

* REVISION PAPER *

Q-3) House Property :

i) For Assessment Year 2014 - 2015.

	House X	House Y
Annual Letting Value [ALV]	170000	170000
Actual Rent	186000	145000
Less: Unrealized Rent		
Gross Annual value [GAV]	186000	170000
Less: Municipal Tax	38000	38000
Net Annual Value [NAV]	148000	132000
Less: Standard Deduction 1/5 (24%)	42400	39600
Interest on Borrowed Capital 1/5 (24%)	36000	15500
Income from House Property	67600	62600

∴ Total Income from House Property = 5000/-

Working Notes :

i) Calculation of ALV :

FmV →	185000	FmV →	195000
MV →	190000	mv →	190000
Higher	190000	Higher →	195000
Standard Rent	170000	Standard Rent →	170000
Lower (ALV)	170000	Lower (ALV)	170000

ii) Actual Rent :

x →	Actual Rent - Unrealized Rent	→ [216000 - 30000]
y →	"	→ [175000 - 10000]

3) Calculation of Municipal Taxes is 20% of Municipal Value.

∴ House X → 20% of 190000 → 38000
 Y → 20% of 190000 → 38000.

ii) For Assessment Year 2015-2016.

	House X	House Y
Annual Letting Value	170000	170000
Actual Rent	216000	175000
∴ Gross Annual Value [GAV]	216000	175000
Less: Municipal Taxes	(38000)	(38000)
∴ Net Annual Value [NAV]	178000	137000
Less: Standard Deduction u/s 24(c)	(53400)	(41100)
Less: Interest u/s 24(b)	(36000)	(155000)
	88600	(59100)
Add: Unrealized Rent of 2013-14 realized in 2014-15	28000	28000
Income from House Property	116600	(31100)

∴ Total Income from House Property → 85,500/-

Working Notes:

1) Calculation of ALV:

	X		Y
Fmv	185000	Fmv	195000
mv	190000	mv	190000
Higher	190000	Higher	195000
Std. Rent	170000	Std. Rent	170000
ALV	170000	ALV	170000

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2) Municipal Taxes is 20% of Municipal Value
 \therefore House X \rightarrow 20% of 190000 \rightarrow 38000
 \rightarrow 20% of 190000 \rightarrow 38000.

3) Unrealized Rent was realized in the previous year 2014-15 and therefore added as the income. Standard deduction of 30% is not available for this unrealized rent.

Q. 4)

Profits / Gains from Business:		
Income as per P&L		160000
Add:		
Amt. given to Mrs. X [personal exp]	500	
Contribution to political party	1000	
Advance Tax	5000	
Salary to X [Personal]	48000	
Interest on loan for payment of tax	42000	
Interest on capital of X [personal]	23000	
Depreciation as per books	48000	
Expenses on Sign Board [capital expenditure] [WN 1]	3000	
Income accrued not recorded in P&L	4500	175000
Less:		
Depreciation as per IT	37300	
Interest on Debentures	25000	
Interest on Deposits	13000	75300
Income from P.G.B.P.		260300

(H)

Income from Other Sources:			
Interest on Debentures	25000		
Interest on Deposit	13000	38000	<u>6</u>
∴ Income from Other Sources			<u>38000</u>
∴ Gross Total Income			298300
Less: Deductions under Chapter VIA			
Sec. 80C → LIC premium		6000	
Sec. 80G(a) → Contribution to political party		1000	7000
∴ Total Income			<u>291300</u>

Working Notes:

- 1) Advertisement expenses includes 3,000 for permanent sign board. Permanent sign board is a capital expenditure and therefore disallowed.
 - 2) Interest on debentures and Interest on Deposits is an income from other sources. The Gross value of both of them are disallowed.
These interest are then considered as Income from Other Sources.
 - 3) Contribution to political party is allowed as deduction under Chapter VIA; Sec. 80G(a).
- * 80G(b) → Contribution to political party by Company.

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80 GIRC → Contribution to political party by other th
Company.

Q. 5) Capital Gains

1) For Assessment Year 2014 - 2015.

Asset : House Property

Period of Holding : October 1984 - July 2013

∴ Long Term (LT)

	Sale Consideration [WN1]	20,00,000
Less	Transfer Expenses	<u>10,000</u>
	Net Sale Consideration	19,90,000
Less:	Indexed Cost of Acquisition [WN2]	3,75,000
Less:	Indexed Cost of Improvement	-
	∴ Long Term Capital Gain	<u>16,14,400</u>
Less:	Exemption u/s 54 [WN3]	2,00,000
	∴ Taxable Long Term Capital Gains	<u><u>14,14,400</u></u>

Working Notes :

1) Sale consideration : 18,00,000
Stamp Duty value : 20,00,000
whichever is higher is considered.

2) Indexed Cost of Acquisition:

$$50,000 \times \frac{939}{125} = \underline{3,75,600}$$

$$\left\{ \begin{array}{l} \text{Indexed COA} = \frac{\text{CII of year of transfer}}{\text{CII of year of acquisition}} \end{array} \right\}$$

3) Exemption under Sec 54 \rightarrow Long Term Capital Gain or purchase amount, whichever is lower

$$\therefore \text{LTCG} = 16,14,400$$

$$\text{Purchase of Noida property} = 2,00,000$$

$$\therefore \text{Exemption u/s 54} \rightarrow \underline{2,00,000}$$

ii) For Assessment year 2016 - 2017.

Asset: House Property - Noida.

Period of Holding: December 2013 - April 2015

\therefore Short Term (ST).

Sale Consideration [WN1]	3,10,000
Less: Cost of Acquisition	2,00,000

\therefore Short Term Capital Gain 1,10,000

Long Term Capital Gain 2,00,000

Working Notes:

1) Sale Consideration \rightarrow 2,90,000

Stamp Duty value \rightarrow 3,10,000

\therefore Stamp Duty Value is considered.

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2) Since the old property in Delhi was sold and the exemption u/s 54 was claimed, the new property has to be held for 3 years.

The property in Noida was sold within the stipulated period. Rs. 2,00,000 exemption is ~~not~~ withdrawn.
∴ LTCG for 2016-17 = Rs. 200,000/-

Q.6) Capital Gains

Assessment Year 2015-2016.

Asset: House Property
Period of Holding: June 1992 - December 2014.
∴ Long Term.

Sale Consideration	35,00,000
Less: Transfer Expenses	40,000
∴ Net Sale Consideration	34,60,000
Less: Indexed Cost of Acquisition	10,28,592
Less: Indexed Cost of Improvement	-
∴ Long Term Capital Gain	24,31,408
Less: Exemption u/s 54	21,00,000
∴ Taxable Long Term Capital Gain	3,31,408

Assessment year 2017-18

Amount Deposited in
Capital Gain deposit a/c 21,00,000

Less: Utilized in June 2016 15,00,000

= Balance 6,00,000

∴ The earliest time when the balance can be withdrawn is December, ~~2016~~ 2017

Working Notes:

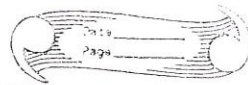
1) Sale consideration → 30,00,000
Stamp Duty Value → 35,00,000
whichever is higher is considered.

2) Indexed cost of acquisition = $(2,00,000 + 24,000) \times \frac{1024}{223}$
= 10,28,592.

3) Exemption u/s 54
Capital Gain → 24,31,408
OR

Investment 21,00,000
whichever is lower ∴ Exemption u/s 54 → 21,00,000

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Q-7) Capital Gains

a) Asset: Rural Agricultural land in Karachi.
Period of Holding: 2014-2015 to 2012-13 to 2014-15.
∴ Short Term (ST)

Sale Consideration	20,00,000
Less: Cost of Acquisition	16,50,000
∴ Short Term Capital Gains	<u>3,50,000</u>

b) Asset: Rural Agricultural land in Madhya Pradesh.
→ Not Taxable.

c) Asset: Debentures of a Ltd. Company.
Period of Holding: April 2012 - July 2014.
∴ Long Term (LT)

Sale Consideration	14,00,000
Cost of Acquisition	11,00,000
∴ Long Term Capital Gains	<u>3,00,000</u>

∴ Taxable capital gains of X for AY 2015-16

Long Term : 3,00,000/-
Short Term : 3,50,000/-

Working Notes:

- 1) Rural agricultural land outside India is taxable
In India → Not Taxable.
- 2) Debentures:
Period of Holding: 2 years.
∴ Debentures are held for more than 12 months,
they are long term.
- 3) Even if debentures are long term, there is no indexation.
{ Bonds and Debentures - no Indexation }.

Q.8) Heads of Income:

Salary, Profits/Gains from Business or Profession and
Income from Other Sources.

Salary :			1,44,000
Profits/Gains from Business/Profession:			
Honorarium for lectures	8400		
less: Expenses @ 20%	1680		6720
Income from Other Sources :			
Dividends - Exempt u/s 10(34)		-	
Dividends on UTI - Exempt u/s 10(35)		-	
Bank saving a/c Interest		15,520	
Tuition Fees	30,000		
less: Expenses on conveyance	6000	24000	39520
∴ Gross Total Income			<u>1,90,240</u>

Less: Deductions Under Chapter VI A.

Sec. 80 c	8200	
Sec. 80 TIA	<u>10000</u>	18200
\therefore Total Income		<u>17200</u>

Working Notes :

1) Salary per month = 12,000 \therefore Annual Salary = 1,44,000

2) Deductions u/s 80 c.

i) On own life [Restricted to 10% of sum assured]

Sum assured = 22,000

\therefore Deduction = 2200 [10% of 22,000]

ii) on life of mother -

iii) on life of father -

iv) on life of Mrs. X [Restricted to 10% of sum assured]

Sum assured = 1,00,000

10% = 10,000

Premium = 4000

\therefore lower \rightarrow 4000

\rightarrow on son's life \rightarrow [10% of sum assured]

Sum assured \rightarrow 20,000

10% of 20,000 \rightarrow 2000

Premium \rightarrow 3000

\therefore lower \rightarrow 2000

\therefore Total \rightarrow 2200 + 4000 + 2000 = 8200

3) Sec. 80 TTA \rightarrow Interest on Saving Bank A/c
restricted to Rs. 10,000/-

4) Since Dividends is exempted, collection charges are not allowed as deduction.

Q. 9)

Salary		480,000
Income from House Property (WN1)		(30,000)
Short Term capital Gain		9,00,000
Income from Other Sources :		
Motor car		-
Shares of Reliance Ltd	83,000	83,000
Gross Total Income		14,33,000
Less: Deductions under chapter VIA.		
Sec. 80 C		
80 CCC	1,50,000	
Sec 80D	20,000	1,70,000
\therefore Total Income		<u>12,63,000</u>

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Working Notes:

1) Income from House Property:

Gross Annual Value [GAV] → 0

Less: Municipal Taxes → 0

∴ Net Annual Value [NAV] → 0

Less: 30% Standard Deduction → 0

Less: Interest: 186,667 30,000

[Restricted to Rs. 30,000]

∴ Income from House Property (30,000)

{ 8% Interest on 40,00,000 for 7 months = 186,667 }

2) Old Motor car → Not a specified movable asset and therefore not taxable.

3) Sec. 80 C

Recognized P.F. 56,000
Sec. 80 CCC

Annuity plan 170,000

226,000

Restricted to

150,000

4) Mediciam Insurance premium for father [assuming senior citizen] is restricted to 20,000/-.

Q-10/

Profits/Gains from Business/Profession:

- Paper Manufacturing Business	1468000	
- Share of profit from Partnership firm - Exempt u/s 10(2A)		1468000

Income from other Sources:

Post office Saving Bank A/c	30000	
Less: Exempt u/s 10(15)	3500	26500
Interest from PQR Ltd	8000	
Interest on Govt. Securities	4000	
Winnings from lotteries	10,000	
Work of Art	1,10,000	158500

∴ Gross Total Income 16,26,500

Less: Deductions under Chapter VI A

Sec. 80 C - P.P.F.	80000
Sec. 80 CCC -	80000

Restricted to 1,50,000 150000

Sec. 80 T1A 10,000 160000

∴ Total Income 1466500

Working Notes :

1) Since the partnership firm pays the tax, the profit share is not taxable.

2) Winnings from lotteries:

Net = 70 Gross = 100

Net = 7000 ∴ Gross = 10,000.

Gross amount offered to tax = Rs. 10,000/-

3) Purchase of painting → Not Taxable, since the amount paid is greater than market value.

4) Work of Art : Market value = 2,00,000

Paid = 90,000

∴ Balance 1,10,000 is taxable.

5) Deductions:

P.P.F → 80,000 Sec. 80 C.

Annuity plan → 80,000 Sec. 80 CCC.

Restricted to 1,50,000

Sec. 80TTA :- Post office Savings Bank A/c upto Rs. 10,000/-

-11) Capital Gains

a. WN (1)	-
b. Long Term capital Gain [WN (2)]	12,14,857
c. Long Term capital Gain [WN (3)]	02,92,009
d. WN (4)	-
<u>Total Long Term capital Gain</u>	<u>15,06,866</u>

Important Notes:

1. Personal Computer is a personal asset, therefore not a capital asset. ∴ No capital gain. (C)

2. Asset: Jewellery.

Period of Holding: 1986-87 to June 2016.
∴ Long Term (LT).

Sale Consideration	18,00,000
Less: Indexed cost of Acquisition	5,85,143
∴ L.T.C.G.	12,14,857.

No exemption for purchasing new jewellery.

* Who can claim exemption for jewellery :-

u/s 54F → Purchase new House property.

u/s 54EC → Invest in REC or NHAI bonds.

3. Asset: Painting

Period of Holding: 2003-04 to June 2016.

Long Term (LT)

Sale Consideration	56,00,000
less: Indexed Cost of Acquisition	53,07,991
[$24,00,000 \times \frac{1024}{463}$]	
∴ LTCG	<u>2,92,009</u>

4. Personal car → personal asset
∴ No capital gains.

Q. 12) Heads of Income:

Profits/Gains from Business/Profession; Capital Gains,
Income from other sources.

Profits/Gains from Business/Profession		
- Professional Income		2,00,000
Capital Gains		
- Short Term capital Gain		8500
Income from other sources.		
- Interest on Nsc	2000	
LIC policy maturity yield	-	
- Exempt '1s 10 (100)		
Lectures at Govt. Law College	20,000	
Royalty on Book	35,000	
less: Expenses	2,500	32,500
Directorship Fees	5000	
Interest on FD with Acc Ltd	2500	

Dividends - Exempt u/s 10(34)	-	
Dividends - Exempt u/s 10(35)	-	
Gift from friend	51,000	113,000
\therefore Gross Total Income		<u>3,21,500</u>
Less: Deductions under Chapter VIA.		
Sec. 80C - Interest on NSC		2000
\therefore Total Income		<u>3,19,500</u>

Working Notes:

1) Capital Gains:-

Asset: Shares.

Period of Holding: March 2014 - Feb 2015.
Short Term (ST)

Sale Consideration	20,000
Less: Cost of Acquisition	11,500
\therefore S.T.C.G.	<u>8,500</u>

2) Gift from friend exceeds 50,000, therefore entire amount of 51,000 is taxable.

3) Interest on amount borrowed from bank is not allowed as deduction as expenses, since dividends is exempted u/s 10(34)

\rightarrow Income from shares is dividends.

\therefore Interest for borrowing shares is ~~exempt~~ not allowed as deduction.

Q. 14)

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Asset	Non Listed Bonds	Gold	Shares Non Listed	Debent Non List
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Period of Holding	April 2011 March 2015	June 1979 April 2014	April 1992 May 2014	April 11 March 2
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	Long Term	Long Term	Long Term	Long Ter
Sale Consideration	2,10,000	6,17,000	2,55,000	70,000
Less: COA I	44,000	706560	260322	40,00
Indexed COA	(WN1)	(WN2)	(WN3)	(WN4)
∴ LTCG	1,66,000	(89560)	(53222)	30,00

∴ Total Long Term capital Gain → 1,01,118.

Long Term Capital Gain	1,01,118
Income from other sources	7,00,000

∴ Gross Total Income 8,01,118

Less: Deductions under Chapter VI A 16,000

785,118

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Working Notes:

1) Though long term, no indexation on bonds and debentures.

2) Indexed cost of acquisition for Gold:

Cost of acquisition \rightarrow 60,000

Fair Market Value \rightarrow 69,000

Higher is FMV

\therefore COA = 69,000

$$\text{Indexed COA} = \frac{69000 \times 1024}{100} = \underline{\underline{7,06,560}}$$

3) Indexed cost of acquisition for non listed shares.

$$\frac{50,590 \times 1024}{199} = \underline{\underline{260322}}$$

4) Cost of acquisition is higher than Fair Market Value.

\therefore COA = 40,000

No indexation on debentures.

* NO STT can be paid on non-listed shares.