



**J.K. SHAH<sup>®</sup>**  
**TEST SERIES**  
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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- TAXATION**

**Test Code – CIM 8672**

**BRANCH - () (Date :)**

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- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.  
 (2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.  
 (3) NEW QUESTION SHOULD BE ON NEW PAGE

ANSWER - 1

ANSWER - A

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

Particulars	Amount in Rs.	
<b>Computation of Gross Annual Value</b>		
Expected Rent for the whole year = Higher of Municipal Value of Rs. 8,50,000 and Fair Rent of Rs. 7,30,000, but restricted to Standard Rent of Rs. 8,20,000	8,20,000	
Actual rent receivable for the let-out period = Rs. 85,000 X 9	7,65,000	
[Unrealised rent is not deductible from actual rent in this case since Mrs. Daya has not instituted any legal proceedings for recovery of unpaid rent. Hence, one of the conditions laid out in Rule 4 has not been fulfilled]		
GAV is the higher of Expected Rent for the whole year and Actual rent received/receivable for the let-out period	8,20,000	
<b>Gross Annual Value (GAV)</b>		<b>8,20,000</b>
<i>Less:</i> Municipal taxes (paid by the owner during the previous year) = 12% of Rs.8,50,000		1,02,000
<b>Net Annual Value (NAV)</b>		<b>7,18,000</b>
<i>Less:</i> <b>Deductions under section 24</b>		
(a) 30% of NAV = 30% of Rs. 7,18,000	2,15,400	
(b) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let- out property)	<u>50,000</u>	2,65,400
<b>Income from house property</b>		<b>4,52,600</b>

(5 MARKS)

**ANSWER - B****Computation of tax liability of Mr. D for the A.Y. 2020-21**

<b>(A)</b>	Tax payable including surcharge on total income of Rs. 5,01,00,000		
	Rs. 2,50,000 – Rs. 5,00,000 @ 5%	Rs. 12,500	
	Rs. 5,00,000 – Rs. 10,00,000 @ 20%	Rs. 1,00,000	
	Rs. 10,00,000 – Rs. 5,01,00,000@30%	Rs. <u>1,47,30,000</u>	
	Total	Rs. 1,48,42,500	
	Add: Surcharge @ 37%	Rs. <u>54,91,725</u>	Rs. 2,03,34,225
<b>(B)</b>	Tax Payable on total income of Rs. 5 crore [(Rs. 12,500 plus Rs. 1,00,000 plus Rs. 1,47,00,000) plus surcharge@25%]		Rs. <u>1,85,15,625</u>
<b>(C)</b>	Excess tax payable (A)-(B)		Rs. 18,18,600
<b>(D)</b>	Marginal Relief (Rs. 18,18,600 – Rs. 1,00,000, being the amount of income in excess of Rs. 5,00,00,000)		Rs. <u>17,18,600</u>
<b>(E)</b>	Tax payable (A) - (D)		Rs. <u>1,86,15,625</u>

**(5 MARKS)****ANSWER : 2****ANSWER - A**

Particulars	Resident and ordinarily resident	Non resident
	Rs.	Rs.
<b>(1) Income deemed to accrue / arise in India</b>		
Interest from Indian Company	1,20,000	1,20,000
Pension from employer in India	1,80,000	1,80,000
<b>(2) Income received in Indian</b>		
50% of profits of business in Paris	1,00,000	1,00,000
<b>(3) Income earn and received outside India, from a business controlled from India</b>		
50% of profits of business in Paris	1,00,000	-
<b>(4) Income earned and received outside India other than (3)</b>		
Income from Agriculture in Bhutan	1,25,000	-
Income from Property in England	4,00,000	--
	<b>10,25,000</b>	<b>4,00,000</b>

**ANSWER – B**

Under section 6(1), an individual is said to be resident in India in any previous year if he satisfies any one of the following conditions -

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

In the case of Indian citizens leaving India for employment, the period of stay during the previous year must be 182 days instead of 60 days given in (ii) above.

During the previous year 2019-20, Mr. Ram, an Indian citizen, was in India for 175 days only (i.e 30+31+30+31+31+22 days). Thereafter, he left India for employment purposes.

Since he does not satisfy the minimum criteria of 182 days, he is a non-resident for the A.Y. 2020-21.

(4 MARKS)

**ANSWER : 3**

		Rs.
Income from House I (deemed to be let out) (see working note)		2,10,000
Income from House II (Self – occupied)	(-) 93,750	
Income from House III (Self – occupied)	(-) 1,12,500	
But limited to Rs. 2,00,000	2,06,250	(2,00,000)
Income from house property		10,000

**Working Note**

**Step – 1** Assume all the houses are deemed to be let out

		House – I		House – II		House – III
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Annual Value		3,30,000		3,30,000		3,30,000
Less : Municipal taxes paid		30,000		10,000		20,000
Net Annual Value		3,00,000		3,20,000		3,10,000
Less : Deduction u/s 24						
(a) Statutory deduction @ 30%	90,000		96,000		93,000	
(b) Interest on loan for house II for three months Rs. 56,250 + 1/5 of pre – construction period i.e. from 1.6.2015 to 31.3.2016 Rs. 1,87,500 = Rs. 37,500	-		93,750			-

Interest on loan for house III for three months Rs. 67,500 + 1/5 of pre – construction period i.e. from 1.6.2015 to 31.3.2016 Rs. 2,25,000 = Rs. 45,000	-	90,000	-	1,89,750	1,12,500	2,05,000
		2,10,000		1,30,250		1,04,500

### Step II

(a) Assume House – I and II to be self – occupied and House – III deemed to be let out

		Rs.
Income from House – I (self occupied)	Nil	-
Income from House – II (self occupied)	(-) 93,750	(-) 93,750
Income from House – III (deemed let out)		1,04,500
Income from House Property		10,750

(b) Assume House – I & III to be self – occupied and House – II deemed to be let out

		Rs.
Income from House – I (self occupied)	Nil	-
Income from House – III (self occupied)	(-) 1,12,500	(-) 1,12,500
Income from House – III (deemed let out)		1,30,250
Income for House Property		17,750

(c) Assume House – II & III to be self – occupied and House – I deemed to be let out

		Rs.
Income from House I (Deemed to be let out)		2,10,000
Income from House II (Self – occupied)	(-) 93,750	
Income from House III (Self – occupied)	(-) 1,12,500	
But limited to Rs. 2,00,000	2,06,500	2,00,000
Income from house property		10,000

**(12 MARKS)**

### ANSWER – 4

1. B
2. D
3. A
4. A
5. C
6. B
7. A