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Inter. NOVEMBER 2018 EXAM

SUBJECT – DIRECT TAX

Test Code – CIN 5004

(Date :22/07/2018)

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Answer 1:**(A) Computation of total income and tax liability of Dr. Niranjana for A.Y. 2018-19**

	Particulars	Rs.	Rs.	Rs.
I	Income from Salary			
	Basic Salary (Rs.7,500 x 12)			90,000
II	Income from house property			
	Gross Annual Value (GAV)		27,000	
	<i>Less</i> : Municipal taxes paid		2,000	
	Net Annual Value (NAV)		25,000	
	<i>Less</i> : Deduction u/s 24 @ 30% of Rs.25,000		7,500	17,500
III	Income from profession			
	Net profit as per Income and Expenditure account		4,40,400	
	<i>Less</i> : Items of income to be treated separately			
	(i) Rent received	27,000		
	(ii) Dividend from units of UTI	10,500		
	(iii) Winning from game show on T.V.(net of TDS)	35,000		
	(iv) Income tax refund	5,450	77,950	
			3,62,450	
	<i>Less</i> : Allowable expenditure			
	Depreciation on Clinic equipments			
	on Rs.5,00,000 @ 15%	75,000		
	on Rs.2,00,000 @ 7.5%	15,000		
	(On equipments acquired during the year in December 2017 she is entitled to depreciation @ 50% of normal depreciation, since the same are put to use for less than 180 days during the year)			

	Additional deduction of 50% for amount paid to scientific research association (Since weighted deduction of 150% is available in respect of such payment)	75,000	1,65,000	
			1,97,450	
	<i>Add:</i> Items of expenditure not allowable while computing business income			
	(i) Rent for her residential accommodation included in Income and Expenditure A/c	30,000		
	(ii) Municipal tax paid relating to residential house at Surat included in administrative expenses	2,000	32,000	2,29,450
IV	Income from other sources			
	(a) Interest on income-tax refund		450	
	(b) Dividend from UTI	10,500		
	Particulars	Rs.	Rs.	Rs.
	Less : Exempt under section 10(35)	10,500	Nil	
	(c) Winnings from the game show on T.V. (Rs. 35,000 + Rs. 15,000)		50,000	50,450
	Gross Total Income			3,87,400
	Less: Deductions under Chapter VI A:			
	(a) Section 80C - Tuition fee paid to university for full time education of her daughter		1,00,000	
	(b) Section 80D - Medical insurance premium (fully allowed since she is a senior citizen)		28,000	
	(c) Section 80E - Interest on loan taken for higher education is deductible		55,000	1,83,000
	Total income			2,04,400

Notes:

- ① The principal amount received towards income-tax refund will be excluded from computation of total income. Interest received will be taxed under the head “Income from other sources”.

- (i) Winnings from game show on T.V. should be grossed up for the chargeability under the head "Income from other sources" (Rs. 35,000 + Rs. 15,000). Thereafter, while computing tax liability, TDS of Rs.15,000 should be deducted to arrive at the tax payable. Winnings from game show are subject to tax @30% as per section 115BB.
- (ii) Since Dr. Niranjana is staying in a rented premise in Surat itself, she would not be eligible for deduction u/s 80GG, as she owns a house in Surat which she has let out.

(B)

Computation of Gross Total Income of Mr. Soohan for the A.Y. 2018-19

Particulars	Rs.	Rs.
Salaries		
Income from salary	3,00,000	
Less: Loss from house property set-off against salary income as per section 71	(40,000)	2,60,000
Profits and gains of business or profession		
Income from sugar business	50,000	
Less: Brought forward loss from iron-ore business set-off as per section 72(1)	(50,000)	Nil
Balance business loss of Rs. 70,000 of P.Y. 2012-13 to be carried forward to A.Y. 2019-20		
Capital gains		
Long term capital gain	40,000	
Less: Short term capital loss set-off	(40,000)	Nil
Balance short-term capital loss of Rs. 20,000 to be carried forward		
Short-term capital loss of Rs. 10,000 under section 111A also to be carried forward		
Particulars	Rs.	Rs.
Income from other sources		
Winnings from lottery	50,000	
Winnings from card games	6,000	
Bank interest	5,000	61,000
Gross Total Income		3,21,000

Losses to be carried forward to A. Y.2019-20		
Loss of iron-ore business	70,000	
Short term capital loss (Rs. 20,000 + Rs. 10,000)	30,000	

Notes:

- The following income are exempt under section 10 –
 - Dividend income [Exempt under section 10(34)], assuming that dividend is received from a domestic company.
 - Agricultural income [Exempt under section 10(1)].
 - Long-term capital gains on which STT is paid [Exempt under section 10(38)].
- It is presumed that loss from iron-ore business relates to P.Y. 2012-13, the year in which the business was discontinued.

Answer 2:

(A)

	Taxable / Not Taxable	Amount liable to tax (Rs.)	Reason
(i)	Taxable	7,00,000	As per section 9(1)(iii), salaries payable by the Government to a citizen of India for services rendered outside India shall be deemed to accrue or arise in India. Therefore, salary paid by Central Government to Mr. John for services rendered outside India would be deemed to accrue or arise in India since he is a citizen of India.
(ii)	Taxable	5,00,000	As per section 9(1)(v)(c), interest payable by a non-resident on moneys borrowed and used for the purposes of business carried on by such person in India shall be deemed to accrue or arise in India in the hands of the recipient.
(iii)	Partly Taxable	Nil	The interest on Post Office Savings Bank Account, would be exempt under section 10(15)(i), only to the extent of Rs. 3,500 in case of an individual account. The remaining Rs. 8,500, being less than Rs. 10,000, would be allowed as a deduction under section 80TTA from Gross Total Income.
(iv)	Not Taxable	-	Royalty paid by a resident to a non-resident in respect of a business carried outside India would not be taxable in the hands of the non-resident provided the same is not received in India. This has been provided as an exception to the deemed accrual mentioned in section 9(1)(vi)(b).
(v)	Taxable	5,00,000	In case of a non-resident, any income which accrues or arises in India or which is deemed to accrue or arise in India or which is received in India or is deemed to be received in India is taxable in India.

(B) Deduction allowable under section 80D for the A.Y. 2018-19

	Particulars	Actual Payment	Maximum deduction allowable
A.	Premium paid and medical expenditure incurred for self and spouse		
(i)	Medical insurance premium paid for self and spouse	20,000	20,000
(ii)	Contribution to CGHS	3,600	3,600
(iii)	Exp. on preventive health check-up of self & spouse	3,000	1,400
		26,600	25,000
B.	Premium paid and medical expenditure incurred for father, who is a senior citizen		
(i)	Medi-claim premium paid for father, who is over 60 years of age	27,000	27,000
(ii)	Expenditure on preventive health check-up of father	4,000	3,000
		31,000	30,000
	Total deduction under section 80D (25,000 + 30,000)		55,000

(C) In this case, the individual contract payments made to Mr. X does not exceed Rs. 30,000. However, since the aggregate amount paid to Mr. X during the P.Y.2017-18 exceeds Rs. 1,00,000 (on account of the last payment of Rs. 30,000, due on 1.3.2018, taking the total from Rs. 73,000 to Rs. 1,03,000), the TDS provisions under section 194C would get attracted. Tax has to be deducted @1% on the entire amount of Rs. 1,03,000 from the last payment of Rs. 30,000 and the balance of Rs. 28,970 (i.e., Rs. 30,000 – Rs. 1,030) has to be paid to Mr. X.

(D)

S.No.	Taxable/ Not Taxable	Amount liable to tax	Reason
(i)	Partly taxable	36,000	Under section 10(14), any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of daily allowance. This exemption is 70% of such allowance (i.e., Rs. 7,000 p.m., being 70% of Rs. 10,000) or Rs 10,000 per month, whichever is less. Hence, Rs. 84,000 (i.e., Rs. 7,000 x 12) is allowable as deduction under section 10(14). Balance Rs.

			36,000 (Rs. 1,20,000 – Rs. 84,000) shall be taxable.
(ii)	Partly taxable	2,50,000	As per section 115BBDA, dividend in excess of Rs. 10,00,000 would be chargeable to tax @10% in the hands of, inter alia, an individual, resident in India. Section 10(34) exempts dividend distributed by domestic companies in the hands of recipient, since the same has been subject to dividend distribution tax under section 115-O in the hands of the company. However, the amount of dividend which is chargeable to tax under section 115BBDA would not be exempt under section 10(34). Accordingly, dividend received upto Rs. 10 lakhs would be exempt under section 10(34) in the hands of Ms. Ishita. However, dividend in excess of Rs. 10 lakhs i.e., Rs. 2.50 lakhs would be chargeable to tax @10%.

Answer 3:

(A) Computation of income chargeable under the head “Capital Gains” for A.Y.2018-19

Particulars	Rs. (in lakhs)	Rs. (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration Rs. 700 lakhs		
Value adopted by Stamp Valuation Authority Rs. 770 lakhs		
Gross Sale consideration		770.00
[In case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		
In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since advance of Rs. 20 lakh is paid by cash, stamp duty value of Rs. 740 lakhs on the date of agreement cannot be adopted as the full value of consideration. Stamp duty value on the date of registration would be the full value of consideration]		
Less: Brokerage @1% of sale consideration (1% of Rs. 700 lakhs)		7.00
Net Sale consideration		763.00
Less: Indexed cost of acquisition		
- Cost of vacant land, Rs. 80 lakhs, plus registration and other expenses i.e., Rs. 8 lakhs, being 10% of cost of land [Rs. 88 lakhs × 272/113]	211.82	

-Construction cost of residential building (Rs.100 lakhs x272/122)	222.95	
Long-term capital gains before exemption		434.77
Less: Exemption under section 54		328.23
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of		110.00

(B) Significant Differences between TDS and TCS

	TDS	TCS
(1)	TDS is tax deduction at source	TCS is tax collection at source.
(2)	Person responsible for paying is required to deduct tax at source at the prescribed rate.	Seller of certain goods or provider of services is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants licence or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
(3)	Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in certain cases, tax is required to be deducted at the time of payment. For e.g., in case of payment of salary, payment in respect of life insurance policy	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of motor vehicle of the value exceeding Rs. 10 lakhs, tax collection at source is required at the time of receipt of sale consideration.

(C) Self-assessment means where any tax is payable on the basis of any return required to be furnished under, inter alia, section 139, after taking into account –

- a) the amount of tax, already paid, under any provision of the Income-tax Act, 1961
- b) the tax deducted or collected at source

the assessee shall be liable to pay such tax together with interest and fees payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return.

Where the amount paid by the assessee under section 140A(1) falls short of the aggregate of the tax, interest and fees as aforesaid, the amount so paid shall first be adjusted towards the fees payable and thereafter towards interest and the balance shall be adjusted towards the tax payable.

(D) (i) Computation of depreciation under section 32 for Mr. X for A.Y. 2018-19

Particulars	Rs. (in crores)
Plant and machinery acquired on 01.06.2017	30.000
Plant and machinery acquired on 01.11.2017	25.000
WDV as on 31.03.2018	55.000
Less: Depreciation @ 15% on Rs. 30 crore	4.500
Depreciation @ 7.5% (50% of 15%) on Rs. 25 crore	1.875
Additional Depreciation@35% on Rs. 30 crore	10.500
Additional Depreciation@17.5% (50% of 35%) on Rs. 20 crore	3.500
	20.375
WDV as on 01.04.2018	34.625

Computation of deduction under section 32AD for Mr. X for A.Y. 2018-19

Particulars	Rs. (in crores)
Deduction under section 32AD @ 15% on Rs. 50 crore	7.50
Total benefit	7.50

Notes:

- (1) As per the second proviso to section 32(1)(ii), where an asset acquired during the previous year is put to use for less than 180 days in that previous year, the amount deduction allowable as normal depreciation and additional depreciation would be restricted to 50% of amount computed in accordance with the prescribed percentage.
Therefore, normal depreciation on plant and machinery acquired and put to use on 1.11.2017 is restricted to 7.5% (being 50% of 15%) and additional depreciation is restricted to 17.5% (being 50% of 35%).
- (2) The balance additional depreciation of Rs. 3.5 crore, being 50% of Rs. 7 crore (35% of Rs. 20 crore) would be allowed as deduction in the A.Y.2019-20.
- (3) As per section 32(1)(ia), additional depreciation is allowable in the case of any new machinery or plant acquired and installed after 31.3.2005 by an assessee engaged, *inter alia*, in the business of

manufacture or production of any article or thing. In this case, since new plant and machinery acquired was installed by a manufacturing unit set up in a notified backward area in the State of Telengana, the rate of additional depreciation is 35% of actual cost of new plant and machinery. Since plant and machinery of Rs. 20 crore was put to use for less than 180 days, additional depreciation@17.5% (50% of 35%) is allowable as deduction. However, additional depreciation shall not be allowed in respect of second hand plant and machinery of Rs. 5 crore.

Likewise, the benefit available under sections 32AD would not be allowed in respect of second hand plant and machinery.

Accordingly, additional depreciation and investment allowance under sections 32AD have not been provided on Rs. 5 crore, being the actual cost of second hand plant and machinery acquired and installed in the previous year.

Answer 4:

(A)

- (i) As per *Explanation 3* to section 40(b), "book profit" shall mean the net profit as per the profit and loss account for the relevant previous year computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the remuneration paid or payable to the partners of the firm if the same has been already deducted while computing the net profit.

In the present case, the net profit given is before deduction of depreciation on plant and machinery, interest on capital of partners and salary to the working partners. Therefore, the book profit shall be as follows:

Computation of Book Profit of the firm under section 40(b)

Particulars	Rs.	Rs.
Net Profit (before deduction of depreciation, salary and interest)		6,00,000
Less: Depreciation under section 32 (See note below)	NIL	
Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (5,00,000 × 12%)	60,000	60,000
Book Profit		5,40,000

Note: As per second proviso to section 43(1), the expenditure for acquisition of asset, in respect of which payment to a person in a day exceeds Rs. 10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on plant and machinery purchased on 15.7.2017 is not allowable since the payment is made otherwise than by A/c payee cheque/ A/c payee draft/ ECS to a person in a day.

- (ii) Salary actually paid to working partners = Rs. 20,000 × 2 × 12 = Rs. 4,80,000.
- (iii) As per the provisions of section 40(b)(v), the salary paid to the working partners is allowed subject to the following limits –

On the first Rs. 3,00,000 of book profit or in case of loss	Rs. 1,50,000 or 90% of book profit, whichever is more
On the balance of book profit	60% of the balance book profit

Therefore, the maximum allowable working partners' salary for the A.Y. 2018-19 in this case would be:

Particulars	Rs.
On the first Rs.3,00,000 of book profit [(Rs.1,50,000 or 90% of Rs. 3,00,000) whichever is more]	2,70,000
On the balance of book profit [60% of (Rs. 5,40,000 - Rs. 3,00,000)]	1,44,000
Maximum allowable partners' salary	4,14,000

Hence, allowable working partners' salary for the A.Y. 2018-19 as per the provisions of section 40(b)(v) is Rs. 4,14,000.

(B) Mr. A is an employee of X Ltd. And has 25% shares of X Ltd i.e. a substantial interest in the company. His wife is working in the same company without any professional qualifications for the same. Thus, by virtue of Section 64(1)(II) of the Act, the salary received by Mrs. A from X Ltd. Will be clubbed in the hands of Mr. A.

Computation of Gross total income of Mr. A

Particulars	Rs.
Salary received by Mr. A (Rs.50,000 × 12)	6,00,000
Salary received by Mrs. A (Rs.30,000 × 12)	3,60,000
Gross total income	9,60,000

The gross total income of Mrs. A is nil.

(c)

Assessment Year

The term has been defined under section 2(9). This means a period of 12 months commencing on 1st April every year. The year in which income is earned is the previous year and such income is taxable in the immediately following year which is the assessment year.

Previous Year

The term has been defined under section 3. It means the financial year immediately preceding the assessment year.

Business or profession newly set up during the financial year - In such a case, the previous year shall be the period beginning on the date of setting up of the business or profession and ending with 31st March of the said financial year.

If a source of income comes into existence in the said financial year, then the previous year will commence from the date on which the source of income newly comes into existence and will end with 31st March of the financial year.

(D) The following persons are authorized as per section 140, to verify the return of income filed under section 139:

S.No.	Person	Authorized to verify return
(I)	Local Authority	The principal officer
(II)	Association of persons	Any member of the association or the principal officer of such association
(III)	Firm where there is no managing partner	Any partner of the firm, not being a minor

(E) Since Ms. Geetha has income only under the heads “Salaries”, “Income from house property” and “Income from other sources”, she does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961. Therefore, the due date of filing return for A.Y.2018-19 under section 139(1), in her case, is 31st July, 2018. Since Ms. Geetha had submitted her return only on 29.9.2018, the said return is a belated return under section 139(4).

As per section 139(5), a return furnished under section 139(1) or a belated return u/s 139(4) can be revised, if she discovers any omission or wrong statement therein. Thus, a belated return under section 139(4) can also be revised. Therefore, Ms. Geetha can revise the return of income filed by her under section 139(4) in February 2019, to claim deduction under section 80D, since the time limit for filing a revised return is upto the end of the relevant assessment year, which is 31.03.2019.

Answer 5:

(A) Computation of Gross Total Income of Mr. X for A.Y. 2018-19

Particulars	Rs.
Basic Salary = 20,000 x 10	2,00,000
Dearness Allowance = 50% of basic salary	1,00,000
Gift Voucher(See Note - 2)	1,000
Transfer of car (See Note - 3)	56,000
Gratuity (See Note - 4)	80,769
Leave encashment (See Note - 5)	30,000
Uncommuted pension (5000 x 2)	10,000
Commuted pension (See Note - 6)	1,50,000
Taxable Salary /Gross Total Income	6,27,769

Note 1 : Dearness Allowance is assumed to be forming part of retirement benefits

Note 2 As per Rule 3(7)(iv), gifts in excess of Rs. 5000 is fully taxable

Note 3 Rule 3(7)(viii) In case of transfer of movable asset being car, notional depreciation is to be reduced at 20% W.D.V. basis for every completed year.

Particulars	Rs.
Purchase price (1.2.2015)	5,00,000
Less: Depreciation @ 20%	1,00,000
WDV on 31.1.2016	4,00,000
Less: Depreciation @ 20%	80,000
WDV on 31.1.2017	3,20,000
Less: Depreciation @ 20%	64,000
WDV on 31.1.2018	2,56,000
Less: Amount recovered	2,00,000
Value of perquisite	56,000

Note 4

Gratuity is received by non government employee at time of retirement who is covered by Payment of Gratuity Act.

Particulars	Rs.
Gratuity received	6,00,000
Less: Exempt under section 10(10)-Least of the following:	
(i) Notified limit= 10,00,000	
(ii) Actual gratuity= 6,00,000	
(iii) $15/26 \times \text{Rs.}30,000 \times 30 = \text{Rs.}5,19,231$	5,19,231
Taxable Gratuity	80,769

For this calculation, salary would mean basic and dearness allowance.

Note 5

Taxable leave encashment

Particulars	Rs.
Leave Salary received	3,30,000
Less: Exempt under section 10(10AA)-Least of the following:	
(i) Notified limit 3,00,000	
(ii) Actual leave salary 3,30,000	

(iii) 10 months x20,000	3,00,000	
(iv) Cash equivalent of leave to his credit	3,00,000	
For 11 months, 30000 per month		3,00,000
Taxable Leave encashment		30,000

Note 6: Commuted Pension

Since Mr. X is a non-government employee in receipt of gratuity, exemption under section 10 (10A) would be available to the extent of 1/3rd of the amount of the pension which he would have received had he commuted the whole of the pension.

Particulars	Rs.
Amount received	3,00,000
Exemption under section 10(10A)	1,50,000
Taxable amount	1,50,000

Note 7: The tax liability provisions under section 56(2) (x) are not attracted in respect of television received from colleagues, since television is not included in the definition of property therein.

(B)

Computation of income-tax liability for the A.Y.2018-19

Particulars	Mr. A (age 45)	Mrs. B (age 62)	Mr. C (age 81)	Mr. D (age 82)
Residential Status	Resident	Non-resident	Resident	Non-resident
Applicable basic exemption limit	2,50,000	2,50,000	5,00,000	2,50,000
Asset sold	Vacant site	Listed shares (STT paid on both sale and purchase of shares)	Rural agricultural land	-

Long-term capital gain (on sale of above asset)	15,000 [Taxable@20% u/s 112]	10,000 [exempt u/s 10(38)]	60,000 (Exempt– not a capital asset)	-
Other income	2,40,000	2,80,000	5,90,000	4,80,000
Tax liability				
On LTCG (after adjusting Basic Exemption limit)	1,000	-	-	-
On Other income	Nil	1,500	18,000	11,500
Less: Rebate u/s 87A	1,000	1,500	18,000	11,500
	1,000			
	Nil			
Add: Education cess @2% & SHEC@1%	Nil	45	540	345
Total tax liability	Nil	1,545	18,540	11,845

Notes:

1. Since Mrs. B and Mr. D are non-residents, they cannot avail the higher basic exemption limit of 3,00,000 and 5,00,000 for persons over the age of 60 years and 80 years, respectively.
2. Since Mr. A is a resident whose total income does not exceed 3.5lakhs, he is eligible for rebate of 2,500 or the actual tax payable, whichever is lower, under section 87A.

Answer 6:

(A) COMPUTATION OF INCOME FROM HOUSE PROPERTY FOR MR. PREMFOR P.Y. 2017-18/A.Y. 2018-19.

Particulars	Amount (rs)	Amount (rs)
Gross Annual Value (Note 1)	200000	
Less : Taxes paid by owner to LA (8 % of 250000)	Nil	
Net Annual Value		200000
Less : 24(a) 30% Standard Deduction	60000	
Less : 24(b) Interest Deduction	40000	
Total		100000
INCOME FROM HOUSE PROPERTY		100000

Note 1

Step 1 : Actual Rent 135000

Fair Rental Value 200000

Whichever is higher 200000

In question FRV is given for only let out period. So for 12 months, FRV is Rs. 2 lacs

(B) (i) If unit in SEZ was set up and began manufacturing from 20-07-2009:

Since A.Y. 2018-19 is the 9th assessment year from A.Y. 2010-11, relevant to the previous year 2009-10, in which the SEZ unit began manufacturing of articles or things, he shall be

eligible for deduction of 50% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled .

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$= 75 \text{ lakhs} \times \frac{300 \text{ lakhs}}{450 \text{ lakhs}} \times 50\% = \text{Rs. 25 lakhs}$$

(ii) If Unit in SEZ was set up and began manufacturing from 04-10-2015:

Since A.Y.2018-19 is the 3rd assessment year from A.Y. 2016-17, relevant to the previous year 2015-16, in which the SEZ unit began manufacturing of articles or things, he shall be eligible for deduction of 100% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 100\%$$

$$= 75 \text{ lakhs} \times \frac{300 \text{ lakhs}}{450 \text{ lakhs}} \times 100\% = \text{Rs. 50 lakhs}$$

The unit set up in Domestic Tariff Area is not eligible for the benefit of deduction under section 10AA in respect of its export profits, in both the situations.

Working Note:

Computation of total sales, export sales and net profit of unit in SEZ.

Particulars	Rajkumar Proprietors hip (Rs.)	Unit in DTA (Rs.)	Unit in SEZ (Rs.)
Total Sales	7,50,00,000	3,00,00,000	4,50,00,000
Export Sales	4,50,00,000	1,50,00,000	3,00,00,000
Net Profit	90,00,000	15,00,000	75,00,000

(C)

Where a person, entering into any transaction referred to in this rule, is a minor and who does not have any income chargeable to income-tax, he shall quote the PAN of his father or mother or guardian, as the case may be, in the document pertaining to the said transaction.

(D)

Determination of Residential Status of Mr. Brett Lee for the A.Y. 2018-19:-

Step 1

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:

He has been in India during the previous year for a total period of 182 days or more, or

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.

Step 2

Period of stay during previous year 2017-18 = 100 days

Calculation of period of stay during 4 preceding previous years (100x4=400days)

2016-17	100 days
2015-16	100 days
2014-15	100 days
2013-14	100 days
Total	400 days

Step 3

Mr. Brett Lee has been in India for a period more than 60 days during previous year 2017-18 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 2018-19.

Step 4

A not-ordinarily resident person is one who satisfies any one of the conditions specified under section 6(6), i.e., If such individual has been non-resident in India in any 9 out of the 10 previous years preceding the relevant previous year, or

If such individual has during the 7 previous years preceding the relevant previous year been in India for a period of 729 days or less.

Step 5

Computation of period of stay during 7 preceding previous years=100x7=700days

2016-17	100 days
2015-16	100 days

2014-15	100 days
2013-14	100 days
2012-13	100 days
2011-12	100 days
2010-11	100 days
Total	700 days

Step 6

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 2018-19. Therefore, Mr. Brett Lee is a resident but not ordinarily resident during the previous year 2017-18 relevant to the assessment year 2018-19.