

TOPICS : Basic Concepts, Residence and Scope of Total Income, Income from House Property

**NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
(2) NEW QUESTION SHOULD BE ON NEW PAGE**

QUESTION NO.1

- A. Mrs. Daya, a resident of India, owns a house property at Panipat in Haryana. The Municipal value of the property is Rs. 8,50,000, Fair Rent of the property is Rs. 7,30,000 and Standard Rent is Rs. 8,20,000 per annum.

The property was let out for Rs. 85,000 per month for the period April 2019 to December 2019.

Thereafter, the tenant vacated the property and Mrs. Daya used the house for self-occupation. Rent for the months of November and December 2019 could not be realized from the tenant. Mrs. Daya has not instituted any legal proceedings for recovery of the unpaid rent.

She paid municipal taxes @ 12% during the year and paid interest of Rs. 50,000 during the year for amount borrowed towards repairs of the house property.

You are required to compute her income from house property for the A.Y. 2020-21.

(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. Ignore cess.

(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

R owns three identical houses in Delhi, all of which are self – occupied. From the particulars given below, suggest which two houses should be treated as self – occupied.

	House – I	House – II	House – III
	Rs.	Rs.	Rs.
Standard Rent under Delhi Rent Control Act	3,30,000	3,30,000	3,30,000
Municipal Valuation	3,00,000	3,00,000	3,00,000
Fair Rent	3,60,000	3,60,000	3,60,000
Municipal Taxes (paid)	30,000	10,000	20,000
Insurance Premium (Paid)	20,000	Nil	10,000

Construction of all the three houses was completed in September 2016. R had borrowed

- (i) Rs. 25,00,000 @ 9% p.a. for construction of House II (Date of borrowing 1.6.2015) Date of repayment of loan 30.6.2019.
- (ii) Rs. 30,00,000 @ 9% p.a. for construction of House III (Date of borrowing 1.6.2015) Date of repayment of loan 30.6.2019.

(12 MARKS)

QUESTION NO.4

1. Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y.2020-21 in respect of income from house property? **(1 M)**
- (a) One house, at the option of Mr. Raghav, would be treated as self-occupied. The other two houses would be deemed to be let out.
 - (b) Two houses, at the option of Mr. Raghav, would be treated as self -occupied. The other house would be deemed to be let out.
 - (c) One house, at the option of Assessing Officer, would be treated as self-occupied. The other two houses would be deemed to be let out.
 - (d) Two houses, at the option of Assessing Officer, would be treated as self -occupied. The other house would be deemed to be let out.
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 ceiling limit of deduction under section 24(b) in respect of interest on loan taken on 1.4.2019 for repairs of self-occupied house is **(1 M)**
- (a) Rs. 30,000 p.a.
- (b) Rs. 1,50,000 p.a.
- (c) Rs. 2,00,000 p.a.
- (d) No limit
5. Mr. Agarwal moved to Mumbai. He took a property on rent for his residential purpose. However, the property was not fully occupied by him. He let out the property to his friend at Rs.15,000 p.m. from 01.04.2019 to 31.03.2020. Mr. Agarwal is of the view that income from subletting of property is taxable as Income from House Property. As tax advisor of Mr. Agarwal, find out whether his view is correct? **(2 M)**
- (a) Correct, as any income from a house property is taxable under the head Income from House Property.
- (b) Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Profits and Gains of Business or Profession.
- (c) Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Income from other sources.
- (d) Correct, as income from subletting of a property is directly attributable to the property itself and hence, chargeable to tax as income from house property
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