

Q 1

Generally income of the previous year is taxable in immediately next assessment year, below are the exceptions to general rule:

- 1) Income from shipping business of non-residents.
- 2) Person leaving India, permanently or with no intentions of returning back.
- 3) Associations or bodies formed for a particular purpose or event.
- 4) Persons likely to transfer property to avoid tax.
- 5) Discontinued business.

Q 2

- a) Determination of Residential Status of Mr. Brett Lee for the A.Y. 2020-21:-
Period of stay during previous year 2019-20 = 100 days

Calculation of period of stay during 4 preceding previous years (100 x 4=400 days)

2018-19	100 days
2017-18	100 days
2016-17	100 days
2015-16	<u>100 days</u>
Total	<u>400 days</u>

Mr. Brett Lee has been in India for a period more than 60 days during previous year 2019-20 and for a period of more than 365 days during the 4 immediately preceding previous years. Therefore, since he satisfies one of the basic conditions under section 6(1), he is a resident for the assessment year 2020-21.

Computation of period of stay during 7 preceding previous years = 100 x 7=700 days

2018-19	100 days
2017-18	100 days
2016-17	100 days
2015-16	100 days
2014-15	100 days
2013-14	100 days
2012-13	<u>100 days</u>
Total	<u>700 days</u>

Since his period of stay in India during the past 7 previous years is less than 730 days, he is a not-ordinarily resident during the assessment year 2020-21.

Therefore, Mr. Brett Lee is a resident but not ordinarily resident during the previous year 2019-20 relevant to the assessment year 2020-21.

b) Same as above

Q 3

(a) During the P.Y. 2019-20, Mr. E has stayed in India for 245 days (i.e. 30+31+30+31+31+ 30+31+30+1 days). Therefore, he is a resident. However, since he has come to India after 15 years, he does not satisfy any of the conditions for being ordinarily resident.

Therefore, the residential status of Mr. E for the P.Y. 2019-20 is resident but not ordinarily resident.

(b) Since the business of the HUF is transacted from Australia and nothing is mentioned regarding its control and management, it is assumed that the control and management is also wholly outside India. Therefore, the HUF is a non-resident for the P.Y. 2019-20.

Q 4

Computation of Income from house property of Mr. Anirudh for A.Y. 2020-21

Particulars	Amount in `	
Computation of GAV		
Step 1 Compute ER		
ER = Higher of MV of ` 1,30,000 p.a. and FR of ` 1,10,000 p.a., but restricted to SR of ` 1,20,000 p.a.	1,20,000	
Step 2 Compute actual rent received/receivable		
Actual rent received/ receivable less unrealized rent as per Rule 4 = ` 1,32,000 - ` 11,000	1,21,000	
Step 3 Compare ER of ` 1,20,000 and Actual rent received/receivable of ` 1,21,000		
Step 4 GAV is the higher of ER and Actual rent received/receivable	1,21,000	
Gross Annual Value (GAV)		1,21,000
Less: Municipal taxes (paid by the owner during the previous year) = 10% of ` 1,30,000		13,000
Net Annual Value (NAV)		1,08,000
Less: Deductions under section 24		
(a) 30% of NAV	32,400	
(b) Interest on borrowed capital (actual without any ceiling limit)	40,000	72,400
Income from house property		35,600

Q5

Computation of income from house property of Smt. Poorna for
A.Y. 2020-21

Particulars	Amount `
Annual Value of house used for self-occupation under section 23(2)	Nil
Less: Deduction under section 24 Interest on borrowed capital Interest on loan was taken for construction of house on or after 1.4.99 and same was completed within the prescribed time - interest paid or payable subject to a maximum of ` 2,00,000 (including apportioned pre-construction interest) will be allowed as deduction.	
In this case the total interest is ` 1,80,000 + ` 72,000 (Being 1/5th of ` 3,60,000) = ` 2,52,000. However, the interest deduction is restricted to ` 2,00,000.	2,00,000
Loss from house property	(2,00,000)

Q6

Let us first calculate the income from each house property assuming that they are deemed to be let out.

Computation of income from house property of Ganesh for the A.Y. 2020-21

Particulars	Amount in `		
	House I	House II	House III
Gross Annual Value (GAV) ER is the GAV of house property ER = Higher of MV and FR, but restricted to SR	3,50,000	3,60,000	3,75,000
Less: Municipal taxes (paid by the owner during the previous year)	36,000	28,800	19,800
Net Annual Value (NAV)	3,14,000	3,31,200	3,55,200
Less: Deductions under section 24			
(a) 30% of NAV	94,200	99,360	1,06,560
(b) Interest on borrowed capital	-	55,000	1,75,000
Income from house property	2,19,800	1,76,840	73,640

Ganesh can opt to treat any two of the above house properties as self-occupied .

OPTION 1 (House I and II– self-occupied and House III – deemed to be let out)

If House I and II are opted to be self-occupied, the income from house property shall be –

Particulars	Amount in `
House I (Self-occupied)	Nil
House II (Self-occupied) (interest deduction restricted to ` 30,000)	(30,000)
House III (Deemed to be let-out)	73,640
Income from house property	43,640

OPTION 2 (House I and III – self-occupied and House II – deemed to be let out)

If House I and III are opted to be self-occupied, the income from house property shall be –

Particulars	Amount in `
House I (Self-occupied)	Nil
House II (Deemed to be let-out)	1,76,840
House III (Self-occupied)	(1,75,000)
Income from house property	1,840

OPTION 3 (House II and III – self-occupied and House I – deemed to be let out)

If House II and III are opted to be self-occupied, the income from house property shall be –

Particulars	Amount in `
House I (Deemed to be let-out)	2,19,800
House II (Self-occupied) (interest deduction restricted to ` 30,000)	(30,000)
House III (Self-occupied)	(1,75,000)
(Total interest deduction restricted to ` 2,00,000)	(2,00,000)
Income from house property	19,800

Since Option 2 is most beneficial, Ganesh should opt to treat House I and III as self-occupied and House II as deemed to be let out. His income from house property would be ` 1,840 for the A.Y. 2020-21.

Q 7

Particulars	Resident & Ordinarily resident	Resident but not ordinarily resident	Non-resident
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	Nil
Interest on company deposit in Canada - - 1/3rd received in India	10,000	10,000	10,000
- 2/3rd received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past Profit from a business in Tokyo remitted to India	Nil	Nil	Nil
Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Jambia but controlled from Turkey	10,000	Nil	Nil
Income liable to tax in India	7,35,000	4,55,000	4,45,000

Q 8

- a) i) Previous Year
- b) iv) All the assesses.

Q 9

- a) False
- b) True
- c) True
- d) False
- e) True