

Solution to Question 1
Notes

- Salary received from United Nations Organisation is not taxable.
- Salary shall be deemed to accrue at the place where service is rendered.
- Non-resident shall not be liable to tax for the salary which is neither received nor accrued in India.
- As assessee worked in India only in March 2010, hence we assume that he resided in India for less than 60 days hence he is a non-resident for the previous year 2009-10.
- In case of a Government employee being citizen of India, salary shall be deemed to accrue in India even though the services have been rendered outside India. However, allowances and perquisites received by such employee outside India shall be exempted u/s 10(7).

Computation of taxable salary of Mr. Arjun for the A.Y. 2010-11

Particulars	Working	Details	Amount	Amount
Basic				
From April to July	Note 1	Nil		
From August to November	Note 5	24000		
From December'09 to February'10	Note 2, 3 and 4	Nil		
For March'10		4000		28000
Allowances				
Dearness allowance:				
From April to July	Note 1	Nil		
From August to November	Note 5	Nil		
From December'09 to February'10	Note 2, 3 and 4	Nil		
For March'10		3000	3000	
Car Allowance:				
From April to July	Note 1	Nil		
From August to November	Note 5	Nil		
From December'09 to February'10	Note 2, 3 and 4	Nil		
For March'10		800	800	3800
Perquisites				
Rent free Accommodation:				
From April to July	Note 1	Nil		
From August to November	Note 5	Nil		
From December'09 to February'10	Note 2, 3 and 4	Nil		
For March'10	Working	1170	1170	
Children education facility[#]:				
From April to July	Note 1	Nil		
From August to November	Note 5	Nil		
From December'09 to February'10	Note 2, 3 and 4	Nil		
For March'10		Nil [#]	Nil	1170
Taxable Salary				32970

[#] Children education facility is taxable only in the hands of specified employee.

Working: Taxable value of rent free accommodation

Salary for the purpose of Rent free accommodation

Basic	4000
DA	3000
Car Allowance	800
Total	7800
Value of rent free accommodation 15% of Salary i.e. 15% of Rs.7800	1170

Since, rent-free accommodation is taxable for the month of March. Hence, salary for the month of March has only been taken into consideration.

Solution to Question 2

Computation of income liable to be charged in India of Mr. Abdul for the A.Y. 2010-11

Particulars	Case a	Case b	Case c
Business income from USSR received in India	10000	10000	10000
Business income earned in India received in Pakistan	20000	20000	20000
Salary income from a company of UK situated in India	15000	15000	15000
<u>Interest on German Development Bond</u>			
- 2/5 th received in India	24000	24000	24000
- 3/5 th received outside India	36000	-	-
Income from agriculture in Nepal	181000	-	-
Income from property in Jakarta received outside India	86000	-	-
<u>Income earned from business in UAE being controlled from Delhi</u>			
- Received in India	15000	15000	15000
- Received outside India	50000	50000	-
Profit from a business in Madras and managed from outside India	27000	27000	27000
Profit on a sale of a building in India but received in Sri Lanka	1480000	1480000	1480000
Pension from a former employer in India received in USSR	36000	36000	36000
Gift in foreign currency from a relative received in India ¹	-	-	-
Income liable to be charged in India	1980000	1677000	1627000

¹. Gift received from a relative is not an income, hence not taxable.

Solution to Question 3

In the above computation, X Ltd. has claimed benefit of self-occupation, whereas, such benefit can be claimed only by an individual or HUF. A company form of assessee cannot claim such benefit. Hence, income under the head Income from house property will be as under:

Computation of income from house property of X Ltd. for the A.Y. 2010-11

Particulars	Details	Amount
HP1: Deemed to be let out [Sec. 23(4)]		
Gross Annual Value (GAV)	100000	
Less: Municipal tax	Nil	
Net Annual Value (NAV)	100000	
Less: Standard Deduction u/s 24(a) @ 30% of NAV	30000	70000
HP2: Deemed to be let out [Sec. 23(4)]		
Gross Annual Value (GAV)	80000	
Less: Municipal tax	Nil	
Net Annual Value (NAV)	80000	
Less: Standard Deduction u/s 24(a) @ 30% of NAV	24000	56000
Income from house property		126000

Solution to Question 4

Computation of depreciation in various cases:

Particulars	Case (a) & (c)	Case (b)
Cost of Laptop as on 01-04-2008	50000	50000
Less: Depreciation for the P.Y. 2008-09 provided in the books of account	Nil	8000
WDV on 31.3.2009	50000	42000
Less: Depreciation for the P.Y. 2009-10 @ 60%	30000	25200
WDV on 31.3.2010	20000	16800

Hints to Question 5

- True
- False
- True
- False
- False

Solution to Question 6(a)

In case assessee is engaged in an integrated activity, comprising of agricultural activity as well as non- agricultural activity, then profit of such integrated activity shall be segregated into agricultural income and non-agricultural income in the following manner -

Case	Method of segregation	
Assessee is engaged in the business of <i>growing and manufacturing</i> tea in India [Rule 8]	In such case, 60% of income of the assessee from such business will be treated as agricultural income and balance 40% of income is treated as non-agricultural income.	
Assessee is engaged in the business of growing and manufacturing rubber in India [Rule 7A]	In such case, 65% of income of assessee from such business will be treated as agricultural income and balance 35% of income is treated as non-agricultural income.	
Assessee is engaged in the business of growing and manufacturing Coffee in India [Rule 7B]	Income derived from the sale of coffee grown and cured by the seller in India [Rule 7B(1)]	75% of income is treated as agricultural income and balance 25% of income is treated as non-agricultural income.
	Income derived from the sale of coffee grown, cured, roasted and grounded by the seller in India, with or without mixing chicory or other flavouring ingredients [Rule7B(1A)]	60% of income of assessee from such business will be treated as agricultural income and balance 40% of income is treated as non-agricultural income.

Solution to Question 6(b)

Sec. 28 enlists the incomes, which are taxable under the head '*Profits & gains of business or profession*':

- Profits & gains of any business or profession [Sec. 28(i)]: Any income from business or profession *including income from speculative transaction* shall be taxable under this head.
- Compensation to Management agency [Sec. 28(ii)]: Any compensation/other payment due to or received -

By	In connection with
Any person managing the affairs of an Indian company	Termination or modification of terms and conditions of his appointment
Any person managing the affairs of any company in India	
Any person holding an agency in India for any part of the activities relating to the business of any other person	Termination of agency or the modification of terms and conditions in relation thereto
Any person	The vesting in the Government or in any corporation owned/controlled by the Government, of the management of any property or business.

- Income of trade or professional association's [Sec. 28(iii)]: Income derived by a trade, professional or similar association from rendering specific services to its members shall be taxable under this head.

4. Export incentive [Sec. 28(iia) (iib) & (iic)]: An export incentive in form of -
 - Profit on sale of import license or duty entitlement pass book. [Sec. 28(iia)/(iib)/(iic)]
 - Cash assistance received/receivable by an exporter under a scheme of the Government of India [Sec. 28(iib)]
 - Duty draw back (received/receivable) for export e.g. Excise duty draw back, etc [Sec. 28(iic)]
5. Perquisite from business or profession [Sec. 28(iv)]: The value of any benefit or perquisite, whether convertible into money or not, arising from business or profession.
6. Remuneration to partner [Sec. 28(v)]: Any interest salary, bonus, commission or remuneration received by a partner from the firm (or Limited Liability Partnership) shall be taxable as business income in the hands of the partner to the extent allowed in hands of firm (or Limited Liability Partnership) u/s 40(b).
7. Amount received or receivable for certain agreement [Sec. 28(va)]: Any sum, whether received or receivable in cash or in kind, under an agreement for -
 - not carrying out any activity in relation to any business; or
 - not sharing any know-how, patent, copyright, trade mark, licence, franchise or any other business or commercial right of similar nature or information or technique likely to assist in the manufacture or processing of goods or provisions for services.
8. Keyman Insurance Policy [Sec. 28(vi)]: Any sum received under a Keyman Insurance Policy including bonus on such policy.
9. Recovery against certain capital assets covered u/s 35AD [Sec. 28(vii)]: Any sum received or receivable (in cash or kind) on account of any capital asset (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital asset has been allowed as a deduction u/s 35AD (Discussed later in this chapter).

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