 1961

- Income from agricultural land in india
- Income from HUF
- Dividend from Indian company
- Gratuity
- Salary of a foreign employee
- Remuneration of a foreign trainee
- Tax paid on behalf of a foreign company and non resident
- Profit received by partnership firm
- Pension
- Leave travel concession in india
- House rent allowance

6)ans : computation of residential status of Mr Peterson

Previous year	No of days stayed in india	4 PPY	7 PPY
2010-11	-		
2011-12	-		
2012-13	-		
2013-14	335 days		
2014-15	365 days		
2015-16	365 days		
2016-17	31 days	641 days	1341 days
2017-18	245 days		
2018-19	Nil		
2019-20	71 days		

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Conditions:

- **Mr. Peterson has satisfied 2nd basic condition i.e He stayed in india more than 60 days in the previous year
So Mr. Peterson is a resident**
- **He has satisfied 1st additional condition i.e he had stayed in india 2 out of 10 preceeding previous year**
- **He has satisfied 2nd additional condition i.e he had stayed in india more than 730 days during 7 preceeding previous year**
- **Mr. Peterson is resident and ordinarily resident.**

Section-C

7)ans: Computation of gross total salary of Mr. Murthy

Particulars	Ordinary Resident	Not ordinarily	Non resident
1 Interest on german development bonds(2/5 th received in india)	12000	12000	12000
2 Income from agriculture in Bangladesh	18000	-	-
3 Income from property in srilanka Received there	90000	-	-
4 Dividend by an Indian company	60000	-	-
5 Income from business in kenya Controlled by bangalore	Exempted	exempted	exempted
6 past untaxed profit	18000	18000	18000
7 profit from business in mysore	60000	60000	-
8 profit from sale of building in mangalore	Exempted	Exempted	Exempted
9 pension from Indian company	36000	36000	36000
10 Gift from a relative	74000	74000	74000
11 profit from business in USA but Controlled from india	18000	18000	18000
	Exempted	Exempted	exempted
	25000	25000	-
Taxable gross total income	411000	243000	158000

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Sans: computation of income from salary of Ms. Keerthi

Particulars	Amount	Amount
Basic salary (6000*5)	30000	
(6500*7)	45500	75500
Leave travel concession		Taxfree
Dearness allowance (4500-2/3) (1500*12)		18000
Children education allowance (250*1*12)	3000	
(-) exempt (100*1*12)	1200	1800
Re-imburement of medical expenses (30000-15000)		15000
Watchman allowance (700*12)	8400	
Cook (700*12)	8400	
		16800
Interest free loan for purchasing home appliances (60000*10%)		6000
RFA		14295
Gross salary		147395
(-) Deduction u/s 16: GS or 50000		50000
Professional tax (200*12)		2400
Taxable salary		94995

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Working note:

Calculation of RFA:

Basic salary	75500
Dearness allowance	18000
CEA	$1800 = 95300 * 15\% = 14295$
	Rent paid 40000 (WEL)

9)ans: computation of taxable income from house property

Particulars	House-1	House-2	House-3
Municipal value	44000	SOP	62000
Fair rental value	nil	EXEMPTED	nil
Notional rent	44000		62000
Standard rent	-		-
Expected rent	44000		62000
Actual rent			
Actual rent-unrealized rent			
$7000 * 12 = 84000 - 14000$	60000		60000
GAV before vacancy period loss (WEH)			
(-) vacancy period (7000*2)	60000		62000
Gross annual value	14000		-
(-) municipal tax	46000		62000
Net annual value	3000		6200
(-) Deductions u/s 16:	43000		60000
30% of NAV			
Interest on loan	12900		18000
	8000		32000
Taxable income	22100		10000

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10)ans: computation of taxable income from salary

Particulars	Amount	Amount
Basic salary (20000*12)		240000
Dearness allowance (240000*20)		48000
House rent allowance	48000	
Actual HRA(4000*12)	48000	
50% of salary	156500	
Rent paid – 10% of salary		
60000-31300	28700	19300
Bonus		25000
Helper allowance (300-200=100*12)		1200
Leave encashment		13500
Advance salary		nil
Entertainment allowance (250*12)		3000
RPF		5760
Interest on RPF		3750
Gross salary		
(-) Standard Deduction u/s 24: GS OR 50000(WEL)		359510
		50000
Taxable salary		309510

Working note:

Calculation of RPF:

Basic salary 240000

DA 48000 =288000*14%=40320 40320-34560=5760

288000*12%=34560

Interest on RPF (18000*12-9.5%/12)=3750

11)ans: computation of income from house property

Particulars	House-1	House-2	House-3
Municipal value	200000	600000	SOP EXEMPTED
Fair rental value	360000	360000	
Notional rent (WEH)	360000	600000	
Standard rent	300000	300000	
Expected rent (WEL)	300000	400000	
Actual rent (30000*12)	360000	480000	
GAV before vacancy period loss (WEH)	360000	480000	
Vacancy period	-	-	
Gross annual value	360000	480000	
(-) municipal tax paid	20000	60000	
Net annual value	340000	420000	Nil
<u>(-) standard deduction u/s 16:</u>			
30% of NAV	102000	126000	
Interest on loan			76000
Taxable income	238000	294000	(76000)

Working note:

Date of borrowing 1/4/2017 to 31/3/2018 Or 31/5/2018 (WEE)	238000
600000*10%=60000 60000/5 =12000	294000
<u>Calculation of previous year interest:</u>	<u>(76000)</u>
600000*10%=60000	456000