

Answer 1

Computation of Gross Total Income of Mr. X for A.Y. 2018-19 (2 mark)

Particulars	₹
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 **(1/2 mark)**

Note 2 : As per Rule 3(7)(iv), gifts in excess of Rs. 5000 is fully taxable**(1/2 mark)**

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. **(2 mark)**

Particulars	₹
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. **(2 mark)**

Particulars	₹
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) $15/26 \times ₹ 30,000 \times 30 = ₹ 5,19,231$	5,19,231
Taxable Gratuity	80,769

For this calculation, salary would mean basic and dearness allowance

Note 5 : Taxable leave encashment(2 mark)

Particulars	₹
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 x 20,000	3,00,000
(iv) Cash equivalent of leave to his credit	3,00,000
	3,00,000
For 11 months, 30000 per month	
Taxable Leave encashment	30,000

Note 6 : Commuted Pension(2 mark)

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

Note 7 : The taxability 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. (1 mark)

Answer 2

Computation of the value of perquisites chargeable to tax in the hands of Mr. Y for the A.Y.2018-19 (5 marks)

	Particulars	Amount in ₹	
(1)	Value of concessional accommodation		
	Actual amount of lease rental paid by X Ltd.	1,80,000	
	15% of salary i.e., 15% of 10,00,000	1,50,000	
	Lower of the above		1,50,000
	Less: Rent paid by Mr. Y (5,000 × 12)		60,000
			90,000
	Add: Hire charges paid by X Ltd. for furniture provided for the use of Mr. Y (3,000 × 12)		36,000
			1,26,000
(2)	Perquisite value of Santro car owned by X Ltd. and provided to Mr. Y for his personal and official use [(1,800 + 900) × 12]		32,400
(3)	Value of gift voucher		5,000
	Value of perquisites chargeable to tax		1,63,400

Note 1 : Rule 3(1) : House is provided to Non Govt Employee which is taken on lease by employer. As per Rule 3(7)(vii), furniture value is also taxable (1 mark)

Note 2 : Rule 3(2) : Motor car is provided by employer for personal and official use. Moreover running repairs and maintainance exp is also given by employer alongwith chauffeur. **(1 mark)**

Note 3 : As per Rule 3(7)(iv), gifts in excess of Rs. 5000 is fully taxable **(1 mark)**

Answer 3

Computation of Income From House Property For Mr. Ganesh for P.Y. 2017-18 / A.Y. 2018-19 (6 marks)

Particulars	Amount (rs)	Amount (rs)
Gross Annual Value (Note 1)	180000	
Less : Taxes paid by owner to LA (8 % of 250000)	20000	
Net Annual Value		160000
Less : 24(a) 30% Standard Deduction	48000	
Less : 24(b) Interest Deduction	65000	
Total		113000
INCOME FROM HOUSE PROPERTY		47000

Note 1 (2 marks)

Step 1 : Municipal Value 250000
 Fair Rental Value 200000
 Whichever is higher 250000

Step 2 : Step 1 250000
 Standard Rent 210000
 Whichever is lower (ER) 210000

Step 3 Actual Rent 200000
 Expected Rent 210000

Step 4 As Actual rent is lower than expected rent, because of two month's vacancy, assume that there had been no vacancy, rent receivable would have been 240000/-

Step 5 As rent receivable is more than expected rent, probable GAV is Rs. 200000. Thereafter as rule 4 is satisfied, we would reduce Unrealised Rent. So GAV is Rs. 180000/-.

This is a case of vacancy as well as unrealized rent. In every case, we will reduce unrealized rent from actual rent. But to take the benefit of vacancy, in this case we reduce unrealized rent from probable GAV.

Answer 4

**COMPUTATION OF INCOME FROM HOUSE PROPERTY FOR MR. PREM
 FOR P.Y. 2017-18/A.Y. 2018-19 (6 marks)**

Particulars	LOP (2/3)	SOP (1/3)
Gross Annual Value (Note 2)	100000	NIL
Less : Taxes paid by owner to LA (10 % of 100000)	10000	NOT ALLOWED
Net Annual Value	90000	NIL
Less : 24(a) 30% Standard Deduction	27000	NIL
Less : 24(b) Interest Deduction	40000	80000
Total	23000	(80000)

INCOME FROM HOUSE PROPERTY	(57000)
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Note 1 As per Section 23, if portion of the house is partly let out and partly self occupied, calculation is to be done area wise.

Note 2 (2 marks)

Step 1 : Municipal Value	100000
Fair Rental Value	90000
Whichever is higher	100000

Step 2 : Step 1	100000
Standard Rent	110000
Whichever is lower (ER)	100000

Step 3 Actual Rent	96000
Expected Rent	100000

Answer 5 (1 mark for each point)

The residential status of Mrs. Geetha and Mrs. Leena has to be determined on the basis of the number of days of their stay in India. Since Mrs. Geetha is settled in Malaysia since 1986, she would be a non-resident for A.Y. 2018-19. Her visit to India for a month every year would not change her residential status. However, Mrs. Leena would be resident and ordinarily resident for A.Y. 2018-19, since she is settled in India permanently since 1994.

Based on their residential status, the total income of Mrs. Geetha and Mrs. Leena would be determined as follows:

Computation of total income of Mrs. Geetha & Mrs. Leena for the A.Y. 2018-19

S. No.	Particulars	Mrs. Geetha (Non-Resident) (₹)	Mrs. Leena (Resident) (₹)
1.	Income from profession in Malaysia (set up in India) received there (Note 1)	-	-
2.	Profit from business in Delhi, but managed directly from Malaysia (Note 1)	40,000	-
3.	Rent (computed) from property in Malaysia deposited in a Bank at Malaysia, later on remitted to India through approved banking channels (Note 1)	-	-
4.	Dividend from PQR Ltd. an Indian Company [Exempt under section 10(34)]	-	-
5.	Dividend from Malaysian Company received in Malaysia (Note 1)	-	8,000
6.	Cash gift received from a friend on Mrs. Leena's 50 th birthday Note: As per section 56(2)(x), cash gifts received from a non-relative would be taxable, if the amount exceeds ₹ 50,000 in aggregate during the previous year.	-	51,000
7.	Agricultural income from land in Maharashtra [Exempt under section 10(1), both in the hands of non-resident and resident].	-	-
8.	Past foreign untaxed income brought to India [Not taxable, since it does not represent income of the	-	-

P.Y.2017-18].			
9.	Fees for technical services rendered in India, but received in Malaysia (Note 1)	25,000	-
10.	Income from a business in Pune (Mrs. Geetha receives 50% of the income in India) (Note 2)	12,000	15,000
11.	Interest on debentures in an Indian company (Mrs. Geetha received the same in Malaysia) (Note 2)	18,500	14,000
12.	Short-term capital gain on sale of shares of an Indian company (Note 2)	15,000	25,500
13.	Interest on savings account with SBI (Note 2)	12,000	8,000
Gross Total income		1,22,500	1,21,500
<i>Less: Deductions under Chapter VIA</i>			
	- Section 80C [Life insurance premium paid] [Assuming that premium paid is within the specified percentage (10%/20%, as the case may be) of capital sum assured]	-	30,000
	- Section 80TTA	10,000	8,000
	(In case of an individual, interest upto ` 10,000 from savings account with, inter alia, a bank is allowable as deduction under section 80TTA)		
Total Income		1,12,500	83,500

Notes :

- 1) As per Section 5, a non resident is taxed in India either on income accrued in India or received in India. So income from profession in Malaysia is not taxable but profits from business in Delhi is taxable as Income is accruing in India.
- 2) As per Section 5, Income accruing or arising in India is taxed irrespective of Residential status
