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CA FINAL

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Answers

Division A – Multiple Choice Questions

1.

MCQ No.	Sub Part	Most Appropriate Answer
1.	**(i)**	(b)
	(ii)	(a)
	(iii)	(c)
	(iv)	(b)

MCQ No.	Most Appropriate Answer
2	(d)
3	(c)
4	(c)
5	(a)
6	(d)
7	(b)
8	(a)
9	(b)
10	(c)
11	(b)
12	(b)
13	(c)
14	(b)

Q.1

Particulars		
Net profit as per profit and loss account		2,00,00,000
Add : Depreciation on SLM basis debited to profit and loss account	20,00,000	
Salary and purchase of materials for in-house research and development, considered separately u/s 35(2AB) [See Note 1]	10,00,000	
Legal expenses for issue of rights shares [See Note 2]	2,00,000	
Under valuation of stock [₹ 40 lakhs - ₹ 30 lakhs] x 10/90 [See Note 3]	1,11,111	
Secret commission [See Note 4]	8,00,000	
Payment in connection with voluntary retirement [See Note 5]	12,00,000	
Provision for doubtful debts [See Note 6]	30,00,000	
Amount paid to contractor without deduction of tax at source [See Note 7]	12,00,000	
Donation given to political party [See Note 8]	8,00,000	1,03,11,111
Less: Deduction for in-house scientific research u/s 35(2AB) [See Note 1]	52,50,000	
Bad debts actually written off [See Note 6]	15,00,000	
Depreciation as per section 32 [See Note 9]	23,67,500	(91,12,500)
Business Income / Gross Total Income		21,198,611
Less: Deduction under Chapter VI-A		
u/s 80GGB [See Note 8]		Nil
Total Income		**21,198,611**

1. Both revenue and capital expenditure (other than expenditure on land and building) on in-house scientific research approved by the prescribed authority is eligible for weighted deduction @ 150% u/s 35(2AB) in case of, *inter alia*, a company engaged in manufacture or production of an article or thing.

In this case, the revenue expenditure on scientific research is ₹10 lakhs (salary and purchase of materials) and capital expenditure (i.e. machinery) on scientific research is ₹ 25 lakhs. The total expenditure of ₹ 35 lakhs qualifies for weighted

deduction @ 150% u/s 35(2AB), since the research and development facility is approved by the prescribed authority. Hence, the eligible deduction u/s 35(2AB) is ₹ 52.5 lakhs, being 150% of ₹ 35 lakhs.

2. There is no fresh inflow of funds or increase in capital employed on account of issue of bonus shares and there is only reallocation of the company's fund. Consequently, since there is no increase in the capital base of the company, legal expenses in connection with issue of bonus shares is a revenue expenditure and is hence, allowable as deduction. It was so held by the Supreme Court, in *CIT v. General Insurance Corpn. (2006) 286 ITR 232.*

However, ₹ 2 lakhs, being legal expenses in relation to issue of rights shares is directly related to expansion of the capital base of the company and is, hence, a capital expenditure. Therefore, the same is not allowable as deduction. It was so held by the Supreme Court in *Brooke Bond India Ltd. v. CIT (1997) 225 ITR 798*.

3. The under valuation of both opening and closing stocks will have an impact on the profits for the year. The under-valuation in the amount of opening stock has to be deducted and under-valuation in the amount of closing stock has to be added back. In this case, since the under-valuation in the amount of closing stock exceeds the under-valuation in the amount of opening stock, the net difference in valuation of stock has, accordingly, been added back.

4. As per Explanation to section 37(1), any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law, shall not be deemed to have been incurred for the purpose of business and no deduction or allowance shall be made in respect of such expenditure. Therefore, payment of secret commission, if it is established as a payment for any purpose which is an offence or which is prohibited by law, cannot be allowed as deduction. Even in cases where it cannot be so established, it would be disallowed u/s 40(a)(ia) for non-deduction of tax at source u/s 194H.

Alternatively it can be assumed that TDS is deducted on commission and deposited with government. In Such case it will be allowed as deduction

5. As per section 35DDA, where in any previous year, any expenditure is incurred by way of payment of any sum to an employee in connection with voluntary retirement, one-fifth of the amount so paid shall be deducted in computing profits and gains of business for that previous year, and the balance shall be deducted in equal installments in the immediately succeeding four previous years. Therefore, out of ₹ 15,00,000, an amount of ₹ 3,00,000 is deductible in assessment year 2020-21 and the balance shall be disallowed in this assessment year. Therefore, ₹ 12,00,000 has to be added back.

6. The deduction u/s 36(1)(viia) for provision for doubtful debts is allowable only in case of banks and certain financial institutions specified thereunder. It is not allowable in case of other assessees. Therefore, the sum of ₹30 lakhs debited in its profit and loss account towards provision for doubtful debts is not an allowable deduction for Chenab Ltd., since it is a manufacturing company.

However, the amount actually written off as bad debts in the books of account can be claimed as deduction u/s 36(1)(vii) in the case of all assessees. Hence, ₹ 15 lakhs, being the bad debts actually written off can be claimed as deduction u/s 36(1)(vii).

7. Disallowance u/s 40(a)(ia) would be attracted in the P.Y.2019-20 in respect of payment to contractor without deduction of tax at source. In case the tax has been paid by the contractor, the date on which it has furnished its return of income i.e., 31st July, 2020, would be deemed as the date of deduction and payment of taxes by Chenab Ltd.

Consequently, the payment would be disallowed u/s 40(a)(ia) in the year in which the said expenditure is incurred. Such expenditure will be allowed as deduction in the subsequent year in which the return of income is furnished by the resident payee, since tax is deemed to have been deducted and paid by Chenab Ltd. in that year.

8. Donation given to political party is not an allowable expenditure while computing business income. The same is also not allowable as deduction u/s 80GGB from the gross total income, since it is paid in cash.

9. Depreciation allowable under the Income-tax Act, 1961 has to be calculated after considering the following -

No deduction under any other provision of the Act shall be allowable in respect of expenditure which has been claimed as weighted deduction u/s 35(2AB). Therefore, depreciation is not allowable in respect of ₹ 25 lakhs incurred on fixed assets, in respect of which weighted deduction @ 150% u/s 35(2AB) has been claimed. Since the figure of ₹ 25 lakhs representing normal depreciation, includes depreciation on such fixed assets, the same has to be reduced from the said figure. Since the fixed assets were acquired only in January 2020, the depreciation would have been restricted to 7.5% (i.e., 50% of the normal rate of 15% applicable to plant and machinery). Therefore, 7.5% of ₹ 25 lakhs (cost of machinery) has to be reduced from the normal depreciation of ₹ 25 lakhs.

Further, additional depreciation u/s 32 is not allowable in respect of such machinery, the whole of the actual cost of which has been allowed as deduction, whether by way of depreciation or otherwise. Accordingly, additional

depreciation is not allowable in respect of new plant and machinery costing ₹ 25 lakhs which has been acquired for the purpose of in-house research and development, and is eligible for deduction u/s 35(2AB).

Therefore, additional depreciation is allowable only in respect of ₹ 5 lakhs (₹ 30 lakhs – ₹ 25 lakhs), being new machinery acquired other than for the purpose of in-house research and development. The additional depreciation is also restricted to 10% (i.e. 50% of 20%), since the new machinery is put to use for less than 180 days in the year.

Normal depreciation	25,00,000
Less: Depreciation @ 7.5% on ₹ 25 lakhs, being asset acquired for scientific research eligible for deduction u/s 35(2AB)	1,87,500
	23,12,500
Add: Additional depreciation on new plant and machinery @ 10% on ₹ 5 lakhs	50,000
Depreciation allowable u/s 32	**23,62,500**

Q.2

(a)

Computation of Total Income and Tax Liability for AY 2020-21	
Net Profit as per Profit & Loss A/c	19,05,000
Add : Inadmissible Expenses	1,40,000
Add : Depreciation as per P&L A/c	3,50,000
Less : Depreciation as per Income Tax Rules	(3,60,000)
Business Income	20,35,000
Gross Total Income	20,35,000
Less : Deduction u/s 10AA of Income tax Act	(12,00,000)
Less : Deduction u/s 80IA of Income tax Act	(35,000)
Net Total Income	8,00,000
Basic Tax	72,500
Add : Health & education cess	2,900
Total	**75,400**

Computation of Adjusted Total Income and AMT for AY 2020-21	
Net Total Income	8,00,000
Add : Deduction u/s 10AA of Income tax Act	(12,00,000)
Add : Deduction u/s 80IA of Income tax Act	(35,000)
Adjusted Total Income	20,35,000
Basic Tax @ 18.5%	3,76,475
Add : Health & education cess	15059
Total	**3,91,534**

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @ 18.5% thereof plus cess @ 4%. Therefore, the tax liability is ₹ 3,91,530.(rounded off)

AMT Credit to be carried forward u/s 115JEE	
Tax liability u/s 115JC	3,91,530
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	(75,400)
AMT Credit	3,16,130

(b)

1. The statement is false.

As per the proviso to section 195(1), in the case of interest payable by the Government or a public sector bank within the meaning of section 10(23D), deduction of tax shall be made **only at the time of payment thereof** in cash or by the issue of a cheque or draft or by any other mode. (1 mark)

2. The statement is true/partly true.

As per section 9(1)(v)(b), income by way of interest payable by a resident is deemed to accrue arise in India.

However, if interest is payable in respect of any debt incurred or money borrowed and used, for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India, such interest would not be deemed to accrue or arise in India. (1 mark)

(c)

(1) PAN not required to be quoted: As per Rule 114B Mr. A is not required to quote his PAN while making payment of ₹ 50,000 in cash to a hotel Radisson Ahmedabad since such payment does not exceeds ₹ 50,000. (1 mark)

(2) PAN is mandatorily required to be quoted: According to Rule 114B Mr. Abhishek is required to quote his PAN while making contract of ₹ 1,20,000 for sale / purchase of securities (other than shares) as defined in section 2(h) of the Securities Contract (Regulation) Act, 1956, since the amount of the transaction exceeds ₹ 1,00,000. (1 mark)

(3) PAN is required to be quoted: As per Rule 114B PAN is mandatorily required to be quoted while making payment of ₹ 70,000 to Mutual Funds for purchase of its units, since payment exceeds ₹ 50,000. (1 mark)

(d)

The statement is correct. New section 115BBD has been introduced by the Finance Act, 2011 to provide for a concessional rate of tax on dividends received by Indian companies from specified foreign companies. Specified foreign company has been defined to mean a foreign company in which the Indian company holds 26% or more in nominal value of the equity share capital of the company.

Dividends received by Indian companies from specified foreign companies to be subject to a concessional rate of 15% as against the existing rate of 30%. This rate of 15% would be applied on gross dividend, in the sense, that no expenditure would be allowable in respect of such dividend. However, this concessional rate would not be applicable in respect of dividend received from a foreign company in which the holding of the Indian company is less than 26% of the nominal value of the equity share capital. Therefore, if the total income of an Indian company, includes income by way of dividend declared, distributed or paid by a specified foreign company, the income tax payable would be the aggregate of –

(a) Income-tax @ 15% on gross dividend from such specified foreign company; and

(b) Income-tax with which the assessee would have been chargeable had its total income been reduced by such dividend.

Q.3

(a)

Computation of capital gains arising from slump sale	
Particulars	**(₹ in lakhs)**
Sale consideration	310
Less: Net worth [See working below]	700
Long-term capital loss [Division K was started on 14-05-2010]	390

(1 mark)

Notes:

1. The net worth of an undertaking transferred by way of slump sale shall be deemed to the cost of acquisition and cost of improvement for the purposes of section 48 and 49 [Section 50B(2)].

Particulars	**(₹ in lakhs)**
Goodwill (at book value)	30
Land (at book value) [Indexation benefit not available]	170
Plant & machinery (at WDV)	350
Current assets	450
Total value of assets of Division K	1,000
Less: Creditors	300
Net worth	700

2. Since Unit is held for more than 36 months, the capital gains of ₹ 390 lacs arising on transfer of such unit would be a long term capital gain taxable under section 112. However, indexation benefit is not available in the case of a slump sale. (3 marks)

(b)

(1) Payment made to resident catering contractor is subject to TDS u/s 194C @ 1% / 2% if PAN is intimated. Total TDS amount is ₹ 4,000 i.e. 1% of ₹ 4,00,000.(if contractor is Individual / HUF) otherwise 2% of ₹ 4,00,000 i.e. ₹ 8,000. If PAN is not furnished by payee then rate of TDS is equal to 20% as per the provision of Section 206AA (1 Mark)

(2) As per Section 196 Any payment made to Central government is not subjected to TDS. Therefore payment of Rent made to Central Government for building in which one of its branches is situated would not subject to TDS liability.

(1 Mark)

(3) According to the provisions of Section 194B payment of lottery winning ₹ 2,00,000 is subject to TDS @ 30%. i.e. ₹ 60,000 (30% of ₹ 2,00,000). (1 Mark)

(c)

As per section 144 of the Income Tax Act, 1961, the Assessing Officer, can determine the total income or loss to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment in the following cases:

- Where any person fails to make the return required u/s 139(1) and has not made a return or a revised return u/s 139(4) or 139(5), or
- When a person fails to comply with all the terms of a notice issued u/s 142(1) or
- When a person fails to comply with a direction issued u/s 142(2A) for getting the accounts audited, or
- If any person having made a return, fails to comply with all the terms of a notice issued u/s 143(2).

Further, As per sec 145 of the Income Tax Act,1961,
where the Assessing Officer is not satisfied about the correctness or completeness of the accounts of the assessee, or
where the method of accounting provided in sub-section (1) has not been regularly followed by the assessee, or
income has not been computed in accordance with the standards notified under sub-section (2),
the Assessing Officer may make an assessment in the manner provided in section 144.

(d)

As per section 144C(8), the Dispute Resolution Panel (DRP) may confirm, reduce or enhance the variations proposed in the draft order of the Assessing Officer. The issue under consideration is whether the power of the DRP is restricted only to the issues raised in the draft assessment order or whether it also has the power to enhance the variation proposed in the order consequent to any new issue which comes to its notice during the course of proceedings before it, even though such issue was not raised by the eligible assessee. In order to clarify the true legislative intent, an Explanation has been inserted in section 144C(8) retrospectively with effect from 1st April, 2009 to provide that the power of the DRP to enhance the variation as mentioned in section 144C(8) shall include and shall be deemed to have always included the power to consider any matter arising out of the assessment proceedings relating to the draft order.

The DRP has this power to consider any issue irrespective of whether such matter was raised by the eligible assessee or not. In view of the above provision, the action of DRP in further enhancing the income of Pushkar Ltd. by ₹ 18 lakhs on the basis of materials available on a different issue, which was not raised by Pushkar Ltd., is valid.

Q.4

(a)

If an Indian Company, being the borrower, incurs any expenditure by way of interest in respect of any debt issued by its Non-Resident Associated Enterprise (AE) and such interest exceeds ₹ 1 Crore, then the interest paid or payable by such Indian Company in excess of 30% of its earnings before interest, taxes, depreciation and amortization (EBIDTA) or interest paid or payable to Associated Enterprise, whichever is lower, shall not be allowed as a deduction as per Section 94B. Computation of disallowance is as follows

Particulars	Case I	Case II	Case III
	₹ in lakhs		
Net Profit after deduction of the following items:	1,000	1,000	1,000
Interest to SBI	70	50	200
Interest to associated enterprise	200	110	320
Interest to unrelated parties	500	190	300
Depreciation	90	80	110
Provision for taxation	340	170	70
Proposed dividend	300	150	100
EBITDA	2,500	1,750	2,100
Less:			
Maximum amount of interest deductible u/s 94B @ 30% of EBITDA or the actual interest paid whichever is less 30% of EBITDA	750	525	630
Actual amount of interest paid to AE	200	110	320
Disallowance u/s 94B	Nil	Nil	Nil

(b)

(i) Capital Gain under Joint Development Agreement : As per section 45(5A) of the Income Tax Act, 1961, Capital Gain in case of Joint Development Agreement shall be applicable, if the following conditions are being satisfied:

- The assessee (who is the owner of land / building) is an individual or HUF.
- There is transfer of a capital asset, being land or building or both.
- The assessee has entered into "specified agreement" with a builder / joint developer for development of housing project.

- "Specified agreement" means a registered agreement in which a person owing land or building or both, agrees to allow another person to develop a real estate project on such land or building or both, in consideration of share, being land or building or both in such project, whether with or without payment of part of consideration in cash.

(ii) The capital gains shall be taxable in the hands of the owner of land/ building as income of the previous year in which certificate of completion for the whole or part of the project is issued by the competent authority.

(iii) The stamp duty value of the share of owner of land / building in the developed property on the date of issue of certificate of completion (plus monetary consideration received if any) shall deemed to be full value of consideration received / accruing as a result of transfer of capital assets for the purpose of computation of capital gain.

In cases, where, the owner of the land / building transfers his shares prior to date of issue of such completion certificate, then capital gain on such transfer shall be calculated as per the normal provisions of the Act without considering the provisions of the section 45(5A) of the Income Tax Act, 1961.

(c)

(i) As per the provision of section 92CA of the Income Tax Act, 1961, where a reference is made by Assessing Officer, the role of Transfer Pricing Officer is detailed as below:

1. Transfer Pricing Officer shall serve a notice to the Assessee requiring him to produce the evidence in support of computation made by him in respect of Arm's Length Price in relation to an International Transaction or specified domestic transaction.

2. Transfer Pricing Officer after considering the evidences, information or documents as produced by Assessee and after considering such evidence as he may require on any specified points and after taking account all relevant materials which he has gathered, shall, by order in writing, determine the arm's length price in relation to the international transaction or specified domestic transaction and send a copy of his order to the Assessing Officer for computation of total income of the assessee and also to the Assessee.

3. With a view to rectifying any mistake apparent from the record, the Transfer Pricing Officer may amend any order passed by him and in such an event send copy of amended order to the assessing officer for re-assessment.

(ii) No, it is not possible for the Assessing Officer to pass assessment order without considering the Arm's Length Price determined by the Transfer Pricing Officer. As per Section 92CA(4), on receipt of the order from Transfer Pricing Officer, the Assessing Officer shall proceed to compute the total Income of the assessee in conformity with the arm's length price as determined by the Transfer Pricing Officer.

Q.5

(a)

(i)

Computation of tax liability of Mr. Frank Lampard for the A.Y.2020-21		
Particulars	**₹**	**₹**
Income taxable u/s 115BBA		
Income from participation in football tournaments in India	25,00,000	
Contribution of article in a magazine in India	25,000	25,25,000
Income from Winnings from horse races		15,000
Gross Total Income/ Net Total Income		25,40,000
Basic Tax		
Income referred u/s 115BBA - 25,25,000 @ 20%		5,05,000
Income referred u/s 115BB – 15,000 @ 30%		4,500
Total Basic Tax		5,09,500
Add : HEC @ 4%		20,380
Total Tax		**5,29,880**

Ms. Eva Lampard is a non-resident entertainer, whose income of ₹ 3 lakh from a magic show is taxable@20% u/s 115BBA. Therefore, her tax liability is ₹ 62,400 (being 20% of ₹ 3 lakh plus Health and Education Cess 4%)

(2 marks)

(ii) Yes, the above income are subject to deduction of tax at source.

Income referred to in section 115BBA is subject to deduction of tax at source @ 20% u/s 194E.

Income referred to in section 115BB (i.e., winnings from horse races) is subject to deduction of tax at source @ 30% u/s 194BB. Since Mr. Frank Lampard and Ms. Eva Lampard are non-residents, the amount of tax to be deducted calculated at the

prescribed rates mentioned above, would be increased by Health and Education Cess @ 4%. (2 marks)

(iii) Section 115BBA provides that if the total income of the non-resident sportsman or non-resident entertainer comprises of only income referred to in that section and tax deductible at source has been fully deducted, it shall not be necessary for him to file his return of income.

In this case, although Mr. Frank Lampard is a non-resident sportsman, he has winnings from horse races as well. Therefore, he cannot avail the benefit of exemption from filing of return of income as contained in section 115BBA. Hence, he would be liable to file his return of income for A.Y.2020-21.

However, since Ms. Eva Lampard's income comprises of only income referred to in section 115BBA, in respect of which tax is deductible u/s 194E, she need not file her return of income for A.Y.2020-21, if tax has been so deducted. (2 marks)

(b)

If an arrangement is declared to be an impermissible avoidance arrangement, then, the consequences, in relation to tax, of the arrangement, including denial of tax benefit or a benefit under a tax treaty, shall be determined, in such manner as is deemed appropriate in the circumstances of the case, including by way of but not limited to the following:

(i) disregarding, combining or recharacterising any step in, or a part or whole of, the impermissible avoidance arrangement;

(ii) treating the impermissible avoidance arrangement as if it had not been entered into or carried out;

(iii) disregarding any accommodating party or treating any accommodating party and any other party as one and the same person;

(iv) deeming person who are connected persons in relation to each other to be one and the same person for the purposes of determining tax treatment of any amount;

(v) reallocating amongst the parties to the arrangement – (a) any accrual, or receipt, of a capital nature or revenue nature; or (b) any expenditure, deduction, relief or rebate;

(vi) treating – (a) the place of residence of any party to the arrangement; or (b) the situs of an asset or of a transaction, at place other than the place of residence, location of the asset or location of the transaction as provided under the arrangement; or

(vii) considering or looking through any arrangement by disregarding any corporate structure.

For this purpose:

(i) any equity may be treated as debt or vice versa;

(ii) any accrual, or receipt, of a capital nature may be treated as of revenue nature or vice versa; or

(iii) any expenditure, deduction, relief or rebate may be recharacterised

(c)

Since MNC Inc. is located in a notified jurisdictional area (NJA), the transaction of provision of technical services by the Indian company, Geomatics Ltd., would be deemed to be an international transaction and MNC Inc. and Geomatics Ltd. would be deemed to be associated enterprises. Therefore, the provisions of transfer pricing would be attracted in this case.

The prices of ₹ 48 lakhs and ₹ 52 lakhs charged for similar services from Alpha Inc and Beta Inc, respectively, being independent entities located in non-NJA countries, can be taken into consideration for determining the arm's length price (ALP) under Comparable Uncontrolled Price (CUP) Method.

Since more than one price is determined by the CUP Method, the ALP would be the arithmetical mean of such prices.

Therefore, the ALP = ₹ 50,00,000 i.e., (48,00,000 + 52,00,000) / 2

Transfer price = ₹ 40,00,000

Since the ALP is more than the transfer price, the ALP of ₹ 50 lakhs would be considered as the income arising from the international transaction between Geomatics Ltd. and MNC Inc.

It may be noted that the benefit of permissible variation between the ALP and the transfer price at the rate notified by the Central Government for a particular class of international transaction would not be available where transfer pricing provisions are attracted u/s 94A. Therefore, it is not necessary to determine the impact, if any, of such permissible variation.

Q.6

(a)

An individual, who is not in receipt of house rent allowance and complying with all the conditions as specified in section 80GG, shall be entitled to claim deduction (in respect of rent paid by him for the residential accommodation) of an amount, equal to the least of the following limits, under section 80GG –

Particulars	₹	₹
Actual rent less 10% of total income i.e., ₹ 57,600 minus ₹ 18,400, being 10% of ₹ 1,84,000	39,200	
25% of total income i.e., 25% of ₹ 1,84,000	46,000	
Amount calculated at ₹ 5,000 p.m.	60,000	
Deduction allowable (least of the above)		39,200

Note: It is assumed that ₹ 1,84,000 is the total income before providing deduction under section 80GG.

(6 Marks)

(b)

Computation of eligible deduction under section 80C for A.Y.2020 - 21

Particulars	₹
Life Insurance Premium (See Note 1)	24,000
Contribution to Public Provident fund (See Note 2)	Nil
Tuition fee of 2 sons for graduation course (See Note 3)	16,000
Housing loan principal repayment (See Notes 4 & 5)	Nil
Senior Citizen Savings Scheme deposit (See Note 6)	15,000
Post Office Time Deposit Scheme (See Note 6)	50,000
Investment in National Savings Certificate	70,000
Total Investment	1,75,000
Eligible deduction under section 80C restricted to	1,50,000

Notes:

1. Any amount of life insurance premium paid in excess of the specified percentage of actual capital sum assured shall be ignored for the purpose of deduction under section 80C. In the given case, since the insurance policy has been issued before 1.04.2012, therefore 20% of actual capital sum assured i.e., ₹ 24,000 shall be allowed as deduction, whereas, the premium paid during the year is ₹ 30,000. Therefore, the excess premium of ₹ 6,000 does not qualify for deduction.

2. In the case of an individual, contribution to PPF can be made in his name or in the name of his spouse or children to qualify for deduction under section 80C. As the contribution was made in the name of his father, deduction is not allowable.

3. Tuition fee paid is eligible for deduction under section 80C for a maximum of two children. Therefore, ₹ 16,000 shall be allowed as deduction. Tuition fee paid to an educational institution situated outside India is not eligible for deduction.

4. In order to claim the principal repayment on loan borrowed for house property as deduction, the construction of such property should have been completed and should be chargeable to tax under the head "Income from house property". In the given case, since the property is under construction, principal repayment does not qualify for deduction.

5. Repayment of principal on housing loan is not allowed as deduction in case the loan is borrowed from friends, relatives etc. In order to qualify for deduction, the loan should have been obtained from Central Government / State Government / bank / specified employer / institution.

6. The following investments are also eligible for deduction under section 80C:-

(1) five year time deposit in an account under Post Office Time Deposit Rules, 1981; and

(2) deposit in an account under the Senior Citizens Savings Scheme Rules, 2004.

(8 Marks)