

**TOPICS : Basic Concepts, Residence and Scope of Total Income, & Salary**

**NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.**

**(2) NEW QUESTION SHOULD BE ON NEW PAGE**

**QUESTION NO.1**

- A. Mr. Dutta received voluntary retirement compensation of Rs. 7,00,000 after 30 years 4 months of service. He still has 6 years of service left. At the time of voluntary retirement, he was drawing basic salary Rs. 20,000 p.m.; Dearness allowance (which forms part of pay) Rs. 5,000 p.m. **Compute his taxable voluntary retirement compensation, assuming that he does not claim any relief under section 89.**

**(5 MARKS)**

- B. **Compute the tax liability** of Mr. D (aged 37), having total income of Rs. 5,01,00,000 for the Assessment Year 2020-21. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit.

**(5 MARKS)**

**QUESTION NO.2**

- A. X earns the following income during the financial year 2019 – 20 :

Particulars	Rs.
(a) Interest from and Indian company received in London	1,20,000
(b) Pension from former employer in India received in USA.	1,80,000
(c) Profits earned from a business in Paris which is controlled in India, half of the profits being received in India initially	2,00,000
(d) Income from agriculture in Bhutan and remitted to India.	1,25,000
(e) Income from property in England received there.	4,00,000
(f) Past foreign income brought to India.	10,000

**Compute his income for the assessment year 2020 – 21 if X is :**

- (i) Resident and ordinarily resident in India.  
(ii) Non – resident in India.

**(4 MARKS)**

- B. Mr. Ram, an Indian citizen, left India on 22.09.2019 for the first time to work as an officer of a company in Germany. **Determine the residential status of Ram for the assessment year 2020-21.**

### QUESTION NO.3

Mr. X retired from the services of M/s Y Ltd. on 31.01.2020, after completing service of 30 years and one month. He had joined the company on 1.1.1990 at the age of 30 years and received the following on his retirement:

- (i) Gratuity Rs. 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
- (ii) Leave encashment of Rs. 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
- (iii) As per the scheme of the company, he was offered a car which was purchased on 30.01.2017 by the company for Rs. 5,00,000. Company has recovered Rs. 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
- (iv) An amount of Rs. 3,00,000 as commutation of pension for 2/3 of his pension commutation.
- (v) Company presented him a gift voucher worth Rs. 6,000 on his retirement.

Following are the other particulars:

- (i) He has drawn a basic salary of Rs. 20,000 and 50% dearness allowance per month for the period from 01.04.2019 to 31.01.2020.
- (ii) Received pension of Rs. 5,000 per month for the period 01.02.2020 to 31.03.2020 after commutation of pension.

**Compute his gross total income from the above for Assessment Year 2020-21.**

**(12 MARKS)**

### QUESTION NO.4

1. For the purposes of computing exemption under section 10(10), in case of Mr. Anand, an employee of ABC Ltd., who is covered by the Payment of Gratuity Act, 1972, "salary" includes – **(1 M)**
  - (a) only basic pay
  - (b) basic pay and dearness allowance, if provided in the terms of employment
  - (c) basic pay and dearness allowance
  - (d) basic pay, dearness allowance and commission as a fixed percentage of turnover
2. Short term capital gains on sale of shares of an Indian company received in Australia is taxable in case of – **(1 M)**
  - (a) resident and ordinarily resident only
  - (b) both resident and ordinarily resident and resident but not ordinarily resident
  - (c) non-resident only
  - (d) All the above
3. In respect of a non-resident assessee, who is of the age of 60 years or more but less than 80 years at any time during the previous year 2019-20, - **(1 M)**
  - (a) Basic exemption of Rs. 2,50,000 is available
  - (b) Basic exemption of Rs. 3,00,000 is available
  - (c) Basic exemption of Rs. 5,00,000 is available
  - (d) No basic exemption limit would be available

4. The entertainment allowance received by a Government employee is exempt up to the lower of the actual entertainment allowance received,  $\frac{1}{5}$ <sup>th</sup> of basic salary and- **(1 M)**  
(a) Rs. 4,000            (b) Rs. 6,000            (c) Rs. 5,000            (d) Rs. 10,000
5. Provision of rent free accommodation and motor car owned by Beta Ltd. to its employee Mr. Anand, where motor car is allowed to be used by Mr. Anand both for official and personal purposes, is a - **(2 M)**  
(a) perquisite taxable in case of all employees  
(b) perquisite taxable only in case of specified employees  
(c) perquisite of rent free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees  
(d) perquisite of rent free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees
6. Raman was employed in Hindustan Lever Ltd. He received a salary of Rs. 40,000 p.m. from 1.4.2019 to 27.09.2019. He resigned and left for Dubai for the first time on 01.10.2019 and got salary of rupee equivalent of Rs. 80000 p.m. from 01.10.2019 to 31.03.2020. His salary for October to December 2019 was credited in his Dubai bank account and the salary for January to March 2020 was credited in his Bombay account directly. He is liable to tax in respect of – **(2 M)**  
(a) Income received in India from Hindustan Lever Ltd.  
(b) Income received in India and in Dubai  
(c) Income received in India from Hindustan Lever Ltd. and income directly credited in India.  
(d) Income received in Dubai
7. Where the total income of an artificial juridical person is Rs. 4,10,000, the income-tax payable is Rs..... and surcharge payable is Rs. .... **(2 M)**  
(a) Rs. 8,000; surcharge – nil.  
(b) Rs. 16,000; surcharge – nil.  
(c) nil; surcharge – nil  
(d) Rs. 1,23, 000; surcharge – Rs. 6,150