

RECENT AMENDMENT FOR MAY 2020 EXAM

INDEX

SECTION A: INCOME TAX

| Chapter | Page No. |
|---|----------|
| 1 Amendments at a Glance | 1.2 |
| 2 Amendments in Details | 2.1 |
| 3 Revisionary Test Paper (based on recent amendments) | 3.1 |
| 4 Integrated Case Scenarios Based MCQs | 4.1 |
| 5 Alternate Minimum Tax (AMT) | 5.1 |

SECTION B: GOODS & SERVICES TAX

| Chapter | Page No. |
|---|----------|
| 1 Amendments in Details (including Questions & Answers) | 1.1 |
| 2 Integrated Case Scenarios Based MCQs | 2.1 |

NOTES:

- For May 2020 exam, amendments made by the Finance Act, 2019 (NO. 1 & 2), The Taxation Laws (Amendment) Act, 2019 and notification & circulars issued till 31.10.2019 is relevant. In this note we have covered relevant amendments of the Finance Act, 2019 (NO. 1 & 2), The Taxation Laws (Amendment) Act, 2019 and notification & circulars issued between 01.05.2019 to 31.10.2019. For amendment made by notifications/circulars issued prior to 31.10.2019 students shall refer last term study mat along with last term amendments notes or current term study mat
- Further, if required any last moment update or revisionary test paper may be uploaded in our website www.vseipl.com before exam. Accordingly, students are requested to keep watch on it and we also try to inform you through bulk sms regarding any such update.
- In addition to this, students must refer ICAI practice manual and revisionary test papers relevant for May 2020.
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SECTION A: INCOME TAX

Amendment in this section includes amendments made by:-

1. The Finance Act, 2019
2. The Finance (No.2) Act, 2019
3. The Taxation Laws(Amendment) Act, 2019
4. Relevant Notifications and Circulars issued between 1.5.2019 to 31.10.2019

Note- Relevant year for May 2020 Exam is P.Y 2019-20 and A.Y 2020-21.

Chapter 1

AMENDMENTS AT A GLANCE

| Chapters | Old Provisions | Amended provisions |
|---|--|---|
| 1. Income from Salaries | | |
| ○ Standard Deduction allowed u/s. 16(ia) | ₹ 40,000 | ₹ 50,000 |
| 2. Income from House Property | | |
| ○ In case of more than one self-occupied property. | Any One house is treated as self-occupied u/s. 23(4) and all other house shall be treated as deemed to be let out. | Any Two house is treated as self-occupied u/s. 23(4) and all other house shall be treated as deemed to be let out. |
| ○ Property held as stock in trade u/s. [Sec. 23(5)] | If not let out, then annual value shall be taken as Nil, for one year from the end of the Financial year in which certificate of completion of construction of the property is obtained. | If not let out, then annual value shall be taken as Nil, for two years from the end of the Financial year in which certificate of completion of construction of the property is obtained. |
| ○ Maximum deduction allowed on interest on loan for self-occupied property u/s. 24(b) | For Repair & Renewal- 30,000 For Construction or Acquisition - ₹ 2,00,000/30,000. | Same provision. But the aggregate limit should not exceeds ₹ 2,00,000 under all category. |
| 3. Profit and gains from business or professions | | |
| (i) Section 40(a)(ia) : 100% disallowances if TDS not deducted on payment to non-resident. | -Benefit not allowed | where resident payer fails to deduct tax but the payer furnish a certificate of Chartered Accountant that the payee has furnished his return by including such income and has paid tax on income declared in return, then it shall be deemed that the assessee has deducted and paid the tax on the date of furnishing of return of income by the payee. |
| (ii) Section 43B – Certain Exp. are allowed on payment basis | One of such payment is – Interest on loan or advance taken from a scheduled bank, Public Financial Institution, co-operative bank (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank). | Such restriction is also applicable on interest on NBFC – Interest on loan or advance taken from a scheduled bank, Public Financial Institution, co-operative bank (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank) and NBFC (whether deposit taking NBFC or systemically |

| | | |
|---|---|---|
| | | important non-deposit taking NBFC) . <i>Systemically important non-deposit taking NBFC means NBFC not accepting or holding public deposits and having total assets of not less than ₹500 crore as per last audited balance sheet and is registered with RBI.</i> |
| | Further, conversion of above interest into a loan shall not be deemed have been actually paid. | Such restriction is also applicable to Interest payable to NBFC. |
| (iii) RECEIPT/PAYMENT OTHER THAN CASH UNDER INCOME TAX u/s. 35AD, 40A(3), 43(1), 43CA, 44AD, 50C, 56(2)(x), 80JJAA- Mode of payment by – A/C payee Cheque/draft or ECS though Bank account/ through such other e-mode a may be prescribed. [Refer details notes] | | |
| (iv) Revised Rate of Depreciation for Motor Vehicle | Depreciation on WDV - @ 30% , for Motor cars, other than those used in a business of running them on hire, acquired and put to use between 23.8.2019 to 31.3.2020. [For other case 15%] @ 45% , for Motor buses, motor lorries and motor taxis used in a business of running them on hire, acquired and put to use between 23.8.2019 to 31.3.2020. [For other case 30%] | |
| (v) Employer's Contribution to NPS u/s. 80CCD | Allowable business expenses shall be – (a) amount contributed or (b)10%/14%* of the salary, whichever is lower. [14% if contribution is made by Central Govt.] "Salary" = Basic +DA forming part of salary but excludes all other allowances and perquisites. Example: Suppose Employer contributes 15% of employees salary to pension fund. Employees salary amounted to ₹ 10,00,000. In this case the deduction will be equal to ₹ 1,00,000. However, if the contribution is made by Central Govt, then deduction shall be ₹1,40,000. | |
| 4. CAPITAL GAINS | | |
| ○ Cost Inflation Index(CII) for F. Y 2019-20 | - | 289 |
| ○ Section 50CA | W.RT. Unquoted share, Full Value of consideration shall be actual sale value or Fair Market Value whichever is higher. | Following proviso added- However, the provisions of Section 50CA shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed. |
| ○ Section 54 Exemption allowed for- | Purchase or construct of one residential house in India | where the amount of capital gains does not exceeds ₹2 crores: Exemption shall be allowed w.r.t purchase or construct of two residential houses in India, Benefit of second house is available once in lifetime. For other case – one residential house in India. |
| ○ Demerger [Section 47 read with section 2(19AA)] | One of the condition for claiming exemption is that - | This Condition is not applicable to an Ind AS compliant resulting company. |

| | | |
|--|---|--|
| | The asset and liability of the demerged company shall be transferred at book value and accordingly, the resulting company shall record this value in its books . | Therefore, an Ind AS compliant resulting company can book the value different from the book value of the demerged company. |
| 5. INCOME FROM OTHER SOURCES | | |
| ○ Section 56(2)(viib) [Share issued at premium] | Where a closely held company receives from any person being a resident, any consideration for issue of shares at premium the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be taxable in the hands of such company. | However, in the following case nothing shall be taxable where consideration for issue of share is received by – (i) by a venture capital undertaking from a venture capital company or a venture capital fund or a specified fund (Category I or II Alternative Investment Fund) . (ii) an eligible start-up company from a resident for issue of shares. However, if such company fails to satisfy prescribed conditions, then income not taxable earlier shall be deemed to be taxable in the year of failure and such company is also liable to penalty @ 200% as misreporting of income. |
| ○ Section 56(2)(x) – Gift/purchase for lower consideration | Provision not applicable for items covered under exempted cases like gift received from relative, on marriage etc. | Exempted Case- (xi) Section 56(2)(x) not applicable for any sum of money or any property received from such class of persons and subject to conditions, as may be prescribed. |
| 6. Income Exempted | | |
| ○ Interest paid to non -resident on rupee denominated bond by Indian company/business Trust. | | Exempted u/s. 10(4C), if such bond is issued from 17.9.2018 to 31.3.2019. |
| ○ Interest payable to non-resident by a unit located in an International Financial Services Centre (IFSC). | | Exempted u/s. 10(15)(ix), in respect of monies borrowed on or after 1.9.2019. |
| ○ Income received by a Category III Alternative Investment Fund by way of transfer of specified securities held by a non-resident in IFSC . | | Exempted u/s. 10(4D), if the consideration for such transaction is paid or payable in convertible foreign exchange. |
| ○ <u>Specified securities are –</u> (i) bond or Global depository receipt; or (ii) rupee denomination bond of an Indian company; (iii) derivative or such other securities as may be notified by the Central Government in this behalf, | | |
| ○ Buyback of shares | <u>For Shares of unlisted/private company -</u> The company will pay distribution tax u/s. 115QA @ 23.296% and capital gain shall be exempted in the hands of shareholders u/s. 10(34A). | Same treatment for buyback of shares of listed company also, if public announcement for buyback is made after 5.7.2019. |
| 7. Chapter VIA | | |
| ○ Section 80C | Contribution to Tier II NPS A/c (Additional account as specified u/s. 20(3) of the PFRDA Act, 2013) by employee of Central Govt. also eligible for deduction u/s. 80C, provided that amount deposited and invested for a fixed period of 3 years or more. [Note- Tier 1 NPS A.c (pension plan) is covered u/s. 80CCD] | |
| ○ Section 80CCD(2) | Limit of employer's contribution increased to 14% from 10% for Central Govt. | |

| | | |
|---|---|--|
| | [Note- no change for other employer i.e 10%] | |
| ○ Section 80EEA | <i>Allowed to Individual who is not eligible to claim deduction u/s. 80EE. Maximum deduction ₹ 1,50,000 on interest on loan for acquiring house property. [Refer details notes]</i> | |
| ○ Section 80EEB | <i>Allowed to Individual on interest payable on loan taken for purchase of e-vehicle Maximum deduction ₹ 1,50,000[[Refer details notes]</i> | |
| 8. Rebate u/s. 87A | | |
| ○ Monetary Limit | Total Income ≤ ₹ 3.5 lakhs | Total Income ≤ ₹5 lakhs |
| | Rebate = 100% of tax payable or ₹2500, lower | Rebate = 100% of tax payable or ₹ 12500, lower |
| 9. Residential Status | | |
| ○ Scope of Total Income for non-resident | Taxability of gift received by a non-resident in outside India from a resident of India. [debatable – as gift is not an income, hence not taxable u/s. 56(2)(x)] | Section 9 amended so as to specify such gift as “ income deemed to be accrue or arise in India ”, if made on or after 5.7.2019. Hence, it is taxable u/s. 56(2)(x). |
| 10. Advance Tax & Interest | | |
| Computation of tax due for the purpose of payment advance tax, self-assessment tax and Sec. 234A,234B and 234C. | Relief u/s. 89 shall also be deducted in computing tax due in addition to TDS/TCS, AMT/MAT Credit w.r.e.f 1.4.2007 | |
| 11. Provisions of TDS & TCS | | |
| (i) Section 194A | Old | New |
| Threshold limit for deduction of TDS | | |
| ○ Interest paid by bank/post office | ₹10,000 ₹50,000 (for snr citizen) | ₹40,000 ₹50,000 (for snr citizen) |
| ○ Interest paid by others | ₹ 5,000 | ₹5,000 |
| ○ Further, Such banking co./co-operative society/public co. shall also require to furnish prescribed statement in respect of payment of interest (not exceeding ₹ 40,000/₹5000) to residents without deduction of tax.[Sec. 206A] | | |
| (ii) Section 194I | | |
| ○ Threshold limit for deduction of TDS on rent | ₹1,80,000 | ₹2,40,000 |
| (iii) Section 194DA | Upto 31.8.2019 | w.e.f 1.9.2019 |
| Rate of TDS on payment to a resident in respect to life insurance policy not exempted u/s 10(10D) and aggregate payment exceed ₹ 1 lakh. | 1% on gross payment | 5% on the amount of income comprised therein. i.e Total sum received – premium paid. |
| (iv) Section 194IA | | w.e.f 1.9.2019 |
| TDS @ 1% on payment made in relation to transfer immovable property (other than agricultural land and compulsory acquisition), if consideration exceeds ₹ 50 lakhs . | | <i>Explanation- Consideration shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of immovable property.</i> |
| (v) TDS u/s. 194M @5% for payment exceeding ₹ 50 lakhs of nature covered u/s. 194C, 194H and 194J but TDS not attracted u/s. 194C,194H and 194J. | | |

(vi) TDS @ 2% on 194N cash withdrawal from bank more than 1 crores [Newly inserted w.e.f 1.9.2019]
 - Refer Details notes

(vi) Deemed deduction of TDS & Assessee in Default [Sec. 201 & 201A]

- The benefit of deemed deduction of TDS is allowed to both payment made to resident and non-resident payee. [earlier only resident case was covered]
- Further, order for assessee in default u/s. 201(1) cannot be made after expiry of 7 years from the end of the financial year in which payment is made or credit is given, or 2 years from the end of the F.Y in which correction statement is delivered, whichever is later.

11. Filing of Return

1. Filing of return is mandatory even though GTI does not exceed maximum exemption limit, if during the previous year such person -
- (i) has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or
 - (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 2 lakh for himself or any other person for travel to a foreign country; or
 - (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹1 lakh towards consumption of electricity; or
 - (iv) fulfils such other conditions as may be prescribed,

2. Person notified u/s. 139(1C) who are not required to file return from AY 2019-20 onwards

- (i) a non-resident, who have any income chargeable under the said Act during a previous-year from any investment in an investment fund set up in an International Financial Services Centre (IFSC) located in India and TDS deducted u/s. 194LBB, and no other income. [Notification No. 55/2019, dated 26.7.2019]

3. Inter-changeability of PAN & Aadhaar [Sec. 139(5E)] - Allotment of PAN on the basis of Aadhar and no other document required.

AMENDMENTS IN DETAILS**RATES OF TAX FOR A.Y. 2020-21****INDIVIDUALS****(1) BELOW 60 YEARS:**

| | |
|-------------------------|-----|
| UP TO ₹ 2,50,000 | NIL |
| ₹ 2,50,001 to 5,00,000 | 5% |
| ₹ 5,00,001 to 10,00,000 | 20% |
| Above ₹ 10,00,000 | 30% |

(2) 60 YEARS OR MORE BUT BELOW 80 YEARS (RESIDENT SENIOR CITIZEN)

| | |
|-------------------------|-----|
| UP TO ₹ 3,00,000 | NIL |
| ₹ 3,00,001 to 5,00,000 | 5% |
| ₹ 5,00,001 to 10,00,000 | 20% |
| Above ₹10,00,000 | 30% |

(3) 80 YEARS OR MORE (RESIDENT SUPER SENIOR CITIZEN)

| | |
|----------------------|-----|
| UP TO ₹ 5,00,000 | NIL |
| ₹ 5,00,001-10,00,000 | 20% |
| Above ₹10,00,000 | 30% |

Surcharge:

| SITUATION | RATE OF SURCHARGE |
|--|---|
| (a) Where Total income (including income u/s. 111A/112A) is more than ₹ 50 lakhs but does not exceeds ₹ 1 crore. | 10% |
| (b) Where Total income (including income u/s. 111A/112A) is more than ₹ 1 crores but does not exceeds ₹ 2 crore. | 15% |
| (c) Where Total income (excluding income u/s. 111A/112A) is more than ₹ 2 crores but does not exceeds ₹ 5 crore. | 25% for other income. 15% for income u/.s 111A/112.* |
| (d) Where Total income (excluding income u/s. 111A/112A) is more than ₹ 5 crore. | 37% for other income. 15% for income u/.s 111A/112.* |
| (e) Where Total income (including income u/s. 111A/112A) is more than ₹ 2 crores but not covered under clauses (c) and (d) above . | 15%. |

* Where the total income includes any income chargeable under section 111A and section 112A of the Income-tax Act, the rate of surcharge on the amount of Income-tax computed in respect of that part of **income shall not exceed 15%**.

Health & Education Cess: 4% in all cases.

REBATE [SECTION 87A]

- (1) Allowed to resident Individual only
- (2) Whose total income does not exceed ₹ 5,00,000.
- (3) Amount of Rebate: (i) 100% of income tax payable or ₹ 12,500; lower

Section 288A: Total Income shall be rounded off to nearest multiples of ₹ 10

Section 288B: Tax Liability shall be rounded off to nearest multiples of ₹ 10

MARGINAL RELIEF

Marginal Relief w.r.t surcharge is there to all assessee where Income exceeds ₹ 50lakhs/1crores/2 crore/5 crore.

Quantum of Marginal relief = Additional Income tax payable along with surcharge on excess income over 50lakhs/1 Crores (-) Amount of income exceeding ₹ 50lakhs/1 crore/2 crore/5 crore

EXAMPLE ON APPLICABILITY OF SURCHARGE

| SITUATION | APPLICABLE SURCHARGE |
|--|--|
| (a) Other Income ₹ 10 lakhs LTCG u/s. 112A ₹ 30 lakhs STCG u/s. 111 ₹ 20 lakhs | 10% on tax computed on total income of ₹ 60 lakhs. |
| (b) Other Income ₹ 30 lakhs LTCG u/s. 112A ₹ 40 lakhs STCG u/s. 111 ₹ 70 lakhs | 15% on tax computed on total income of ₹ 1.4 crores |
| (c) Other Income ₹ 4 Crores LTCG u/s. 112A ₹ 40 lakhs STCG u/s. 111 ₹ 20 lakhs | 25% on tax computed on other income of ₹ 4 cr 15% on tax computed on income u/s 111A and 112. |
| (d) Other Income ₹ 7 Crores LTCG u/s. 112A ₹ 40 lakhs STCG u/s. 111 ₹ 20 lakhs | 37% on tax computed on other income of ₹ 7 cr. 15% on tax on income computed u/s 111A/112. |
| (e) Other Income ₹ 1 Crores LTCG u/s. 112A ₹ 70 lakhs STCG u/s. 111 ₹ 40 lakhs | 15% on tax computed on total income of ₹ 2.1 crores |

TAX RATES PARTICULARLY SPECIFIED ON CERTAIN INCOMES

| SECTION | INCOME | INCOME TAX RATE A.Y. 2020-21 |
|---------|---|--|
| 111A | Short Term Capital gains on sale of Equity shares and units of Equity oriented Fund on which STT has been paid | 15% subject to basic exemption limit for resident assessee. |
| 112 | Long Term Capital Gains | 20% subject to maximum exemption limit for resident assessee. [For listed shares and zero coupon bond there is an option of 10% tax without indexation benefit] |
| 112A | Long term capital gain on listed equity shares or equity oriented fund or unit of business trust in excess of ₹1,00,000 subjected to STT(refer chapter of Capital Gains for more details) | 10% subject to exemption limit for resident individual and HUF |
| 115BB | Winnings from lotteries, crossword puzzles, or races including horse races or card games and other games of any sort or from gambling or betting of any from or nature whatsoever | 30% without basic exemption limit |
| 115BBDA | Aggregate dividend in excess of ₹ 10 lakhs received by Individual, HUF, AOP, BOI & Firm. | 10% of amount exceeding Rs10 lakhs. Without basic exemption limit & chapter VIA. |

| TAX RATE OTHER THAN INDIVIDUALS | | | |
|--|---|---|-------------------------|
| ASSESSEE | RATE OF TAX | SURCHARGE | HEALTH & EDUCATION CESS |
| PARTNERSHIP FIRM | 30% ON WHOLE OF TOTAL INCOME | 12%, if total income > ₹ 1crores. | 4% |
| LOCAL AUTHORITY | 30% ON WHOLE OF TOTAL INCOME | 12%, if total income > ₹ 1crores. | 4% |
| CO-OPERATIVE SOCIETY | Upto ₹ 10,000 @ 10% 10,001 to 20,000 @20% If exceeds ₹ 20,000 @ 30% | 12%, if total income > ₹ 1crores. | 4% |
| DOMESTIC COMPANY | Refer Separate Heading | | |
| FOREIGN COMPANY | 50% ON SPECIFIED ROYALTIES AND TECHNICAL SERVICES (Note 1) AND 40% ON THE BALANCE | 2%, if Total Income > ₹ 1 crores but ≤ ₹ 10 crores. 5%, if Total Income > ₹ 10 crores. | 4% |
| HUF, AOP, BOI, ARTIFICIAL JURIDICAL PERSON | Upto ₹ 250000: NIL 250001 to 500000 @ 5% 500001 to 10,00,000 @ 20% Above 10,00,000 @ 30% | 10% if total income > Rs.50 lakhs up to Rs.1cr. 15%, if total income > ₹ 1cr upto ₹ 2 crore 25%, if total income > 2cr upto ₹ 5 crores 37%, if total income > ₹ 5 crores | 4% |

Note 1: Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government.

Some other Special Tax Rate

| | | |
|--------|--|--|
| 115BBF | Royalty received from patents by a resident of India (first inventor) from a patent developed and registered in India. | 10% of the gross amount of royalty. Without basic exemption limit & Chapter VIA. |
| 115BBG | Income by way of transfer of carbon credit. “carbon credit” in respect of one unit shall mean reduction of one ton of carbon dioxide emissions or emissions of its equivalent gases which is validated by the United Nations Framework on Climate Change and which can be traded in market at its prevailing market price.’ | 10% on gross income. NO deduction in respect of any expenditure or allowances. No Basic Exemption Limit. |

Carbon Credit (concept in brief): Carbon credits is an incentive given to an industrial undertaking for reduction of the emission of GHGs (Green House gases), including carbon dioxide which is done through several ways such as by switching over to wind and solar energy, forest regeneration, installation of energy-efficient machinery, landfill methane capture, etc. The Kyoto Protocol commits certain developed countries to reduce their GHG emissions and for this, they will be given carbon credits. A reduction in emissions entitles the entity to a credit in the form of a Certified Emission Reduction (CER) certificate. The CER is tradable and its holder can transfer it to an entity which needs Carbon Credits to overcome an unfavorable position on carbon credits.

RATE OF TAX FOR DOMESTIC COMPANY

| TOTAL INCOME | WHERE TURNOVER/GROSS RECEIPTS IN P.Y 2017-18 DOES NOT EXCEEDS ₹400 CRORES | COMPANY OPTING SECTION 115BA | COMPANY OPTING SECTION 115BAA | COMPANY OPTING SECTION 115BAB | ANY OTHER COMPANY |
|------------------------------|---|--------------------------------|---------------------------------|--------------------------------|-----------------------------------|
| Up to ₹ 1 crores | 25% + Cess 4% = 26% | 25% + Cess 4% = 26% | 22% + SC 10%+ Cess 4% = 25.168% | 15% + SC 10%+ Cess 4% = 17.16% | 30% + Cees 4% = 31.20% |
| Above ₹1 cr but upto ₹ 10 cr | 25% + SC 7%+ Cess 4% = 27.82% | 25% + SC 7%+ Cess 4% = 27.82% | 22% + SC 10%+ Cess 4% = 25.168% | 15% + SC 10%+ Cess 4% = 17.16% | 30% + SC @ 7%+ Cees 4% = 33.384% |
| Above ₹10 cr | 25% + SC 12%+ Cess 4% = 29.12% | 25% + SC 12%+ Cess 4% = 29.12% | 22% + SC 10%+ Cess 4% = 25.168% | 15% + SC 10%+ Cess 4% = 17.16% | 30% + SC @ 12%+ Cees 4% = 34.944% |

Note 1: Deduction not allowed for availing concessional rate of tax u/s. 115BA, 115BAA, 115BAB

| Section No. | Provisions |
|-----------------------|---|
| 10AA | Exemption to Unit in SEZ |
| 32(1)(ia) | Additional Depreciation (20%/35%) |
| 32AC | Investment allowances -15% extra deduction if investment in new plant & machinery exceeds ₹ 25 crores [not relevant now] |
| 32AD | 15% extra deduction on actual cost of new p&m acquired and installed in the notified areas of Andhra Pradesh, Telangana, Bihar and West Bengal |
| 33AB | 40% deduction on profit from business of growing and manufacturing TEA, Coffee, Rubber in India or the amount deposited in NABARD Fund , lower |
| 33ABA | 20% deduction on profit from business of prospecting/ extraction/production of petroleum/natural gas or amount deposited in Site Restoration A.c with SBI, lower. |
| 35(1)/(ii)/(ia)/(iii) | Deduction on payment to research association, University, Indian Company for Scientific/social/statistical research |
| 35(2AA) | 150% deduction on payment to National Laboratory/University/IIT/approved person for scientific research |
| 35(2AB) | 150% deduction for inhouse scientific research by an Indian company. |
| 35AD | 100% deduction of capital expenditure (except land and goodwill) for specified business |
| 35CCC | 150% deduction on exp. incurred on notified agricultural extension project |
| 35CCD | 150% deduction on exp. incurred by a company on notified skill development project |
| 80 IA to 80RRB | <i>Deductions in respect of certain incomes" other than the provisions of section 80JJAA</i> |

1. Income from Salaries

1. Standard Deduction [Section 16(ia)]

The employee shall be allowed a deduction of ₹ 50,000 or the amount of Gross Salary, whichever is lower.

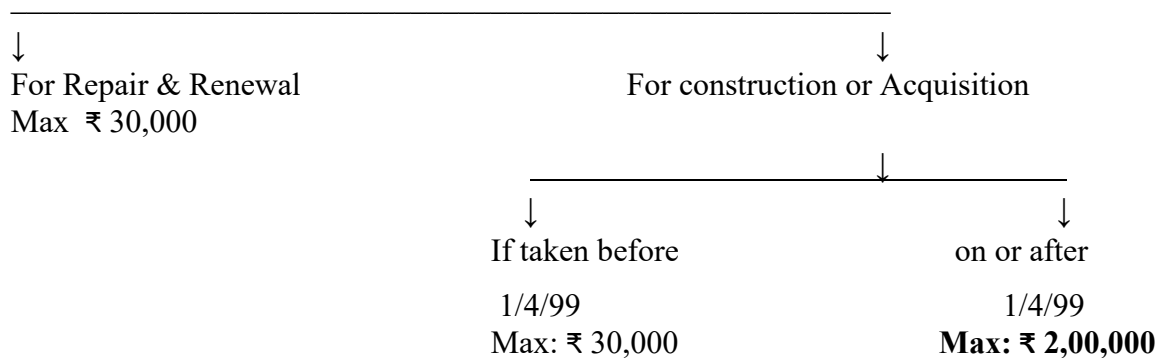
2. Income From House Property:-

(I) Self Occupied or Non Occupied due to employment elsewhere

- (1) The Annual Value of Self Occupied Property or Property non occupied due to employment elsewhere is taken at **NIL**.
- (2) No deduction is allowed for Municipal Taxes. No Standard Deduction is allowed.
- (3) Interest on loan is however allowed as deduction. This is subject to monetary limits as explained hereunder:

✎ Benefit of Self occupied property can be availed by only Individual and HUF. [**Hariprasad Bhojnagarwala (2012) (Guj.)**]

Interest on Loan if Loan taken



The aggregate of the amount of deduction under all the above categories shall not exceed ₹ 2 lakh.

Points to be Noted:

- 1) The above Limit is for Self-occupied property. In case of let out properties there is no Limit for interest.
- 2) The above Limit is for current year interest + 1/5th of preconstruction interest.
- 3) The interest of max ₹ 2,00,000 is subject to the condition that the construction must be completed **within 5 years** from the end of financial year in which loan is taken. Otherwise, restricted to ₹ 30000.

Example: Suppose Mr. Raja starts construction of a house on 10/12/2019. Now he must complete construction within 5 years from 31/3/2020 i.e. by 31/3/2025. If he completes construction by 31/3/2025 then interest is maximum allowable at ₹ 2,00,000. But if he completes construction after 31/3/2025 then maximum interest allowable shall be ₹30,000.

(II) MORE THAN TWO SELF OCCUPIED HOUSES

1. In such cases **two house** is treated as self-occupied and all the other house as deemed to be let out.

Question 1: Pritam occupied three flats for his residential purpose, particulars of which are as follows:

| | Flat 1 | Flat 2 | Flat 3 |
|--|---------------|---------------|---------------|
| Municipal Valuation | 90,000 | 45,000 | 1,20,000 |
| Fair Rent | 1,20,000 | 40,000 | 1,40,000 |
| Fair rent under Rent Control Act | 80,000 | N.A. | 1,00,000 |
| Fire Insurance | 1,000 | 600 | 2,000 |
| Municipal Taxes paid | 10% | 10% | 10% |
| Interest payable on Capital borrowed For purchase of flat | 40,000 | NIL | 40,000 |

Compute his income from house property.

(III) Treatment of Property held as Stock in Trade [Section 23(5)]

Where the property consisting of any building or land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to **two years** from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be *nil*.”.

Example: M/s Kunj Niwas Developers completes construction of 6 flats on 25/3/2019, obtains certificate of completion from competent authority and the flats remain unsold, then tax treatment would be as under:

| F.Y 2018-19 | F.Y.2019-20 | F.Y.2020-21 | F.Y.2021-22 |
|----------------------------|----------------------------|----------------------------|-----------------------|
| No tax on notional income. | No tax on notional income. | No tax on notional income. | Tax on Expected rent. |

3. Profit and Gains from Business or Professions

| (i) | |
|------------|---|
| 40(a)(i) | Where any amount is payable/paid to Non-resident, tax must be deducted at source in accordance with the provisions of The Income Tax Act and the same must be deposited within return filing date, failing which 100% of the amount so paid (which is chargeable to Income Tax Act) shall be disallowed. [Refer Note 1] However, if TDS is deposited in subsequent financial year then the same shall be allowed as deduction in next financial year. |
| 40(a)(ia) | Where any amount is payable/paid to Resident, tax must be deducted at source in accordance with the provisions of The Income Tax Act and the same must be deposited within return filing date, failing which 30% of the amount so paid/payable (which is chargeable to Income Tax Act) shall be disallowed. [Refer Note 1] However, if TDS is deposited in subsequent financial year then the same (i.e. 30% of the expenditure) shall be allowed as deduction in next financial year. Note 1.: where resident payer fails to deduct tax but the payer furnish a certificate of Chartered Accountant that the payee has furnished his return by including such income and has paid tax on income declared in return, then it shall be deemed that the assessee has deducted and paid the tax on the date of furnishing of return of income by the payee. [Refer chapter TDS section 201] |

| (ii) | |
|-------------|--|
| 43B | <p>CERTAIN DEDUCTIONS TO BE ALLOWED ON PAYMENT BASIS ONLY</p> <p>Following expenses allowed as deduction on payment basis –</p> <ol style="list-style-type: none"> 1. Tax, duty, cess or fee payable to Govt. e.g, Goods and Services Tax. 2. Bonus or Commission to employees [if not paid as profit/dividend] 3. Leave Salary to employees 4. Employers contribution to Provident fund or other fund for welfare of employees. 5. Interest on loan or advance taken from a scheduled bank, Public Financial Institution, co-operative bank (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank) and NBFC (whether deposit taking NBFC or systemically important non-deposit taking NBFC) . <p><i>Systemically important non-deposit taking NBFC means NBFC not accepting or holding public deposits and having total assets of not less than ₹500 crore as per last audited balance sheet and is registered with RBI.</i></p> <ol style="list-style-type: none"> 6. any sum payable to the Indian Railways for the use of railway assets <p>Note:</p> <ol style="list-style-type: none"> 1. The payment for above items should be made within the same previous year or within return filing date. If payment is made thereafter then it will be allowed as deduction in the year in which payment is made. 2. It is to be noted that deduction in respect of interest to Scheduled Banks (including co-operative Banks) or Financial Institutions and NBFC (whether deposit taking NBFC or systemically important non-deposit taking NBFC), shall be allowed only if such interest has been actually paid and any interest which has been converted into loan or advance shall not be deemed to have been actually paid. |

(III) RECEIPT/PAYMENT OTHER THAN CASH UNDER INCOME TAX -

| | |
|---|--|
| Amendment in section - | Mode of payment by – A/C payee Cheque/draft or ECS though Bank account/ through such other e-mode a may be prescribed. |
| ○ 35AD -Deduction allowed to specified business. | For Payment exceeding ₹10,000 |
| ○ 43(1)- Cost of asset added to WDV. | For payment exceeding ₹10,000. |
| ○ 40A(3)- Expenses in cash not allowed. | For payment exceeding ₹10,000 (₹35,000 for freight) |
| ○ 43CA – Special provisions for sale of land or building held as stock in trade | Stamp value on the date of agreement to be considered, if advance made in above specified mode. |
| ○ 44AD – Presumptive taxation scheme | Rate of PTS- 6%, if payment received in above specified mode |
| ○ 50C- Special provisions for sale of land or building held as capital assets | Stamp value on the date of agreement to be considered, if advance made in above specified mode. |
| ○ 56(2)(x) – Taxability of Gift. | Stamp value on the date of agreement to be considered, if advance made in above specified mode. |
| ○ 13A – Income of political party | Donation exceeding ₹2,000. [Not in CA Intermediate Course] |
| ○ 80JJAA | Salary paid to employee for claiming 30% additional deduction. |

| | |
|--|---|
| (iv) Revised Rate of Depreciation for Motor Vehicle | <p>Depreciation on WDV - @ 30%, for Motor cars, other than those used in a business of running them on hire, acquired and put to use between 23.8.2019 to 31.3.2020. [For other case 15%]</p> <p>@ 45%, for Motor buses, motor lorries and motor taxis used in a business of running them on hire, acquired and put to use between 23.8.2019 to 31.3.2020. [For other case 30%]</p> |
| (v) Employer's Contribution to NPS u/s. 80CCD | <p>Allowable business expenses shall be – (a) amount contributed or (b)10%/14%* of the salary, whichever is lower. [14% if contribution is made by Central Govt.]</p> <p>"Salary" = Basic +DA forming part of salary but excludes all other allowances and perquisites.</p> <p><i>Example: Suppose Employer contributes 15% of employees salary to pension fund. Employees salary amounted to ₹ 10,00,000. In this case the deduction will be equal to ₹ 1,00,000. However, if the contribution is made by Central Govt, then deduction shall be ₹1,40,000.</i></p> |

4. CAPITAL GAINS

(i)

| | |
|--|-----|
| Cost Inflation Index(CII) for F. Y 2019-20 | 289 |
|--|-----|

(ii) FULL VALUE OF CONSIDERATION IN CASE OF UNQUOTED SHARES [SECTION 50CA]

W.R.T. Unquoted share, section 50CA provides that Full Value of consideration shall be actual sale value or Fair Market Value whichever is higher.

Provided that the provisions of this section shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed. [Exemption similar to section 56(2)(x) expected to be notified]

(iii)

| SEC | EXEMPTION FOR | TIME LIMIT | WITHDRAWAL |
|--------------------------|---|--|--|
| 54 Individual /HUF | <p>Transfer of Long term capital assets being Residential House and purchase of one residential house or constructs one residential house in India. The exemption = Cost of New Residential House/Amount deposited in CGDS before return filing date.</p> <p>[if the capital gains does not exceed ₹ 2 crores, the assessee can take exemption on acquisition/construction of two residential houses in India instead of one house, this option can be exercised once in a life time]</p> | <p>Purchase 1yr before or 2yrs from transfer date or construct in 3yrs from transfer date.</p> | <p>1.If new assets sold within 3 years, then cost of new asset is reduced by amount exempted earlier.</p> <p>2. Any amount remaining unutilized in capital gain deposit account shall be taxed as Long Term Capital Gains after 3 years from the date of transfer of original asset.</p> |

Capital Gain Deposit Scheme

(CGDS): In order to avail exemption the assessee should purchase or construct the house within return filing date. Alternatively, the assessee can claim exemption by depositing the amount in capital gain deposit account within return filing date.

(iv) Amalgamation/Demerger

1. Any transfer, in scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the latter company is an Indian company [Section 47(vi)]
2. Any transfer by a shareholder, in a scheme of amalgamation of share(s) held by him in amalgamating company, if the transfer is made in the consideration of the allotment to him of any share(s) in the amalgamated company [**except where the shareholder itself is the amalgamated company**] and the amalgamated company is an Indian Company
3. Any transfer in a demerger of a capital asset by the demerged company to resulting company provided that resulting company is an Indian company .[Section 47(vib)]
4. Any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company if the transfer or issue is made in consideration of demerger of the undertaking.[Section 47(vid)]

Note: The condition that the shareholder will get shares of amalgamated company is not possible in a case where the amalgamated company itself is the shareholders of amalgamating company. Because a company cannot issue share to itself. Therefore the amendment has been made to exclude it from such conditions. However, the amalgamated company shall require to issue shares to other shareholders.

For example: (1) A Ltd. a 100% subsidiary of B Ltd. get amalgamated in to B Ltd. → In this case B Ltd. is the only shareholders of A Ltd. therefore not possible to issue shares to itself.

(2) A Ltd. get amalgamated in to B Ltd. B Ltd. holds 20% shares in A Ltd. → In this case B Ltd. required to issue only 80% shares to other shareholders.

Note: Similar provisions is also applicable for demerger also.

Other Relevant conditions for tax-neutral demergers [Section 2(19AA):

(i) all the property of the undertaking and liabilities, being transferred by the demerged company, immediately before the demerger, becomes the property and liabilities of the resulting company by virtue of the demerger.

(ii) the property and the liabilities of the undertaking or undertakings being transferred by the demerged company are transferred at values appearing in its books of account immediately before the demerger. **However, an Ind AS compliant resulting company can book the value different from the book value of the demerged company.**

(iii) the resulting company issues, in consideration of the demerger, its shares to the shareholders of the demerged company on a proportionate basis except where the resulting company itself is a shareholder of the demerged company;

(iv) the shareholders holding not less than 3/4th in value of the shares in the demerged company (other than shares already held therein immediately before the demerger, or by a nominee for, the resulting company or, its subsidiary) become shareholders of the resulting company.

(v) the transfer of the undertaking is on a going concern basis;

(v) Global Depository receipts, Rupee denomination bond etc. [Section 47(viiab)]

Any transfer of a capital asset, being-

- (a) bond or Global depository receipt; or
- (b) rupee denomination bond of an Indian company; or
- (c) derivative



- (d) such other securities as may be notified by the Central Government in this behalf,

made by a Non-resident on a recognized stock exchange located in any International Financial Service Centre (IFSC) and where the consideration for such transaction is paid or payable in foreign currency shall be treated as exempted transfer.

Note – Income received by a Category III Alternative Investment Fund by way of transfer of above securities held by a non-resident in IFSC and where the consideration for such transaction is paid or payable in convertible foreign exchange, shall be exempt u/s. 10(4D).

5. Income from other sources**(I) Issue of Shares at a price higher than FMV [Section 56(2)(viib) [ANGEL TAX]]**

Where a closely held company receives from any person being a resident, any consideration for issue of shares at premium the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be taxable in the hands of such company. However, in the following case nothing shall be taxable where consideration for issue of share is received by –

- (i) by a venture capital undertaking from a venture capital company or a venture capital fund or a **specified fund (Category I or II Alternative Investment Fund)**.
- (ii) an eligible start-up company from a resident for issue of shares. **However, if such company fails to satisfy prescribed conditions, then income not taxable earlier shall be deemed to be taxable in the year of failure and such company is also liable to penalty @ 200% as misreporting of income.**

Question 2: X Pvt. Ltd. issued shares as under. Discuss the taxability in the hands of X Pvt. Ltd u/s. - 56(2)(viib)

| | I | II | III |
|----------------------|----------------|----------------|----------------|
| Face value of shares | ₹ 10 per share | ₹ 10 per share | ₹ 10 per share |
| Shares issued for | ₹ 40 per share | ₹ 9 per share | ₹ 11 per share |
| Fair market value | ₹ 20 per share | ₹ 8 per share | ₹ 12 per share |
| No. of subscription | 1000 | 1000 | 1000 |

Question 3: In case 1 above, what is the consequence if –

- (i) the shareholder are non-resident
- (ii) the shareholder is a venture capital company
- (iii) X Pvt. Ltd. is an eligible start-up company.

Ans: In all of the three cases, nothing shall be taxable u/s. 56(2)(viib)

(II) EXEMPTED CASES U/S. 56(2)(X): TAXABILITY OF GIFT/PURCHASE AT LOWER CONSIDERATION

Exemptions

Provided that this clause shall not apply to any sum of money or any property received—

(I) from any relative; or

(II) on the occasion of the marriage of the individual; or

(III) under a will or by way of inheritance; or

(IV) in contemplation of death of the payer or donor, as the case may be; or

(V) from any local authority; or

(VI) from any educational institution/hospitals u/s 10(23C) or Charitable Trust U/s 12AA.

(IX) by way of transaction which is an exempted transfer U/s 47 (i) (iv) (v) (vi) (via) (viaa) (vib) (vic)(vica) (vicb) (vid) (vii) ; or

(X) from an individual by a trust created or established solely for the benefit of relative of the individual.

(XI) from such class of persons and subject to such conditions, as may be prescribed.

6. Income Exempted

(1) Interest payable on rupee denominated bond from 17.9.2018 to 31.3.2019, by Indian Company or business trust to non-resident shall be exempt u/s. 10(4C)

(2) Interest payable to non-resident by a unit located in an International Financial Services Centre (IFSC) in respect of monies borrowed by it on or after 1.9.2019 shall be exempt u/s. 10(15)(ix)

(3) Buy back of shares

(a) **Shares of listed company^{w.e.f.5.7.2019} or unlisted company/Private Company:** The company will pay distribution tax @ 23.296% and capital gain shall be exempted in the hands of shareholders u/s. 10(34A).

Question 4: X Ltd. issued shares on 1.3.2019 @ ₹ 75 per share to various investors in a private placement. One of the shareholders, Mr. X purchased 10,000 shares in the company. On 1.1.2020 X Ltd made a buyback of these shares @ 200 per share. Compute Total Income of Mr. X and the liability in the hands of the Company :

(a) X Ltd. is a listed company and other income of Mr. X is ₹ 6,00,000.

(b) X Ltd is unlisted company.

Solution: In both the cases: Capital Gains shall be exempted in the hands of shareholder. However, the company shall be liable to pay tax @ 23.296% of 10000 shares x ₹ (200 – 75) i.e. ₹ 2,91,200

7. Chapter VIA

(I) Section 80C: New entry

Contribution to Tier II NPS A/c (Additional account as specified u/s. 20(3) of the PFRDA Act, 2013) by **employee of Central Govt.** also eligible for deduction u/s. 80C, provided that amount deposited and invested for a fixed period of 3 years or more. Subject to overall deduction of ₹ 1,50,000 u/s. 80C and 80CCE. [Note- Tier 1 NPS A.c (pension plan) is covered u/s. 80CCD]

(II)

| | | |
|----------------------------------|---|--|
| 80CCD [Tier I NPS A.c] | Amount invested in new pension trust 1) Self employed [Section 80CCD(1)] | Lower of the following - (a) Amount contributed or (b) 20% of GTI |
| | 2) Employed:- a) <u>Employer contribution [Sec. 80CCD(2)]</u> To Pension fund of new pension trust: First taxable under salary. | Lower of the following - (a) Amount contributed or (b) 10%/14% of Salary [10% for other employer and 14% for Central Govt.) [limit of 1,50,000 not applicable] |
| | (b) <u>Employee contribution [Sec 80CCD(1)]</u> To Pension fund of new pension trust | Lower of the following - (a) Amount contributed or (b) 10% of salary |

Meaning of salary: Basic + D.A (if forming part).

NPS a/c is of two types:

- Tier I [Retirement/Pension plan]-eligible for deduction u/s. 80CCD
- Tier II (voluntary investment plan) eligible for deduction u/s. 80C for Central Govt. Employee.

| | | |
|-------------------|--|---|
| SECTION 80CCE | SEC 80C + SEC80CCC + SEC 80CCD(1) (i.e, other than employer's contribution to Pension Fund of Section 80CCD) | Maximum Limit ₹1,50,000 |
| Section 80CCD(1B) | Contribution made to NPS of the Central Govt. [Tier 1] | ₹ 50,000 (over and above the above limit) |

(III)

| Section | Particulars | Amount of deduction | Conditions |
|---|---|--------------------------------------|--|
| 80EE [Individual] | Interest payable on loan taken from any Financial Institution (Banking Company or Housing Finance Company) for acquiring a residential house property | Maximum ₹ 50,000 from A.Y 2017-18 | (i) The amount of Loan should not exceeds ₹ 35 lakhs and it must be sanctioned between 1.4.2016 and 31.3.2017. (ii) the value of the residential house property does not exceed ₹ 50 lakh; (iii) the assessee does not own any residential house property on the date of sanction of loan. |
| 80EEA [Individual not eligible to claim deduction u/s. 80EE] | Same as above | Maximum ₹ 1,50,000 from A.Y 2020-21 | (i) The Loan must be sanctioned between 1.4.2019 and 31.3.2020. (ii) the stamp value of the residential house property does not exceed ₹ 45 lakh; (iii) the assessee does not own any residential house property on the date of sanction of loan. |
| 80EEB [Individual] | Interest payable on loan taken from banks/NBFC for purchase of an electric vehicle | Maximum 1,50,000 from A.Y 2020-21 | The Loan must be sanctioned between 1.4.2019 and 31.3.2023. "electric vehicle" means a vehicle which is powered exclusively by an |

electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy;

Question 5: Mr. X has acquired a property for his residential use and for which he takes a loan from SBI on 1.5.2019. **Other information are as under-**

i) on 1.5.2019 he does not own any other residential property

ii) the amount of loan ₹ 30 lakhs @ 12% interest p.a

iii) The stamp value of property ₹ 35 lakhs.

iv) The loan is unpaid.

Compute Total Income if he is getting salary of ₹ 5,00,000 for the A.Y 2020-21.

Solution: Computation of Total Income of Mr. X for the A.Y 2020-21

| PARTICULRS | | ₹ | ₹ |
|--|-----------------|-----------------|-------------------|
| (A) Income under the head salary | | 5,00,000 | |
| Less:-deduction u/s 16(ia) | | (50,000) | 4,50,000 |
| A. Income from House property | | | |
| Net Annual Value | | NIL | |
| Less: Interest on loan U/s. 24(b) | | | |
| (i) Actual interest | 3,60,000 | | |
| ii) Maximum limit | <u>2,00,000</u> | <u>2,00,000</u> | <u>(2,00,000)</u> |
| Gross Total Income | | | 2,50,000 |
| Less: Deduction u/s. 80EEA | | | |
| Total Interest (-) interest allowed u/s. 24(b) | | 160,000 | |
| Maximum limit | | <u>150,000</u> | <u>1,50,000</u> |
| Total Income | | | 1,00,000 |

7. INCOME DEEMED TO ACCRUE OR ARISE IN INDIA (SECTION 9)

(Briefly Put)

1. Capital Gain & Income from house property is accrued at a place where property is located.

[Shares of a foreign company which derives its value substantially from assets located in India shall be deemed to be capital assets located in India]

2. Interest income is accrued at a place where loan is utilised. However, if interest is earned from Govt. then it shall always be accrued in India.

3. Royalty income and fees for technical services is accrued at a place where services are used. However if royalty is earned from Govt. then it shall always be accrued in India.

4. Salary income is accrued at a place where services are rendered. However if an Indian citizen is deputed outside India by Govt, then salary income shall always be accrued in India.

5. Business income is accrued at a place where business is carried on. [However, no income shall deem to accrue or arise in India where the business of non-resident is confined to purchase goods in India only for the purposes of export]

6. Dividend paid by Indian company shall be deemed to be accrued in India even paid outside India. However, dividend declared by foreign company outside India shall not be deemed to be accrued in India

7. any sum of money or value of property referred to in section 56(2)(x), paid by a person resident in India to a non-resident in India on or after 5.7.2019, shall be deemed to be accrue or arise in India and taxable in the hands of non-resident as provided in section 56(2)(x).

8. SELF-ASSESSMENT [SECTION 140A]

(i) Where any tax is payable by the assessee on the return filed u/s 139/142/148/153A after taking into account the tax already paid (including **relief u/s. 89**, tax credit u/s. 115JAA/115JD), he shall be liable to pay tax together with interest u/s 234A, 234B and / or 234C, and fee u/s 234F for delay in filing return or default & delay in payment of tax as the case may be.

(ii) Where any amount paid by the assessee u/s 140A (i) falls short of the aggregate of tax as aforesaid, it shall be first adjusted towards interest and fee, then the balance shall be adjusted towards tax payable.

(iii) If any assessee fails to pay the whole of tax & interest or fee he shall be deemed to be an assessee in default in respect of tax & interest & the provision of the Act shall apply accordingly.

9. Computation of Advance tax and Tax due for section 234A,234B AND 234C

(1) An assessee has to estimate his current income and pay advance tax thereon. He need not submit any estimate or statement of income to the Assessing Officer, except where he has been served with notice by the Assessing Officer.

(2) The Assessing Officer, if he is of the opinion that assessee is liable to pay advance tax, can serve an order under section 210(3) requiring the assessee to pay advance tax.

(3) The above order can be served by the Assessing Officer at any time during the financial year but not later than the last date of February.

(4) If the assessee feels that his own estimate of advance tax payable would be less than the one sent by the Assessing Officer, he can file estimate of his current income and advance tax payable thereon.

(5) In all cases, the tax calculated shall be reduced by the amount of tax deducted /collected at sources/AMT Credit/ **tax relief u/s.89**.

10. Provisions of TDS and TCS

| | | | | |
|------|--|--|------------|--|
| 194A | Interest other than Interest on Securities i.e, Interest on FD/RD | If the payer is a banking company including co-operative banks or in case of deposit under post office - ₹ 40,000 p.a/ ₹ 50,000 (for senior citizen) (The ceiling limit applies with respect to aggregate of payment made by all branches having core banking solutions). In case of Non-CBS, limit applicable for each branch separately) In any other case: ₹5000 p.a. | 10% | Tax need not be deducted in the following cases: (a) Interest paid or credited by firm to its partners (b) Interest paid to Banking companies, UTI, notified institution etc. (c) Interest on saving bank account. (d) Interest paid to Housing and Urban Development Corporation Ltd. (HUDCO), New Delhi. Note- Such banking co./co-operative society/public co. shall require to furnish prescribed statement in respect of payment of |
|------|--|--|------------|--|

| | | | | |
|------|------|---------------|---|--|
| | | | | interest not exceeding the ceiling limit to residents without deduction of tax.[Sec. 206A] |
| 194I | Rent | 2,40,000 p.a. | TDS rate For Rent on Plant, Machinery and equipment @ 2% For Rent on Land & Building, furniture and fixture @ 10% for all person | 1. Ownership not relevant. 2. The limit of ₹ 2,40,000 shall separately apply to each co-owner 3. Rent includes any non – refundable deposit. |

Question 6: X Ltd pays rent for building ₹ 2,00,000 and rent for plant and machinery ₹ 1,00,000 to Y.

Answer: Total rent to Y exceeds ₹ 2,40,000. Hence tax should be deducted at source –

| | |
|--|--------------|
| 10% on ₹ 2,00,000 for rent of building | 20000 |
| 2% on ₹ 1,00,000 for rent of plant and machinery | <u>2000</u> |
| | <u>22000</u> |

| | | | | |
|-------|---|--|---------------------------------|---|
| 194DA | Payment to a resident in respect of Life Insurance Policy (including Bonus) | No deduction:- (i) if aggregate payment is less than ₹ 1,00,000 during the financial year. (ii) if payment covered u/s. 10(10D). | 1%* (at the time of payment) | * 5% on the amount of income comprised therein [i.e Total sum received – Premium paid][w.e.f 1.9.2019] |
|-------|---|--|---------------------------------|---|

Question 7: Determine the amount of tax required to be deducted by LIC on payment of maturity amount to the following different persons who are resident of India for the P.Y 2019-20

| Annual premium | Total premium paid | Amount received |
|----------------|--------------------|-----------------|
| 12,000 | 60,000 | 80000 |
| 10,000 | 2,40,000 | 3,00,000 |
| 50,000 | 1,30,000 | 1,80,000 |

Solution: Write the newly inserted provisions of section 194DA.

(i) NO TDS u/s. 194DA. Since the payment does not exceed ₹ 1,00,000.

(ii) NO TDS u/s 194DA. Since the amount so received is exempted u/s. 10(10D) as the premium does not exceed 10% of sum assured.

(iii) TDS @ 5% u/s. 194DA attracted on ₹ 50,000 [1,80,000 – 1,30,000] . Since the annual premium exceeds 10% of sum assured and therefore not exempt u/s. 10(10D). Further, the aggregate payment also exceeds ₹ 1,00,000.

| | | | | |
|--------|---|-------------|----|---|
| 194-IA | Payment on transfer of certain immovable property [other than agricultural land and compulsory acquisition] | ₹50,00,000* | 1% | <p>The provisions of section 203A (i.e. obtaining TAN No.) shall not apply to a person required to deduct tax in accordance with the provisions of this section.</p> <p><i>*Consideration shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of immovable property. [w.e.f 1.9.2019]</i></p> |
|--------|---|-------------|----|---|

| Section No. | Nature | Limit | Rate | Remarks |
|---|---|--|---|---|
| Section 194M Individual/ HUF not liable for tax audit or paying for personal use | Individual not liable to deduct tax u/s. 194C, 194H & 194J for following payment to any resident for – (i) work contract as referred to in sec. 194C (ii) commission or brokerage as referred to in sec. 194H (iii) fees for professional services as referred to in sec. 194J | If aggregate payment exceeds ₹ 50 lakhs in a year | 5% At the time of payment or credit, earlier | Deductor is not required to obtain TAN. Deductee Can apply for lower rate of TDS u/s. 197. |
| Section 194N [TDS on cash payment] w.e.f 1.9.2019 | Banking company, co-operative bank, post office, | Cash payment in aggregate during the year exceed ₹ 1 crore to any person from one or more accounts maintained by the recipient. | 2% of sum exceeding ₹ 1 crore At the time of payment | <u>NO TDS where payment made to,—</u> (i) the Government; (ii) any banking company or co-operative society or a post office; (iii) any business correspondent of a banking company or co-operative society; (iv) any white label automated teller machine operator of a banking company or co-operative society; (v) such other person or class of persons, which the Central Government may, by notification in the Official Gazette, specify in consultation with the Reserve Bank of India |

Key points:

1. TDS @ 2% on excess amount of cash withdrawal of ₹ 1 crore on or after 1.9.2019. Any cash withdrawal prior to 1.9.2019 will not be subjected to TDS.

2. ₹1 crore limit is applicable aggregate of one or more accounts maintained for the whole year. Hence, if a person already withdrawn ₹ 1 crore or more in cash upto 31.8.2019 from one or more accounts maintained with a banking company/cooperative bank/post office, TDS @ 2% shall apply on all subsequent cash withdrawals [Press release dated 30.8.2019]

3. Deduction is made at the time of payment

4. Credit allowed in the year of deduction to account holder and cannot be c/f to next year

5. Sum so deducted is deemed to be income received u/s. 198.

6. Provisions of TDS u/s. 194N shall not be applicable on payment made to following notified person under point (v) above,-

(1) Cash Replenishment Agencies (CRA's) and franchise agents of White Label Automated Teller Machine Operators (WLATMO's) maintaining a separate bank account from which withdrawal is made only for the purposes of replenishing cash in the Automated Teller Machines (ATM's) operated by such WLATMO's.

Condition - The WLATMO have furnished a certificate every month to the bank certifying that the bank account of the CRA's and the franchise agents of the WLATMO's have been examined and the amounts being withdrawn from their bank accounts has been reconciled with the amount of cash deposited in the ATM's of the WLATMO's. [w.e.f 1.9.2019]

(2) The commission agent or trader, operating under Agriculture Produce Market Committee (APMC), and registered under any Law relating to Agriculture Produce Market of the concerned State, who has intimated to the banking company or co-operative society or post office his account number through which he wishes to withdraw cash in excess of rupees one crore in the previous year along with his Permanent Account Number (PAN) and the details of the previous year.

Condition – Such person has certified to the banking company or co-operative society or post office that the withdrawal of cash from the account in excess of rupees one crore during the previous year is for the purpose of making payments to the farmers on account of purchase of agriculture produce and the banking company or co-operative society or post office has ensured that the PAN quoted is correct and the commission agent or trader is registered with the APMC, and for this purpose necessary evidences have been collected and placed on record. [w.e.f 1.9.2019]

(3) (a) the authorised dealer (under FEMA) and its franchise agent and sub-agent; and

(b) Full-Fledged Money Changer (FFMC) licensed by the Reserve Bank of India and its franchise agent; [w.e.f 1.9.2019]

Condition-

(1) Such person should maintain a separate bank account from which withdrawal is made only for the purposes of,-
(i) purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in cash as per the directions or guidelines issued by Reserve Bank of India; or
(ii) disbursement of inward remittances to the recipient beneficiaries in India in cash under Money Transfer Service Scheme (MTSS) of the Reserve Bank of India;

(2) and a certificate is furnished by such person to the bank that withdrawal is only for the purposes specified above and the directions or guidelines issued by the Reserve Bank of India have been adhered to. [Notification No. 80/2019, 15.10.2019]

DEEMED DEDUCTION OF TAX AT SOURCE & ASSESSEE IN DEFAULT

→ Where resident payer fails to deduct tax but the payer furnish a certificate of Chartered Accountant that the resident payee has furnished his return by including such income and has paid tax on income declared in return, then it shall be deemed that the assessee has deducted and paid the tax on the date of furnishing of return of income by the payee and shall not be deemed to be assessee in default.

→ Further, Interest u/s. 201A(i) @ 1% shall be payable from the date on which such tax was deductible to the date of furnishing of return of income by such payee.

Order for assessee in default u/s. 201(1) cannot be made after expiry of 7 years from the end of the financial year in which payment is made or credit is given, or 2 years from the end of the F.Y in which correction statement is delivered, whichever is later.

11. Submission of return of Income & Due Dates [Section 139(1)]

Section 139(1) provides that following persons shall voluntarily file their return of income for any previous year on or before the due date in the prescribed form and manner

(a) a **company** or a **firm** shall compulsorily file its return of income

(b) (i) individual; (ii) HUF; (iii) Association of Persons (iv) Body of Individuals and (v) artificial juridical person shall file their return of income if their Gross Total Income (**before giving exemption u/s.10AA, section 54/54B/54D/54EC/54F/54G/54GA/54GB**) exceeded the maximum exemption limit for such previous year. **However, filing of return is mandatory even though GTI does not exceed maximum exemption limit, if during the previous year such person -**

(i) has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or

(ii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 2 lakh for himself or any other person for travel to a foreign country; or

(iii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 1 lakh towards consumption of electricity; or

(iv) fulfils such other conditions as may be prescribed,

(c) any other person if their total income exceeded the maximum exemption limit for such previous year.

Due Dates of Filing of Returns

| <u>Particulars</u> | <u>Due Date (of AY)</u> |
|---|----------------------------------|
| (1) Company Assessee | 30th September |
| (2) Where the accounts of the assessee are required under this Act or any other law to be audited | |
| (3) Where the assessee is a working Partner in a firm whose accounts are required to be audited under this Act or under any other law for the time being in force | |
| (4) in case of any other assessee | 31st July |
| (5) Any assessee who engaged in International transaction or Specified domestic transaction and required to submit report u/s. 92E | 30th November |

As per circular (No. 639 dated 13/11/1992) issued by CBDT if the IT department is closed on the last day for filing of return due to holiday the assessee can furnish the return on the next day on which the department is opened.

EXEMPTION FROM FILING RETURN OF INCOME [SECTION 139(1C)]

For reducing the compliance burden of small taxpayers, the Central Government has been empowered to notify any class or classes of persons who will be exempted from the requirement of furnishing a return of income.

Person not required to file return from AY 2019-20 and onwards

(i) a non-resident, who have any income chargeable under the said Act during a previous-year from any investment in an investment fund set up in an International Financial Services Centre (IFSC) located in India and TDS deducted u/s. 194LBB, and no other income. [Notification No. 55/2019, dated 26.7.2019]

INTER-CHANGEABILITY OF PAN & AADHAAR [SEC. 139(5E)]

Notwithstanding anything contained in this Act, every person who is required to furnish or intimate or quote his PAN under this Act, and who,—

(a) has not been allotted a PAN but possesses the Aadhaar number, may furnish or intimate or quote his Aadhaar number in lieu of the PAN, and such person shall be allotted a permanent account number in such manner as may be prescribed;

(b) has been allotted a PAN, and who has intimated his Aadhaar number in accordance with provisions of sub-section (2) of section 139AA, may furnish or intimate or quote his Aadhaar number in lieu of the PAN. [w.e.f 1.9.2019]

Rule 114(1A): Allotment of PAN on the basis of Aadhar and no other document required.

Further, Section 139AA provides that, in case of failure to intimate the Aadhaar number, the PAN allotted to the person shall be *made inoperative after the date so notified in such manner as may be prescribed.*

Note- Last Date for intimation of Aadhaar number is extended to 31.3.2020.

Chapter 3**THE REVISIONARY TEST PAPER**

[Based on recent amendments]

Question 8: Mr. Harilal aged 35, who is working in Apsara Ltd. draws basic salary of ₹ 6 lakhs per annum. He has also received the following during the Previous Year 2019-2020:

- Transport Allowances ₹ 2500 p.m.
- Medical Facility in the hospital maintained by employer ₹ 25,000.
- Reimbursement of Medical expenses ₹ 20,000.

Other relevant information are as under -

1. He owned following properties in India

| | | |
|---------|---------------|--|
| House 1 | Self-occupied | Interest on loan taken for purchase of property comes to ₹ 1,00,000. Stamp value of the property ₹ 37 lakhs. Actual cost of the property ₹ 35 lakhs. The loan is sanctioned on 1.5.2019, The property is purchased on 1.12.2019. |
| House 2 | Self-occupied | Acquired in year 2017-18. Interest on loan for the year 2019-20 is ₹ 2,00,000. Principal amount of loan repaid on 1.3.2020 ₹ 1,00,000. |
| House 3 | Let out | Let out till 31.3.2019 but sold out on 1.4.2019 for ₹ 90 lakhs, where the stamp value of the property is ₹ 92 lakhs. The Indexed cost of the property is ₹ 30 lakhs. Rent for the month March 2019 ₹30,000 p.m |
| House 4 | Let out | Acquired the property on 1.7.2020 for ₹ 25 lakhs. Rent per month ₹ 25,000. |

2. He held shares of a listed company since 5 years but on 1.1.2020, the company purchase back such shares. The long term gains arises to the him is ₹ 2 lakhs. The date of declaration of buyback of shares is 1.10.2019.

3. The assessee is willing to avail all permissible tax planning mechanism so as to reduce his tax liability.

From the above details Compute Tax liability of Mr. Harilal for the Assessment Year 2020-21.

Question 9: Mr. Anuj (aged 45 years) engaged in agency business, has provided you the following information for the P.Y 2019-20:-

| | |
|---|-------------|
| 1. Gross receipts | ₹ 20,00,000 |
| 2. Medical expenses incurred towards family | |
| Planning of his employee | ₹ 50,000 |
| 3. Salary paid to sister in law | ₹ 1,20,000 |
| [FMV ₹ 60,000] | |
| 4. Other allowable business expenses | ₹ 5,00,000 |
| 5. Purchase of electric vehicle for personal use | ₹ 2,00,000 |
| 6. Interest paid on loan taken for purchase of | |
| above vehicle (loan sanctioned from SBI on 1.12.2019) | ₹ 30,000 |
| 7. TDS (deductible but not deducted on commission | ₹ 40,000 |
| received from clients) | |
| 8. Income tax paid on 10.3.2020 | ₹ 30,000 |
| 9. Eligible to claim relief u/s. 89 | ₹ 10,000 |

You are required to determine his tax liability and interest payable u/s. 234C. He has no other income. Assessee is willing to opt presumptive taxation scheme if it is benefited to him.

Question 10: Mr. Vanu, a tax consultant purchased a motor car on 1.10.2019 both for his personal use as well as professional use at the ratio of 25:75. The cost of Car 12,80,000 (including GST of ₹ 2,80,000). As per the Govt. rule car can be plied in the city only on alternate days. The car is put to use on 1.10.2019. he paid ₹ 1,00,000 in cash and balance in A/c payee cheque for the purchase of the car. Determine the allowable depreciation for the P.Y 2019-20. There is no other asset in the same block.

Question 11: Mr. Raghu owns the following commercial vehicles:

| Nature of Vehicle | Number of Vehicle | Period owned |
|--|-------------------|-----------------------|
| Light Commercial Vehicle | 1 | 9 months and two days |
| Light Commercial Vehicle [Refer Note 1] | 1 | 12 months |
| Heavy Goods Vehicle (Gross Vehicle weight 13 MT) | 1 | 6 months 25 days |
| Heavy Goods Vehicle (Unladen weight is 14 MT) | 1 | 11 months and 12 days |
| Medium goods vehicle | 1 | 6 months |
| Medium goods vehicle | 1 | 8 months and 15 days |

Note 1: This vehicle is powered by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy. The said vehicle is financed from a deposit taking NBFC on which he paid interest of ₹2,00,000 on EMI.

From the above information -

- Determine his business Income, if he opts the scheme under section 44AE.
- Compute his tax liability for the assessment year 2020-21.
- What will be the income if the trucks were not used for business for two months during the year due to strike ?

Question 12: Mrs. Bagchi, an Indian Citizen, who was working in the Ministry of External Affairs, Govt. of India is deputed to Indian High Commission of UK for a period of 3 years from 1.4.2019. She will get a salary of ₹ 1,75,000 p.m. Overseas Allowance ₹ 15000 p.m., a rent free accommodation in London of the fair rental value of ₹ 25000 p.m. a fiat car for use in UK at free of cost and actual air fare from Kolkata to London ₹ 60000. She left Kolkata on 25th March, 2019 for London and was paid her air fare there in London. Throughout the year she remained in London.

During the year the both employee and employee contributes 15% of basic salary towards Tier I NPS A.c u/s. 80CCD. Further, She spent ₹ 60,000 for Medical treatment of disables dependent son.

During the year she also received following passive income –

- interest of ₹ 20,000 on rupee denominated bond issued on 31.3.2019 by an Indian company.
- interest of ₹ 10,000 on deposit made in London post office a.c.
- Cash gift received outside India on her marriage anniversary on 1.12.2019–
 - from her father from India ₹1,00,000
 - from her friend from India on her marriage anniversary ₹60,000.

You are required to determine her taxable income in India for the P.Y 2019-20.

Question 13: The Gross total income of Mr. Anuj (aged 45 years) engaged in manufacturing business in sole proprietorship mode is ₹ 2,50,000. His tax saving investment u/s. 80C is ₹ 50,000. His turnover from business is ₹ 90 lakhs. You are required to answer the following independent case, whether it is mandatory for him to file his return of income for the A.Y 2020-21 -

- His Purchase manager has travelled to Singapore during the P.Y 2019-20 for –

| Date of travel | Travelling cost | Purpose |
|----------------|-----------------|---|
| 1.8.2019 | 1,10,000 | Purchase of machinery |
| 2.11.2019 | 80,000 | Purchase of raw materials |
| 15.3.2020 | 60,000 | For personal vacation under Employment facility Scheme. |
| Total | 2,50,000 | |

(ii) His books of account shows amount paid for electricity consumption for the whole year is ₹ 1,50,000.

(iii) His bank statement of current account shows –

Credit total for the year ₹1.10 crores

Debit total for the year ₹ 1 crores

Net balance ₹ 10 lakhs

Question 14: Mr. Anurag has following bank account in SBI, during the year 2019-20 his total cash withdrawal is as under –

Case 1:

| Date of withdrawal | Saving A.c | Current A.c | Total cash withdrawal |
|----------------------------|------------|-------------|-----------------------|
| Till 31.08.2019 | 50 lakhs | 60 lakhs | 110 lakhs |
| From 1.9.2019 to 31.3.2020 | 10 lakhs | 30 lakhs | 40 lakhs |
| Total | 60 lakhs | 90 lakhs | 150 lakhs |

Case 2:

| Date of withdrawal | Saving A.c | Current A.c | Total cash withdrawal |
|----------------------------|------------|-------------|-----------------------|
| Till 31.08.2019 | 30 lakhs | 60 lakhs | 90 lakhs |
| From 1.9.2019 to 31.3.2020 | 10 lakhs | 50 lakhs | 60 lakhs |
| Total | 40 lakhs | 110 lakhs | 150 lakhs |

You are required to answer , whether SBI is required to deduct any tax on such cash withdrawals u/s. 194N and if yes, the amount of TDS.

Question 15: Mr. Basu has withdrawn cash from his bank account on or after 1.9.2019 as under –

| Name of Bank | Saving A/c | Current A.c | Total |
|--------------|------------|-------------|-----------|
| SBI | 30 lakhs | 50 lakhs | 80 lakhs |
| PNB | 20 lakhs | 30 lakhs | 50 lakhs |
| Total | 50 lakhs | 80 lakhs | 130 lakhs |

His total cash withdrawal before 1.9.2019 is Nil.

Whether TDS u/s. 194N is applicable in the given case?

Question 16: Determine the liability of TDS on the following individual cases, assume all the payments are made to Indian resident .

Case 1: Mr. X, carrying on retail business made following payments during the previous year 2019-20. Turnover of his retail business for Previous Year 2018-19 was ₹ 2.5 crores.

(i) Contract payment of ₹ 5,00,000 for repair of his residential House

(ii) Paid commission to Mr. C ₹ 80,000.

Case 2: Mr. Vinod, a dealer follows Presumptive Taxation Scheme u/s 44AD for Previous Year 2018-19 and 2019-20. He made contract payment of ₹ 55 Lakhs(₹ 20 Lakhs in Jan, ₹ 15 Lakhs in Feb, ₹ 20 Lakhs in March) for reconstruction of his residential house.

Case 3: Mr. Tulsi, having income from salaries, Paid brokerage ₹ 51 lakhs for buying a residential house in March, 2020.

Case 4: Mr. Mazumdar, a pensioner, during the October and November month of ₹ 2019 made contract payment of 48 Lakhs for Reconstruction of his residential house.

Question 17: Determine the taxable income from the following 3 property owned by Mr. Akaash–

| | |
|---------|---|
| House 1 | Let out for 9 months and self-occupied for 3 months. Rent per month ₹ 30,000. One month rent could not be realized and the assessee has not instituted any legal proceedings for recovery of unrealized rent. The Municipal Value of the property is ₹ 2,00,000. Rate of municipal tax 10%. |
| House 2 | The property is self-occupied. The municipal value is ₹ 8,00,000. Municipal tax @ 10%. |
| House 3 | The property is used by his relatives. Interest on loan taken for purchase of the property ₹ 220,000. The municipal value is ₹ 15,00,000. Municipal tax @ 10%. Loan taken on 1.4.2019. Value of loan 30,00,000. |

SOLUTIONS TO RTP**Solution to Question 8: Computation to tax liability of Mr. Harilal for the A.Y 2020-21**

| Particulars | ₹ | ₹ |
|---|-------------|------------|
| I. Income from Salaries | | |
| Basic salaries | 6,00,000 | |
| Transport Allowances – fully taxable | 30,000 | |
| Medical Facility in the hospital maintained by employer – Fully exempted | Nil | |
| Reimbursement of Medical expenses – fully taxable | 20,000 | |
| Gross Salary | 6,50,000 | |
| Less: Standard deduction u/s. 16(ia) | 50,000 | |
| Taxable Salaries | | 6,00,000 |
| II. Income from House Property | | |
| (i) House 1 & House 2– Self occupied | | |
| Net Annual Value for two self-occupied property | Nil | |
| Less: Interest on loan u/s. 24(b) | | |
| Actual interest paid [1,50,000 + 2,00,000] ₹ 3,50,000 | 2,00,000 | |
| Maximum deduction allowed ₹ 2,00,000 | | |
| | (2,00,000) | |
| (ii) House 3 & 4 (Let Out) [Since not L/out in P.Y 2019-20, therefore nothing taxable] | Nil | |
| Income from House property (i+ii) (maximum set off of loss with any other heads is ₹2,00,000) | (2,00,000) | (2,00,000) |
| III. Capital Gains | | |
| Sale of House 3 (Long-term) | | |
| Full Value of Consideration [Actual selling price is applicable as stamp value does not exceeds 105% of the actual price] | 90,00,000 | |
| Less: Indexed cost of Acquisition | (30,00,000) | |
| Gross Long-term capital gains | 60,00,000 | |
| Less: Exemption u/s. 54 | | |
| Acquisition of House 1 in India within 2 year from the date of transfer of House 3 and also within the return filling date. Actual cost is allowed as exemption u/s. 54. It is not necessary that the property must be acquired from own source to claim exemption u/s. 54. It can be purchased from borrowed fund. | (35,00,000) | |
| Acquisition of House 4 in India within 2 years from the date of transfer of House 3 and also within the return filling the date. For claiming exemption whether the property is self-occupied or let out is not relevant. | (25,00,000) | |
| [Since the amount of capital gains does not exceed ₹ 2 crores, therefore the exemption can be claimed w.r.t 2 house property acquired/purchased in India and this option is exercised once in the life time of the assessee. Assuming the assessee has exercised this option in this assessment year] | | |
| Taxable Long-term capital gains | | Nil |

| III. Income from other sources | | |
|---|----------|-------------------|
| Purchase of House 1 at lower consideration and the difference between the Actual purchase price of immovable property and Stamp value exceeds ₹ 50,000 and also 5 % of actual purchase price. Therefore, taxable u/s. 56(2)(x) | 2,00,000 | |
| Gains on buyback of shares of listed company – exempted u/s. 10(34A) | Nil | 2,00,000 |
| Gross Total Income (I+II+III) | | 6,00,000 |
| Less: Deduction u/s. 80C (repayment of principal amount of housing loan for House 2) | 1,00,000 | |
| Deduction u/s. 80EEA- not allowed since on the date of purchase of House 1, the assessee has already owned a residential property | Nil | (1,00,000) |
| Total Income | | 5,00,000 |
| Tax on total Income [upto 2,50,000 Nil + 5% on bal.] | | 12,500 |
| Less: Rebate u/s. 87A [Since the total income does not exceeds ₹ 5,00,000] | | 12,500 |
| Tax payable | | Nil |

Answer to Question 9: Since, the assessee is engaged in agency business, therefore he cannot opt presumptive taxation scheme u/s. 44AD, therefore his business income shall be determined by applying normal provisions of the Act.

1. Computation of Business Income:

| | | |
|---|-----------------|-----------------|
| Gross receipts | | ₹ 20,00,000 |
| Less: <u>Allowable business exp.</u> | | |
| Salary paid to sister in law – | | ₹ 1,20,000 |
| (Excess salary paid cannot be disallowed since not covered in the definition of relative for the purpose of section 44A(2)) | | |
| Medical exp. towards family planning [not allowed since it is allowed only to company assessee] | | Nil |
| Other allowable business exp. | | ₹5,00,000 |
| Purchase of e-vehicle (capital assets, no depreciation allowed since used for personal purpose) | | Nil |
| Interest on loan for purchase of e-vehicle (not allowed since used for personal purpose) | | Nil |
| Income tax paid – not allowed u/s. 40(a) | | <u>Nil</u> |
| Business Income/Gross Total Income | | 13,80,000 |
| Less: Deduction u/s. 80EEB | | |
| Interest on loan taken from financial Institution for purchase of e-vehicle [Maximum deduction ₹ 1,50,000] | | <u>(30,000)</u> |
| Total Income | | 13,50,000 |
| Tax Payable: upto 5,00,000 | 12,500 | |
| Next 5,00,000@20% | 1,00,000 | |
| Bal. 350,000@30% | <u>1,05,000</u> | |
| | 2,17,500 | |
| Add: HEC @ 4% | <u>8,700</u> | |
| Tax payable | 2,26,200 | |
| Less: Relief u/s. 89 | <u>10,000</u> | |
| | 2,16,200 | |

Note- TDS on commission received deductible but not deducted by client cannot be reduced from tax liability.

Advance Tax payable

| | Due | Actual paid | Short-fall | Int. u/s. 234C |
|--|-----|-------------|------------|----------------|
| By 15.6.2019 @ 15% of 2,16,200 = 32,430 | | Nil | 32,430 | @3% 973 |
| By 15.9.2019 @ 45% of 2,16,200 = 101790 | | Nil | 97,290 | @3% 2919 |
| By 15.12.2019 @75% of 2,16,200 = 169650 | | Nil | 162150 | @3% 4865 |
| By 15.3.2020 @ 100% of 2,16,200 = 2,16,200 | | 30,000 | 186200 | @1% 1862 |
| Total Interest payable | | | | 12,481 |

Answer to Question 10: Since the it is the first year of acquisition of car and it is used for more than 180 days, therefore full rate of depreciation is allowed. Use of car in alternate days has no impact in calculation of 180 days. Further the rate of depreciation shall be 30% as the motor car is acquired and put to use between 23.8.2019 to 31.3.2020 and not used in a business of running them on hire. Since the car is used for personal use, therefore only 75% of eligible depreciation shall be allowed as deduction u/s. 32.

Further as per second proviso to section 43(1), actual cost shall not include if payment exceeding ₹10,000 made in other than a/c payee cheque/DD etc.

Further, since input tax credit of will not be allowed on GST paid on purchase of mote car u/s. 17(5), therefore the same shall be included in the cost for the purpose of computing depreciation.

Accordingly, allowable depreciation u/s. 32 for the P.Y 2019-20 shall be as under-

Block of Asset – Plant & Machinery (30%)

| | |
|---------------------------------------|-----------|
| On WDV | Nil |
| Add: Actual cost Motor Car | |
| [12,80,000 – 1,00,000] | 11,80,000 |
| | 11,80,000 |
| Depreciation @ 30% of 11,80,000 x 75% | 2,65,500 |
| Closing WDV | 9,14,500 |

Depreciation allowed for P.Y 2019-20 is ₹2,65,500.

Solution to Question 11:

| | |
|--|----------|
| (a) The income under section 44AE shall be computed as under : | ₹ |
| (i) 10 * 7500 + 12 * 7500 [other than Heavy goods vehicle] | 1,65,000 |
| (ii) 7 * 13000 + 12 * 14000 [Heavy goods vehicle] | 2,59,000 |
| (iii) 6* 7500 + 9 * 7500 [other than heavy goods vehicle] | 1,12,500 |
| Income from Business | 5,36,500 |
| (b) Gross Total Income | 5,36,500 |
| Less: Deduction under section 80EEB (maximum 1.5 lakhs) | 1,50,000 |
| Total income | 3,86,500 |
| Tax on 3,86,500 | 6,825 |
| Less : Rebate u/s. 87A (₹ 6825 or ₹12,500, whichever is lower) as the total income does not exceeds ₹5,00,000) | 6,825 |
| Tax payable | Nil |

Note: Section 80EEB provides deduction of upto ₹ 1,50,000 to Individual on interest payable on loan taken from any financial institution for the purpose of purchase of an electric vehicle. For this purpose,

(i) Financial institution includes a deposit taking NBFC or a systemically important non-deposit taking NBFC.

(ii) Electronic vehicle means a vehicle which is powered by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.

Since, all the requisite conditions of section 80EEB is satisfied therefore the assessee is eligible to take deduction u/s. 80EEB.

(c) Income from vehicles is to be computed for every month or part of the month during which these were owned by the assessee even though these are not actually used for business. Therefore there will be no change in the answer.

Answer to Question 12: She is a non-resident of India for the P.Y 2019-20, since she is not present in India at any time during the previous year 2019-20. Accordingly, as per section 5(2) only income which is accrued or received/deemed to be accrued or received in India is taxable.

Computation of taxable income of Mrs. Bagchi

| Particulars | ₹ (Amount) | ₹(Amount) |
|---|------------|------------------|
| I. Income from salaries | | |
| (i) Basic Salary [Taxable, since paid by Govt. therefore accrued in India even though services are rendered outside India and received outside India] – Section 9(1)(iii) | 21,00,000 | |
| (ii) Overseas allowances received from Govt. [Exempted u/s. 10(7)] | Nil | |
| (iii) Perquisite value of Use of Car, Rent free accommodation, reimbursement of travelling cost. [Exempted u/s. 10(7)] | Nil | |
| (iv) Contribution to pension fund of NPS by Central Govt. [Taxable] 15% of ₹ 21,00,000 | 3,15,000 | |
| Gross Salary | 24,15,000 | |
| Less: Standard deduction u/s. 16(ia) | 50,000 | 23,65,000 |
| II. Income from other sources | | |
| (i) Cash gift from father – exempted since received from relative | | |
| (ii) Cash gift from friend taxable u/s. 56(2)(x) since not received on the occasion of marriage and also, it is deemed to be accrued or arise in India u/s. 9] | 60,000 | |
| (iii) Interest on rupee denominated bond issued from 17.9.2018 to 31.3.2019 by Indian Company –Exempted u/s. 10(4C) | Nil | |
| (iv) Interest from foreign post office [neither accrued nor received in India] | Nil | 60,000 |
| Gross Total Income | | 24,25,000 |
| Less: Deduction under chapter VIA | | |
| Section 80CCD (1) – 10% of 21,00,000 = 2,10,000 but restricted to 1,50,000 u/s. 80CCE | 1,50,000 | |
| Section 80CCD(1B) – 15% of 21,00,000 – 1,50,000 claimed u/s. 80CCD(1)= ₹ 1,65,000 but restricted to | 50,000 | |
| Section 80CCD(2) – 15% of 21,00,000 but restricted to 14% of 21,00,000. | 2,94,000 | |
| Section 80DD- Amount spent for disabled dependent relative – not allowed to non-resident Individual | Nil | 4,94,000 |
| Taxable Income | | 19,31,000 |

Note: 1. Section 10(7) provides exemption to an individual being an Indian citizen who has been deputed outside India for services outside India by Government in respect of all allowances and perquisites.

2. Section 9(1)(viii) provides that, any sum of money or value of property referred to in section 56(2)(x), paid by a person resident in India to a non-resident in India on or after 5.7.2019, shall be deemed to be accrued or arise in India.

Answer to Question 13: Refer amended provisions u/s. 139(1).

- (i) In the given case, since aggregate expenditure for travel to a foreign country by himself/any other person exceeds ₹ 2,00,000, therefore he is liable to file his return u/s. 139(1), even though his gross total income does not exceeds ₹ 2,50,000.
- (ii) In the given case, since payment for electricity consumption for the whole year exceeds ₹ 1,00,000, therefore it is mandatory for him to file his return u/s. 139(1), even though his gross total income does not exceeds ₹ 2,50,000.
- (iii) In the given case, since total deposit (credit total) in one or more current a.c maintained with a bank exceeds ₹ 1crores, therefore it is mandatory for him to file his return u/s. 139(1), even though his gross total income does not exceeds ₹ 2,50,000.

Answer to Question 14: Since the aggregate cash withdrawals for the whole year exceeds ₹ 1 crores from one or more account maintained with a bank/post office, therefore section 194N is applicable. However, TDS shall be deducted on amount withdrawn on or after 1.9.2019.

Accordingly,

In Case 1: TDS @ 2% on ₹40 lakhs i.e ₹80,000 shall be deducted on payment made by bank between 1.9.2019 to 31.3.2020.

Since ₹ 1 crores limit already crores before 1.9.2019, therefore TDS shall be deducted on all subsequent payment made on or after 1.9.2019. Further, no deduction shall be made for payment made before 1.9.2019, even though it exceeds ₹1 crores.

In Case 2: TDS @ 2% on ₹50 lakhs i.e ₹1,00,000 shall be deducted on payment made by bank between 1.9.2019 to 31.3.2020 after overall withdrawal cross ₹ 1 crores.

Since till 31.08.2019, ₹90 crores cash is withdrawn, therefore TDS shall be deducted after further cash withdrawal of ₹ 10 lakhs made between 1.9.2019 to 31.3.2020.

Answer to Question 15: Since, cash withdrawal limit of ₹ 1 crores does not exceeds from a single payer (i.e total withdrawal from SBI is ₹ 80 lakhs and total withdrawal from PNB is ₹ 50 lakhs) , therefore TDS u/s. 194N shall not be applicable.

Answer to Question 16:

Case 1: (i) TDS u/s 194C is not applicable since the payment is for personal purpose. Further, as aggregate payment for the contract does not exceed ₹ 50 lakhs, hence TDS under Sec 194M is also not attracted.

(ii) TDS u/s 194H is applicable as the amount of payment exceeds ₹ 15,000 and last year turnover of Mr. X exceeds ₹ 1 Crore.

Case 2: TDS u/s 194C is not attracted since he is following PTS and not subject to Tax audit in the year 2018-19. But, TDS u/s 194M is applicable since the aggregate amount of payment exceeds ₹ 50 Lakhs and payments are made after 1.9.19.

Case 3: TDS u/s 194M is applicable since the aggregate amount of payment exceeds ₹ 50 Lakhs and payment was made in March 2020. As he is a salaried person, section 194H does not applicable.

Case 4: As Mr. Mazumdar is not liable to tax audit TDS provisions of Sec 194C is not applicable. TDS u/s 194M is also not applicable since the aggregate amount of payment does not exceed ₹ 50 Lakhs even though payments are made after 1.9.2019.

Answer Question 17:**(1) House 1 (partly let out and partly self-occupied – Considered as deemed to be let out)**

| | |
|---|-----------------|
| Expected Rent (Municipal Value) | ₹ 2,00,000 |
| Actual rent received or receivable [30,000 x 9] | ₹ 2,70,000 |
| [Unrealized rent cannot be reduced Since condition of Rule 4 not complied) | |
| Gross Annual Value (higher) | ₹ 2,70,000 |
| Less: Municipal tax | <u>(20,000)</u> |
| Net Annual Value | ₹ 2,50,000 |
| Less: Std. deduction u/s. 24(b)@30% | <u>₹ 45,000</u> |
| | ₹ 2,05,000 |

(2) House 2 (Self occupied)

| | |
|-----|-----|
| NAV | NIL |
|-----|-----|

(3) House 3 (self-occupied)

| | |
|--|------------------------------|
| NAV | Nil |
| Less: Interest on loan u/s. 24(b) (maximum allowed) | <u>(2,00,000) (2,00,000)</u> |
| Taxable Income (1+2+3) | 5,000 |

Note: no deduction allowed u/s. 80EEA since he has already owned residential house property.

Chapter 4**INTEGRATED CASE SCENARIO BASED MCQS****Know the pattern**

- ✘ Integrated case scenarios should comprise of a case scenario followed by a 5 to 6 MCQs based on the said case scenario.
- ✘ The length of the case scenario (including MCQs) should be for 1 to 2 pages.
- ✘ Each MCQ should have four options out of which there should be only one correct option.
- ✘ The MCQs should be application-oriented and should arise from the case scenario [i.e., they should be framed in such a manner that the relevant provisions of laws /concepts and principles would need to be applied to the facts of the case scenario to choose the correct option]

Case Study 1: Mr. Tulsi (aged 35 years) is a non-Govt. salaried employee. His basic salary is ₹40,000 p.m.

He gets one month salary as bonus. He has been provided with rent free unfurnished accommodation which is owned by the employer company at the place of his posting i.e. Chennai. Both employer and employee contribute 15% of salary for pension plan under NPS A/c. He also made 5% of his salary as additional investment in Tier-II of NPS A.c. He owns one residential house in his home town Asansol, West Bengal. He paid ₹ 51 lakhs to Mr. Anul Shah under a works contract agreement for construction of a Hi-tech residential house in Kolkata in the month of March, 2020. He has taken loan of ₹ 40 lakhs @ 9% rate of interest and the said loan was sanctioned on 1.12.2019. Both the houses are self-occupied by him.

In view of the above facts, you are required to answer the following-

- (i) What would be his taxable salary for the Assessment year 2020-21?
- (a) ₹6,20,000
 - (b) ₹6,70,000
 - (c) ₹6,14,000
 - (d) ₹6,92,000
- (ii) Whether benefit of self-occupied property allowed to all houses owned by him?
- (a) Yes, since self-occupied property owned by him is not more than two.
 - (b) NO, since self-occupied property including rent free accommodation exceed two, therefore any two house is considered as self-occupied and third house is deemed to be let out.
 - (c) NO, none of the house is eligible to take the benefit u/s. 23
 - (d) No, only one house is considered as self-occupied and second house is considered as deemed to be let out.
- (iii) Whether Mr. Tulsi is required to deduct tax at source on consideration paid to Mr. Anul Shah?
- (a) yes, @ 1% u/s. 194C
 - (b) No, since payment is for personal purpose
 - (c) NO, since his accounts are not audited
 - (d) yes, @ 5% u/s. 194M.

- (iv) His eligible deduction under section 80C and 80CCD, would be –
- Section 80C – Nil and Section 80CCD ₹1,20,000
 - Section 80C – 24,000 and section 80CCD ₹1,20,000
 - Section 80C – Nil, and Section 80CCD ₹96,000
 - Section 80C- 24,000 and section 80CCD ₹ 96,000
- (v) His eligible deduction under section 80EEA, would be –
- ₹1,50,000
 - ₹ 50,000
 - Nil
 - ₹1,20,000
- (vi) What would be the tax liability of Mr. Tulsi for the A.Y 2020-21, assuming he has no other income-
- Nil
 - ₹7800
 - ₹13,000
 - ₹17,992

Case Study 2: Mr. Shyam (aged 28 years) acquired a land from X Ltd, on 15.12.2008 for ₹ 18,00,000 which was sold on 15.05.2019 for ₹ 50,00,000 to Mr. Sundar. The Stamp duty value of such land is 51,00,000. Expenses of transfer were ₹ 1,00,000. He invests ₹3,00,000 on the bonds of Rural electrification Corporation Ltd. on 16.10.2019 out of the sale proceeds of land. Further, on 15th March 2019, he sold 2000 listed equity shares at a consideration of ₹2,500 each share. Those shares were Purchased in the year 2006-07 at a price of ₹ 300 each share. STT has been charged both at the time of purchase and sale. FMV of shares on 30.01.2018 are ₹ 2,400 per share. CII -F.Y 2019-20:289, F.Y 2008-09:137, F.Y 2006-07:122

You are required to answer the following based on above facts-

- (i) With respect to transfer of land , capital gains taxable in the hands of Mr. Shyam would be-
- long-term capital gains of ₹8,02,920
 - long term capital gains of ₹9,02,920
 - long-term capital gains of ₹11,02,920
 - long-term capital loss of ₹8,02,920
- (ii) Whether Mr. Sundar is required to deduct tax at source on consideration paid or payable to Mr. Shyam?
- No, since Mr. Sundar purchased it for his personal use and not for business use
 - No, provisions of TDS is not applicable on transfer of Capital Assets.
 - Yes, TDS u/s. 194IA @ 1% on the entire consideration of ₹ 50 lakhs
 - No, TDS u/s. 194IA not applies since the amount of consideration does not exceeds ₹50 lakhs

- (iii) With respect to purchase of land at a value lower than the stamp value, income taxable u/s. 56(2)(x) in the hands of Mr. Sundar would be-
- Nil, since the excess amount does not exceed 5% of ₹50 lakhs
 - 1 lakhs, since the difference between the stamp value and purchase price is more than 50,000.
 - Nil, since it is purchase for personal use
 - Nil, since it is a capital assets.
- (iv) With respect to transfer of listed equity shares, capital gains taxable in the hands of Mr. Shyam would be
- long-term capital gains of ₹2,00,000
 - long-term capital gains of ₹35,78,788
 - Nil, Fully exempted u/s. 10(38)
 - long-term capital gains of ₹1,00,000
- (v) What would be the tax liability of Mr. Shyam for the A.Y 2020-21, assuming he has no other income-
- ₹1,25,403
 - ₹1,35,803
 - ₹96,803
 - ₹1,20,580

Case Study 3: Mrs. Sharma, a software engineer worked for Data Consultancy Services (India) Ltd. Bangalore, India over 15 years. On 1.6.2017 she left India to work in Data Consultancy Services (England) Inc., London, England, on deputation. On 10th January, 2020 DCS (India) L td. again, brought her back to India. During the year, she received total salary of ₹10 lakhs from DCS (India) Ltd. and ₹60 lakhs (converted into INR) from DCS (England) Inc. During the year she also received leave encashment of ₹ 5,00,000 from DCS (India) Ltd. She exercised the option to acquire 30,000 shares of DCS (India) Ltd. under an ESOP Scheme @ ₹ 950 per shares on 1.2.2020. The Market price of the shares in Stock exchange on 1.2.2020 is as under:

| Particulars | BSE | NSE |
|---|--------|--------|
| Total No of shares of DCS (India) Ltd. traded | 60,000 | 50,000 |
| Opening market price | 990 | 996 |
| Closing market price | 1010 | 1012 |

She owned only one house property in Bangalore. Outstanding bank loan for acquisition of said property as on 1.4.2019 is ₹ 30 lakhs. Interest payable @ 10% p.a. The property is non-occupied till 9th January' 2020 due to her employment outside India. From 10th January'2020 she used the property as her residence. On 1.4.2019 she gifted ₹ 40 lakhs to her Spouse Mr. Sharma. Mr. Sharma is a fashion designer employed in a branded company in India. On 1.4.2019, he left the job and started his own sole proprietorship concern of fashion designing and introduced the amount gifted to him by Mrs. Sharma in the business on the same day.

During the year he earned profit of ₹10 lakhs. Out of the profit earned ₹ 5 lakh is invested in corporate bonds fetching interest @ 8% p.a on 1.12.2019. On 31.3.2020, the DCS(India) Ltd. declared interim dividend of ₹50 per share. Mrs. Sharma being a tax compliant citizen of India, seeks your advice on the following issues in order to comply the provisions of the Income Tax Act, 1961:

(1) What should be her residential Status in India for the P.Y 2019-20?

- (a) Resident and ordinarily resident of India
- (b) Resident and not- ordinarily resident of India
- (c) non-resident of India
- (d) none of the above

(2) With respect to Income under the head salaries:

i. Whether salary received by Mrs. Sharma in outside India is taxable in India

- (a) Yes, since she is a resident and ordinarily resident of India.
- (b) No, since salary is not accrued in India
- (c) No, since salary is not received in India
- (d) Yes, since salary is accrued in India

ii. What should be her taxable salaries in India?

1

- (a) ₹90,00,000
- (b) ₹89,50,000
- (c) ₹86,60,000
- (d) ₹29,60,000

(3) With respect to Income under the head house properties:

i. Whether interest on outstanding loan utilised for acquisition house property 1 at Bangalore, for the period for which the property is non-occupied due to her employment outside India shall be allowed as deduction u/s. 24(b) of the Income Tax Act, 1961? If yes, the maximum limit if any.

- (a) Yes, the benefit of deduction allowed to self-occupied property as well as non-occupied due to employment elsewhere, upto 2,00,000
- (b) No, since the property is not self-occupied
- (c) Yes, upto 30,000
- (d) No, since loan is not taken in this year.

ii. What should be her income from house property in India?

- (a) (₹2,00,000)
- (b) (₹3,00,000)
- (c) (₹2,10,000)
- (d) Nil

iii. Can she be eligible to set off the house property loss against other heads of 1 Income in the P.Y 2019-20 as per section 71 of the Income Tax Act, 1961 and if yes, how much?

- (a) Yes, maximum of ₹ 2,00,000
- (b) Yes. maximum of ₹ 3,00,000
- (c) No, can be set off only against own heads of Income
- (d) No, the entire loss to be carried forward to the subsequent year

- (4) Whether Mrs. Sharma or Mr. Sharma is liable for any gift tax in India?
- a) Yes, Gift is taxable u/s. 56(2)(x) in the hands of Mr. Sharma being the recipient of cash gift exceeding ₹50,000.
 - b) Yes, Gift is taxable u/s. 56(2)(x) in the hands of Mrs. Sharma being the giver of cash gift exceeding ₹50,000.
 - c) No, nothing taxable in the hands of Mr. Sharma u/s. 56(2)(x), since gift is received from a relative i.e his wife.
 - d) No, nothing taxable in the hands of Mrs. Sharma u/s. 56(2)(x), since gift is given to a relative i.e her husband.
- (5) What should be the treatment of business income earned by Mr. Sharma in 1 P.Y 2019-20?
- (a) The entire business income is to be clubbed in the total income of Mrs. Sharma as per section 64(1)(iv) of the Income Tax Act, 1961 and Mrs. Sharma is liable to pay tax on it.
 - (b) the entire income is taxable in the hands of Mr. Sharma, as the provisions of clubbing shall not be attracted in the given case.
 - (c) Only some portion is clubbed in the hands of Mrs. Sharma and balance is taxable in the hands of Mr. Sharma
 - (d) Business income cannot be clubbed in this year
- (6) What should be the treatment of interim dividend received by Mrs. Sharma on listed equity shares held under ESOP?
- (a) ₹ 15,00,000 is taxable under the head income from other sources
 - (b) ₹ 5,00,000 is taxable under the head income from other sources and balance is exempted u/s. 10(34)
 - (c) nothing shall be taxable as entire dividend is exempted u/s. 10(34).
 - (d) ₹ 10,00,000 is taxable under the head income from other sources and balance is exempted u/s. 10(34)
-

Answers to Case Scenario bases MCQs**Answer to Case Study 1:**

| Correct option | Remarks/ Brief working | | | | | | | | | | | | | | | | | | | | |
|--|--|---|-----------|---------------------------|--------|--------------------------|--------|--|----------|--------------|----------|----------------------------------|----------|--|----------|---------------|------|----------------------|------|--|-----|
| (i) Option(a) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Basic salary</td> <td style="text-align: right;">₹4,80,000</td> </tr> <tr> <td>Bonus</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>15% of 5,20,000 (RFA)</td> <td style="text-align: right;">78,000</td> </tr> <tr> <td>Employers contribution to NPS [15% of 4,80,000]</td> <td style="text-align: right;">72,000</td> </tr> <tr> <td>Gross salary</td> <td style="text-align: right; border-top: 1px solid black;">6,70,000</td> </tr> <tr> <td>Less: Std. deduction u/s. 16(ia)</td> <td style="text-align: right; border-top: 1px solid black;">50,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">6,20,000</td> </tr> </table> | Basic salary | ₹4,80,000 | Bonus | 40,000 | 15% of 5,20,000 (RFA) | 78,000 | Employers contribution to NPS [15% of 4,80,000] | 72,000 | Gross salary | 6,70,000 | Less: Std. deduction u/s. 16(ia) | 50,000 | | 6,20,000 | | | | | | |
| Basic salary | ₹4,80,000 | | | | | | | | | | | | | | | | | | | | |
| Bonus | 40,000 | | | | | | | | | | | | | | | | | | | | |
| 15% of 5,20,000 (RFA) | 78,000 | | | | | | | | | | | | | | | | | | | | |
| Employers contribution to NPS [15% of 4,80,000] | 72,000 | | | | | | | | | | | | | | | | | | | | |
| Gross salary | 6,70,000 | | | | | | | | | | | | | | | | | | | | |
| Less: Std. deduction u/s. 16(ia) | 50,000 | | | | | | | | | | | | | | | | | | | | |
| | 6,20,000 | | | | | | | | | | | | | | | | | | | | |
| (ii) Option (a) | Rent free accommodation is not owned by him, so cannot be considered as self-occupied property under house property. | | | | | | | | | | | | | | | | | | | | |
| (iii) Option (d) | Refer the provisions of section 194M | | | | | | | | | | | | | | | | | | | | |
| (iv) Option (a) | Sec. 80C (NPS Tier-II) – Nil (since he is not a Central govt. employee) <u>Section 80CCD</u> Employers contribution (10% of 4,80,000) u/s. 80CCD(2) ₹48,000 Employee's cont. (15% of 4,80,000) [50,000 u/s. 80CCD(1B) and balance u/s. 80CCD(1)] ₹72,000 1,20,000 | | | | | | | | | | | | | | | | | | | | |
| (v) Option (c) | Nil, since on the date of sanction of loan he has owned a residential house | | | | | | | | | | | | | | | | | | | | |
| (vi) Option (a) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">1. Income from salaries [Refer point (i)]</td> <td style="text-align: right;">6,20,000</td> </tr> <tr> <td>2. <u>Income from H.P</u></td> <td></td> </tr> <tr> <td>NAV for two s/o property</td> <td style="text-align: right;">NIL</td> </tr> <tr> <td>Less: Int. on loan u/s. 24(b)</td> <td style="text-align: right; border-top: 1px solid black;">1,20,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">5,00,000</td> </tr> <tr> <td>Less: Chp.VIA (Section 80CCD)</td> <td style="text-align: right; border-top: 1px solid black;">1,20,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">4,00,000</td> </tr> <tr> <td>Tax liability</td> <td style="text-align: right;">7500</td> </tr> <tr> <td>Les: Rebate u/s. 87A</td> <td style="text-align: right; border-top: 1px solid black;">7500</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">Nil</td> </tr> </table> | 1. Income from salaries [Refer point (i)] | 6,20,000 | 2. <u>Income from H.P</u> | | NAV for two s/o property | NIL | Less: Int. on loan u/s. 24(b) | 1,20,000 | | 5,00,000 | Less: Chp.VIA (Section 80CCD) | 1,20,000 | | 4,00,000 | Tax liability | 7500 | Les: Rebate u/s. 87A | 7500 | | Nil |
| 1. Income from salaries [Refer point (i)] | 6,20,000 | | | | | | | | | | | | | | | | | | | | |
| 2. <u>Income from H.P</u> | | | | | | | | | | | | | | | | | | | | | |
| NAV for two s/o property | NIL | | | | | | | | | | | | | | | | | | | | |
| Less: Int. on loan u/s. 24(b) | 1,20,000 | | | | | | | | | | | | | | | | | | | | |
| | 5,00,000 | | | | | | | | | | | | | | | | | | | | |
| Less: Chp.VIA (Section 80CCD) | 1,20,000 | | | | | | | | | | | | | | | | | | | | |
| | 4,00,000 | | | | | | | | | | | | | | | | | | | | |
| Tax liability | 7500 | | | | | | | | | | | | | | | | | | | | |
| Les: Rebate u/s. 87A | 7500 | | | | | | | | | | | | | | | | | | | | |
| | Nil | | | | | | | | | | | | | | | | | | | | |

Answer to Case Study 2:

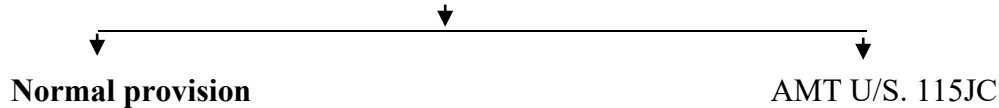
| Correct Option | Remarks/ Brief working | | | | | | | | | | | | |
|--|--|--|--|--|----------|----------|---------------------------------|---------------|-----------|------------|----------|------|----------|
| (i) Option(a) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">FVC</td> <td style="text-align: right;">50,00,000 [stamp value does not exceed 105% of 50 lakhs]</td> </tr> <tr> <td>(-)</td> <td style="text-align: right;">1,00,000</td> </tr> <tr> <td>(-) ICOA</td> <td style="text-align: right; border-top: 1px solid black;">37,97,080 [18,00,000 x 289/137]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">11,02,920</td> </tr> <tr> <td>Less: 54EC</td> <td style="text-align: right; border-top: 1px solid black;">3,00,000</td> </tr> <tr> <td>LTCG</td> <td style="text-align: right; border-top: 1px solid black;">8,02,920</td> </tr> </table> | FVC | 50,00,000 [stamp value does not exceed 105% of 50 lakhs] | (-) | 1,00,000 | (-) ICOA | 37,97,080 [18,00,000 x 289/137] | | 11,02,920 | Less: 54EC | 3,00,000 | LTCG | 8,02,920 |
| FVC | 50,00,000 [stamp value does not exceed 105% of 50 lakhs] | | | | | | | | | | | | |
| (-) | 1,00,000 | | | | | | | | | | | | |
| (-) ICOA | 37,97,080 [18,00,000 x 289/137] | | | | | | | | | | | | |
| | 11,02,920 | | | | | | | | | | | | |
| Less: 54EC | 3,00,000 | | | | | | | | | | | | |
| LTCG | 8,02,920 | | | | | | | | | | | | |
| (ii) Option(c) | For Section 194IA threshold limit for no deduction of tax at source is less than 50 lakhs. | | | | | | | | | | | | |
| (iii) Option(a) | Refer provisions of section 56(2)(x) | | | | | | | | | | | | |
| (iv) Option (a) | Cost of acq. = FMV as on 31.1.2018 or FVC, lower. No indexation benefit allowed. [(2500 -2400)x2000 = 2,00,000] | | | | | | | | | | | | |
| (v) Option (a) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Tax@ 20% u/s. 112 [8,02,900 – 2,50,000]=</td> <td style="text-align: right;">1,10,580</td> </tr> <tr> <td>Tax @ 10% u/s. 112A [2,00,000 -1,00,000] =</td> <td style="text-align: right; border-top: 1px solid black;">10,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,20,580</td> </tr> <tr> <td>Add: HEC @ 4%</td> <td style="text-align: right; border-top: 1px solid black;">4,823</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,25,403</td> </tr> </table> | Tax@ 20% u/s. 112 [8,02,900 – 2,50,000]= | 1,10,580 | Tax @ 10% u/s. 112A [2,00,000 -1,00,000] = | 10,000 | | 1,20,580 | Add: HEC @ 4% | 4,823 | | 1,25,403 | | |
| Tax@ 20% u/s. 112 [8,02,900 – 2,50,000]= | 1,10,580 | | | | | | | | | | | | |
| Tax @ 10% u/s. 112A [2,00,000 -1,00,000] = | 10,000 | | | | | | | | | | | | |
| | 1,20,580 | | | | | | | | | | | | |
| Add: HEC @ 4% | 4,823 | | | | | | | | | | | | |
| | 1,25,403 | | | | | | | | | | | | |

Answer to Case Study 3:

| Question No. | Correct Option | Hints | | | | | | | | | | | | |
|---|------------------|---|----------------------------------|-----------|---|-----------------|---|------------------|----------------------------------|-----------|----------------------------------|---------------|--|-----------|
| 1. | (a) | Since, she stays in India in the relevant previous year for more than 60 days (i.e 81 days) and in 4 years preceding the relevant previous year for more than 365 days (i.e 792 days) and therefore is resident for the A.Y. 2019-20. [2 nd conditions of section 6(1) applicable since she came back to India not for visit but for employment purpose] Again, since she was in India for 15 years therefore, she satisfies both the secondary conditions. Therefore, she will be treated as resident and ordinarily resident for the A.Y. 2020-21. | | | | | | | | | | | | |
| 2.(i) | (a) | Since she is a resident and ordinarily resident of India, therefore her global income is taxable in India. | | | | | | | | | | | | |
| 2.(ii) | (b) | <p>Salary:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Total salary (In India + in USA)</td> <td style="text-align: right;">70,00,000</td> </tr> <tr> <td>Leave encashment during employment -fully taxable</td> <td style="text-align: right;">5,00,000</td> </tr> <tr> <td>Perquisite value of ESOP[(1000 -500)x 30,000]</td> <td style="text-align: right;"><u>15,00,000</u></td> </tr> <tr> <td>[BSE Market value [(990+1010)/2]</td> <td style="text-align: right;">90,00,000</td> </tr> <tr> <td>Less: Std. deduction u/s. 16(ia)</td> <td style="text-align: right;"><u>50,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">89,50,000</td> </tr> </table> <p>Taxable value of ESOP = [FMV – allotment price] x no of shares = [1000 – 500] x 30,000 = 15,00,000 BSE price to be taken (highest no. of shares of the co. is traded) = 990+1010/2 = 1,000</p> | Total salary (In India + in USA) | 70,00,000 | Leave encashment during employment -fully taxable | 5,00,000 | Perquisite value of ESOP[(1000 -500)x 30,000] | <u>15,00,000</u> | [BSE Market value [(990+1010)/2] | 90,00,000 | Less: Std. deduction u/s. 16(ia) | <u>50,000</u> | | 89,50,000 |
| Total salary (In India + in USA) | 70,00,000 | | | | | | | | | | | | | |
| Leave encashment during employment -fully taxable | 5,00,000 | | | | | | | | | | | | | |
| Perquisite value of ESOP[(1000 -500)x 30,000] | <u>15,00,000</u> | | | | | | | | | | | | | |
| [BSE Market value [(990+1010)/2] | 90,00,000 | | | | | | | | | | | | | |
| Less: Std. deduction u/s. 16(ia) | <u>50,000</u> | | | | | | | | | | | | | |
| | 89,50,000 | | | | | | | | | | | | | |
| 3.(i) | (a) | Allowed to both self-occupied and to non-occupied due to employment elsewhere | | | | | | | | | | | | |
| 3.(ii) | (a) | <p>Income from house property:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>NAV of self-occupied property</td> <td style="text-align: right;">NIL</td> </tr> <tr> <td>Less: Interest on loan -maximum</td> <td style="text-align: right;"><u>2,00,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">(2,00,000)</td> </tr> </table> | NAV of self-occupied property | NIL | Less: Interest on loan -maximum | <u>2,00,000</u> | | (2,00,000) | | | | | | |
| NAV of self-occupied property | NIL | | | | | | | | | | | | | |
| Less: Interest on loan -maximum | <u>2,00,000</u> | | | | | | | | | | | | | |
| | (2,00,000) | | | | | | | | | | | | | |
| 3.(iii) | (a) | Where in respect of any assessment year, the net result of the computation under the head “Income from house property” is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to set off such loss, to the extent the amount of the loss exceeds ₹ 2,00,000, against income under the other head [Section 71(3A)] | | | | | | | | | | | | |
| 4. | (c) | Nothing taxable, being exempted u/s. 56(2)(x) | | | | | | | | | | | | |
| 5. | (a) | Since amount is invested in the 1 st day of April 2019. The entire capital is from money received from Mrs. Sharma; therefore, entire profit is to be clubbed. | | | | | | | | | | | | |
| 6. | (b) | Dividend from Indian company received by resident of India shall be exempted u/s. 10(34) upto 10 lakhs and balance is taxable. [(30,000 x 50) – 10,00,000] = 5,00,000. | | | | | | | | | | | | |

ALTERNATE MINIMUM TAX (AMT)

Tax liability of Individual, HUF, AOP, BOI, Firm etc.
(For assessee other than company)



| | | |
|---------------------------------------|--|------------|
| (I) Income tax on Total Income | Total Income | xxx |
| | Add - Deduction u/s 10AA | xxx |
| | Add - Deduction U/s 35AD | xxx |
| | (-)depreciation allowable | (xxx) xxx |
| | Add: Income based deduction Under chapter VIA (except Sec. 80P) | xxx |
| | Adjusted total income | xxx |

(II) Tax @ 18.5%/9%* +SC+ Cess

SC is levied if Adjusted total income exceeds ₹ 50 lac/1/2/5 crore.

Tax payable higher of (I) and (II)

☞ Points to be noted

- ⇒ Provisions of AMT not applicable For Individual, HUF, AOP, BOI, AJP if the adjusted total income does not exceed ₹ 20,00,000. [For firm always applicable]
- ⇒ In case of unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange , AMT rate shall be 9% instead of 18.5%.
- ⇒ All other provisions relating to Advance Tax, Interest u/s. 234A,B,C and penalty etc. are also applicable

Question 1: Mr. X , furnishes you the following details pertaining to the financial year 2019-20:

| Particulars | ₹ |
|---|-----------|
| Net Profit as per Profit and Loss Account | 90,00,000 |
| Depreciation debited in Profit and Loss Account | 7,00,000 |
| Depreciation allowable under section 32 | 9,00,000 |
| Inadmissible/disallowable expenses | 5,00,000 |
| Deduction under section 10AA (computed) | 12,00,000 |
| Deduction under section 80IA (computed) | 60,00,000 |

Compute total income, adjusted total income under section 115JC and tax liability of Mr. X for the assessment year 2020-21.

Question 2: Mr. X engaged in Setting and operating cold chain facility (operated from 1.04.2015). On 1.05.2019, Mr. X acquired one plant & machinery for ₹ 20 lakhs. Compute the tax liability of Mr. X if business income before allowing depreciation and deduction u/s. 35AD is ₹ 90 lakhs.

TAX CREDIT FOR ALTERNATE MINIMUM TAX [SEC. 115JD]

1. Where any amount of tax is paid u/s. 115JC by an Individual, then, credit in respect of tax so paid shall be allowed as (AMT U/s 115JC – Tax payable under regular provisions).
2. The amount of tax credit so determined shall be allowed to be carried forward and set off in a year when the tax becomes payable under the regular provisions. AMT credit can be carried forward for 15 years.
3. Set off in respect of B/F AMT credit shall be allowed for any assessment year to the extent of the [tax on his total income less AMT u/s. 115JC for that assessment year].
4. However, no interest shall be allowed on the amount of tax credit available.

Question 3: Compute the amount of AMT credit from the following:

(₹ in lakhs)

| PARTICULARS | YEAR 1 | YEAR 2 | YEAR 3 |
|-------------------------------------|--------|--------|--------|
| Tax payable under Normal Provisions | 50 | 40 | 70 |
| Tax payable under AMT | 60 | 32 | 45 |
| Tax payable → | | | |

Provisions of the Act

Section 115JC: Special provisions for payment of tax by certain persons other than a company.

(1) Notwithstanding anything contained in this Act, where the regular income-tax payable for a previous year by a person, other than a company, is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of that person for such previous year and he shall be liable to pay income-tax on such total income at the rate of eighteen and one-half per cent. *[In case the person is a unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange, the rate of MAT is 9% instead of 18.5%]- Section 115JC(4)*

(2) Adjusted total income referred to in sub-section (1) shall be the total income before giving effect to this Chapter as increased by—

(i) Deductions claimed, if any, under any section (other than section 80P) included in Chapter VI-A under the heading "C.—Deductions in respect of certain incomes";

(ii) Deduction claimed, if any, under section 10AA; and

(iii) Deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.”.

(3) Every person to whom this section applies shall obtain a report, in such form as may be prescribed, from an accountant, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income under sub-section (1) of section 139.

Section 115JD: Tax credit for alternate minimum tax: Refer class notes above

Section 115JE: Application of other provisions of this Act - Save as otherwise provided in this Chapter, all other provisions of this Act shall apply to a person referred to in this Chapter. Hence, all other provisions relating to Advance Tax, Interest u/s. 234A,B,C and penalty etc. are also applicable to LLP's which are subject to AMT.

Section 115JEE: Application of this Chapter to certain persons

(1) The provisions of this Chapter shall apply to a person who has claimed any deduction under—

(a) Any section (other than section 80P) included in Chapter VI-A under the heading "C.—Deductions in respect of certain incomes"; or

(b) Section 10AA; or

(c) Section 35AD

(2) The provisions of this Chapter shall not apply to an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, if the adjusted total income of such person does not exceed ₹ 20,00,000.!

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), the credit for tax paid under section 115JC shall be allowed in accordance with the provisions of section 115JD.

Section 115JF: In this Chapter—

(a) "alternate minimum tax" means the amount of tax computed on adjusted total income,—

(i) in case of an assessee being a unit referred to in sub-section (4) of section 115JC, at a rate of nine per cent.;

(ii) in any other case, at a rate of eighteen and one-half per cent.;

(b) "Regular income-tax" means the income-tax payable for a previous year by a person on its total income in accordance with the provisions of this Act other than the provisions of this Chapter.?

Question 4: Determine the allowable deduction u/s. 10AA for the P.Y 2019-20 and the tax liability for the A.Y 2020-21 of Mr. SEZ, aged 45 years from the following information:

- (i) Profit from a SEZ unit set up in the P.Y 2013-14 is ₹30,00,000 after all allowable deduction under income tax except section 10AA and chapter VIA.
(ii) Domestic sales ₹ 40,00,000
(iii) Export Sales ₹ 70,00,000 (including freight and insurance for delivery of goods outside India ₹10,00,000)
(iv) Total Turnover ₹ 1,10,00,000
(v) Allowable deduction under chapter VIA (other than income based) ₹ 2,00,000
Assuming all other conditions of section 10AA are satisfied and he has no other income.

Answer:

(1) Allowable Deduction u/s. 10AA

$$\begin{aligned} & \text{Profit of SEZ Unit} \times \frac{\text{Export Turnover of SEZ Unit}}{\text{Total turnover of EZ unit}} \\ & = 30,00,000 \times \frac{60,00,000}{1,00,00,000} \\ & = \mathbf{18,00,000} \end{aligned}$$

Eligible deduction = 50% of 18,00,000 i.e 9,00,000
(since this the 7th assessment year from the commencement of business)

Note 1: Freight and insurance charges incurred outside India shall be excluded from both Export turnover and Total turnover.

(2) Computation of tax liability of Mr. SEZ for the A.Y 2020-21

(A) As per normal provisions of the Act

| | |
|------------------------------------|--------------------|
| Profit from SEZ unit | ₹ 30,00,000 |
| Less: Deduction u/s. 10AA | <u>₹ 9,00,000</u> |
| Business Income/Gross Total Income | ₹ 21,00,000 |
| Less: Deduction under Chp.VIA | <u>₹ 2,00,000</u> |
| Total Income | ₹ 19,00,000 |
| Tax on total Income | |
| Upto 2,50,000 | Nil |
| Next 2,50,000@5% | 12,500 |
| Next 5,00,000@ 20% | 1,00,000 |
| Bal.9,00,000@30% | <u>2,70,000</u> |
| | 3,82,500 |
| Add: HEC @4% | <u>15,300</u> |
| | 3,97,800 |

(B) AMT liability u/s. 115JC

| | |
|------------------------------|------------------|
| Total Income | 19,00,000 |
| Add: Deduction u/s. 10AA | <u>9,00,000</u> |
| Adjusted Total Income | 28,00,000 |
| AMT @ 18.5% | 5,18,000 |
| Add: HEC @ 4% | <u>20,720</u> |
| | 5,38,720 |

Since AMT liability is higher than tax payable under normal provisions of the ACT, therefore for the A.Y 2020-21 he is liable to pay AMT u/s. 115JC of ₹ 5,38,720. However, AMT credit u/s. 115JD of ₹ ₹1,40,920 (₹5,38,720 -3,97,800) to be c/f for 15 assessment years.

Note: The threshold limit of ₹ 20 lakhs is for adjusted total income and not for total income, as in the given case total income is 19 lakhs but adjusted total income is more than 20 lakhs, therefor AMT is applicable.