

Paper 7- Direct Taxation

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Full Marks: 100

Time allowed: 3 hours

All Question relate to Income Tax Assessment year 2022-23 and the provisions stated relate to the Income-tax Act, 1961, unless otherwise stated in the Question.

PART – I

Answer Question Number 1. All parts of this question are compulsory.

1.(a) Choose the most appropriate alternative for the following: [1×10=10]

(i) What is the time limit by which Scrutiny Assessment u/s 143(3) should be completed?

- (a) 9 months from the end of the relevant assessment year
- (b) 12 months from the end of the relevant previous year
- (c) 6 months from the end of the relevant assessment year
- (d) None of the above

(ii) The prescribed form of application for allotment of PAN for Indian Citizen is _____

- (a) Form 49AA
- (b) Form 35
- (c) **Form 49A**
- (d) Form 36

(iii) In which of the following cases, carry forward of loss cannot be done?

- (a) Loss from "Activity of owning and maintaining race horses"
- (b) Loss from specified business covered u/s 35AD
- (c) Loss from speculation business
- (d) **Loss from business of HUF where the business of the HUF is taken over by the karta of HUF**

(iv) Which of the following Asset shall be termed as short-term capital asset if it is held for not more than 12 months before the date of transfer of:

- (a) Units of UTI (whether quoted or not)
- (b) Equity or preference share in a company (listed in India)
- (c) Zero-coupon Bonds (whether quoted or not)
- (d) **All of the above**

(v) An non-Indian company is always a resident in India, if its place of effective management in that year is:

- (a) Outside India
- (b) partly in India
- (c) **In India**
- (d) None of the above

- (vi) What is the taxability of Income from sub-letting ?
- (a) Taxable under the head "Income from House Property"
- (b) Taxable under the head "Income from Other Sources"
- (c) Exempted
- (d) None of the above
- (vii) In case of presumptive taxation scheme, gross receipts in the previous year of the assessee who is engaged in profession should not exceed ₹ _____ to avail relief.
- (a) 1 crore
- (b) 50 lakhs
- (c) 2 crore
- (d) 25 lakhs
- (viii) Which deduction is/are not allowed in case of a deemed to be let-out house?
- (a) New construction allowance
- (b) Repairs
- (c) Vacancy allowance
- (d) All of the above
- (ix) During the previous year the value of any gift, voucher, or token in excess of ₹5000 given to the employees on ceremonial occasion or otherwise by the employer shall be :
- (a) Taxable in the hands of employees
- (b) Not taxable
- (c) Taxable in the hands of employer
- (d) None of the above
- (x) Deduction in respect of interest on deposits in case of senior citizens u/s 80TTB is minimum of interest on such deposits is _____
- (a) ₹ 50,000
- (b) ₹ 10,000
- (c) ₹ 5,000
- (d) ₹ 40,000

- (b) Match the following (sufficient to give the corresponding item in column 3 for column 1: reproducing columns 2 and 4 are not required): [5×1=5]

1	2	3	4
(i)	ICDS IX	A.	Effects of changes in foreign exchange rates
(ii)	ICDS VI	B.	Borrowing costs
(iii)	ITR 4	C.	Sec. 140
(iv)	Verification of return	D.	Sec. 139(5)
(v)	Revised return	E.	For presumptive income from business & profession

Answer:

(i)B	(ii)A	(iii)E	(iv)C	(v)D
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- (c) Say True or False for the following question: [5×1=5]
- It is on revenue account, If expenditure is incurred for ensuring the regular supply of raw material, may be for period extending over several years.
 - IF any dividend paid by an Indian company outside India it is deemed to accrue or arise in India.
 - For rendering services outside India, any allowance or perquisite paid outside India by the Government to a citizen of India, are exempt from tax.
 - Any loss arising on account of owning and maintaining race horses can be carried forward upto 8 assessment years.
 - As per sec. 2 of Voluntary Surrender of Salaries Act,1961 an employee who opts to surrender his salary to the Central Government, the salary so surrendered shall

Answer:

(i) True	(ii) True	(iii) True	(iv) False	(v) False
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- (d) Fill in the blanks: [5×1=5]

- Tax evasion is the illegal way to reduce _____ liability by deliberately suppressing income or sale or by increasing expense, etc., which results in reduction of total income of the assessee.
- Failure to apply for PAN or to quote PAN in prescribed documents attracts penalty of _____ u/s 272B.
- Advance tax is payable in _____ installments by a non-corporate assessee.
- The excess of Alternate Minimum Tax paid over the regular income-tax payable of that year shall be _____.
- The quantum of deduction u/s 80U in respect of person with severe disability is _____.

Answer:

(i) Tax evasion	(ii) 4	(iii) ₹ 1,25,000	(iv) Alternate Minimum tax	(v) ₹ 10,000
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PART – II

Answer any five questions from question numbers 2 to 8. Each question carries 15 marks

(5×15=75)

2. (a) Mr. A is an Indian citizen & a member of the crew of a Sydney bound Indian ship engaged in carriage of passengers in international traffic departing from Mumbai Port on 6th June, 2021. From the following details for PY 2021- 22, determine the residential status of Mr. A for AY 2022-23, assuming that his stay in India in the last 4 previous years (preceding PY 2021-22) is 400 days: [5]

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. A	6th June 2021
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. A	9th Dec 2021

2. (b) Compute income under the head 'Income from house property' of Mr. A from the following information:

Particulars	H1	H2	H3	H4
Used for	Self occupied	Self occupied	Self occupied	Own Business
Situated at	Mumbai	Abu	Kolkata	Hyderabad
Gross Municipal Value (₹)	3,00,000	2,00,000	7,00,000	3,00,000
Fair Rent (₹)	2,00,000	2,00,000	6,00,000	1,20,000
Standard Rent (₹)	3,00,000	2,40,000	7,00,000	2,00,000
Municipal Tax (₹)	15%	15%	15%	15%
Repairs (₹)	13,000	4,000	8,000	8,000
Ground Rent (₹)	20,000	Nil	Nil	6,000
Land Revenue (₹)	Nil	10,000	Nil	Nil
Interest on Loan (₹)	40,000	1,00,000	2,10,000	20,000
Loan taken on	1998-99	1998-99	2018-19	1999-00

[10]

Answer

2. (a) Mr. A is an Indian citizen & a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 6th June, 2021. From the following details for PY 2021- 22, determine the residential status of Mr. A for AY 2022-23, assuming that his stay in India in the last 4 previous years (preceding PY 2021- 22) is 400 days:

[5]

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. A	6th June 2021
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. A	9th Dec 2021

2. (b) In the given case, there are two options:

Option 1: Take H1 & H3 as Self-Occupied (S/O) and H2 as Deemed to be Let-Out (DLO)

Option 2: Take H1 as Deemed to be Let-Out (DLO) and H2 & H3 as Self-Occupied (S/O)

Option 3: Take H3 as Deemed to be Let-Out (DLO) and H1 & H2 as Self-Occupied (S/O)

Total income under the head house property shall be computed applying each option separately and then the option, which yields least income under this head, shall be opted.

Particulars	Option1		Option2		Option 3	
	H1 & H3 S/O	H2 DLO	H1 DLO	H2 & H3 S/O	H3 DLO	H1 & H2 S/O
Gross Annual Value	Nil	2,00,000	3,00,000	Nil	7,00,000	Nil
Less: Municipal Tax (15% of Municipal value)	Nil	30,000	45,000	Nil	1,05,000	Nil
Net Annual Value (A)	Nil	1,70,000	2,55,000	Nil	5,95,000	Nil
Less: <u>Deduction u/s</u>						
24(a) Standard deduction (30% of NAV)	Nil	51,000	76,500	Nil	1,78,500	Nil
24(b) Interest on loan	2,00,000 ²	1,00,000	40,000	2,00,000 ²	2,10,000	30,000 ¹
Total deduction (B)	2,00,000	1,51,000	1,16,500	2,00,000	3,88,500	30,000
Income from house property [(A) – (B)]	(-) 2,00,000	19,000	1,38,500	(-) 2,00,000	2,06,500	(-) 30,000
Income from house property	(-) 1,81,000		(-) 61,500		1,76,500	

Notes:

1. In case of H1 & H2 loan was taken prior to 1/4/1999. 2.
Since loan was taken for construction on or after 1/4/1999. 3.
Since H4 is used for own business purpose so it is not taxable under this head.
Total income under the head Income from house property as per option 1 is (-) ₹1,81,000
Computation of Income from house property of Sri for the A.Y.2022-23

Particulars	Details	Details	Amount
H1 & H3: Self-occupied u/s 23(2)(a)			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan			
- For H1 (Max Limit)	30,000		
- For H2 (Max Limit)	2,00,000		
Subject to maximum of ₹ 2,00,000	2,30,000	2,00,000	(2,00,000)
H2: Deemed to be let out u/s 23(4)			
Gross Annual Value		2,00,000	
Less: Municipal Tax		30,000	
Net Annual Value		1,70,000	
Less: Deduction u/s			
24(a) Standard Deduction (30% of NAV)	51,000		
24(b) Interest on loan	1,00,000	1,51,000	19,000
Income from house property			(1,81,000)

3. (a) Find out the taxable value of the perquisite for the assessment year 2022-23 in the following cases:
 - (i) XYZ Ltd. a manufacturing company, owns and maintains S public school, Chennai. Books of accounts of the school and XYZ Ltd., are maintained separately. X is an employee of XYZ Ltd. The following family members of X are students in S public school:

	Cost of education in a similar institution	Amount charged from X
A, Son of X	₹ 4,800 per month	₹ 800 per month
B, dependent brother of X	₹ 6,600 per month	₹ 1,600 per month

- (ii) Mr. M, general manager of ABC Ltd, engages a domestic servant on monthly salary of ₹ 3,000. The entire salary (i.e., ₹ 36,000) is paid by ABC Ltd. to the domestic servant (or salary is paid by Mr. M and ABC Ltd. reimburses the entire amount).
- (iii) Mr. R who is an employee of a company has been provided a car (1200cc) owned by the employer, Cost of the car is ₹ 5,10,000. The expenditure incurred by the company on maintenance of the car are:

Petrol	₹ 56,000
Driver	₹ 42,000
Maintenance	₹ 15,000

The car is used only for private purposes. A sum of ₹ 14,000 is recovered from Mr. R. [9]

- (b) Mr. V, a resident and ordinarily resident in India, owns an estate. He has derived the following income from various operations, relating to plantations and estates owned by him during the year ended 31st March 2022:

Particulars	Amount(₹)
Income from sale of centrifuged latex from rubber plants grown in Tamilnadu	8,00,000
Income from sale of coffee grown and cured in Karnataka	4,00,000
Income from sale of coffee grown, cured, roasted and grounded in Rwanda, Africa. Sale consideration was received at Mumbai	8,40,000
Income from sale of tea grown and manufactured in Darjeeling	6,20,000
Income from sale of trees and grasses grown spontaneously(without any human effort)	2,40,000
Receipts from TV serial shooting in farm house	2,00,000

[6]

Answer 3(a):

- (i) School is maintained by the employer. Amount taxable in the hands of X will be as follows:

Particulars	Amount (₹)
A (son of X) [12*(₹ 4,800 - ₹ 1,000-₹ 800)]	36,000
B (dependent brother of X) [12* (₹ 6,600-₹ 1,600)]	60,000
Taxable value of the perquisite	96,000

- (ii) In this case, the perquisite (i.e.₹36,000) is taxable in the hands of M under section 17(2)(iv) in all cases, as the obligation of M to pay salary to the domestic servant is met by his employer.

- (iii) Car used only for private purposes. The value of the perquisite will be determined as follows:

Particulars	Amount(₹)	Amount(₹)
Maintenance	15,000	
Petrol	56,000	
Driver	42,000	
Depreciation(10% of ₹5,10,000)	51,000	
Total		1,64,000
Less: Amount recovered from R		14,000
Value of the perquisite		1,50,000

Answer 3 (b):

Computation of business income and agricultural income for the A.Y. 2022-23

Sources of income	Total (₹)	Agri. Income (%)	Agri. Income (₹)	Non Agri. Income (%)	Non Agri Income (₹)
Income from sale of centrifuged latex from rubber plants grown in India Rule 7A	8,00,000	65%	5,20,000	35%	2,80,000
Income from sale of coffee grown and cured in India. Rule 7B(1)	4,00,000	75%	3,00,000	25%	1,00,000
Income from sale of coffee grown, cured, roasted and grounded outside India	8,40,000	Nil	-	100%	8,40,000
Income from sale of tea grown and manufactured in India	6,20,000	60%	3,72,000	40%	2,48,000

Income from sale of trees and grasses spontaneously (without any human effort)	2,40,000	Nil	-	100%	2,40,000
Receipts from TV serial shooting in farm house	2,00,000	Nil	-	100%	2,00,000
Total Income	31,00,000		11,92,000		19,08,000

- 4.(a) A house property is purchased by R on September 10, 2005 for ₹ 2,00,000. On May 10, 2013, he entered into an agreement to sell the house to B for ₹ 6,00,000 (after receiving an advance of ₹ 30,000). On B's failure to pay and balance within the stipulated period of 45 days, R forfeited the advance money. As per the will, Mrs. R got the property after the death of R on November 10, 2018.

Mrs. R enters into an agreement on April 6, 2020 to transfer the property to M after receiving the advance of ₹ 50,000. M could not pay the balance consideration within stipulated period of 45 days and Mrs. R forfeits the advance money.

Mrs. R ultimately sells the property to S on July 15, 2021 for ₹ 42,90,000. Find out the tax consequences in the hands of R and Mrs. R for different assessment years. Also calculate net income of Mrs. R for the assessment year 2022-23, on the assumption that she is a businesswoman and her income from business is ₹ 20,00,000. [9]

4. (b) Complete the deduction available to Mr. Y (55 years), who has incurred following expenses:

Particulars	₹
Mediclaim Insurance premium paid for himself	10,000
Mediclaim Insurance premium paid for spouse	10,000
Mediclaim Insurance premium paid for dependent children	5,000
Mediclaim Insurance premium paid for mother (76 years)	9,000
Mediclaim Insurance premium paid for father (82 years)	39,000
Preventive health-check up expenditure for father	6,000
Medical expenditure incurred for father	14,000

(6)

Answer: 4(a)

- (i) Forfeiture of advance money of Rs.30,000 by Mr. R during the previous year 2013-2014

Since the property is not transferred during the lifetime of R, advance money forfeited by him is not taxable. Also it is not deducted from cost of acquisition while calculating capital gain in the hands of Mrs. R.

- (ii) Forfeiture of advance money of Rs.50,000 by Mrs. R during the previous year 2020-21:

Advance money forfeited during the previous year 2020-21. It will be taxable in hands of Mrs. R under section 56(2)(ix) under the head "Income from other sources" for the previous year 2020-21 (assessment year 2021-22).

- (iii) Computation of Capital gain:

Assessee: Mrs. R

Previous year: 2021-22

Assessment Year: 2022-23

Particulars	Amount (₹)
Full value of consideration	42,90,000
Less: Indexed cost of acquisition [₹ 2,00,000*317/117(see note)]	5,41,880
Long term capital gain	37,48,120

Note:

In case of cost of acquisition, index benefit shall be available from the year when the current owner first held the property. However, in case of CIT-vs.-M J S 16 Taxman 42 (Bombay), the Hon^{ble} Bombay High Court has held that index benefit is available from the year in which asset was acquired by the previous owner or for the year beginning on the 1st day of April, 2001, whichever is later.

Computation of total Income:

Assessee: Mrs. R

Previous year: 2021-22	Assessment year: 2022-23
Particulars	Amount (₹)
Business Income	20,00,000
Long term capital gain	37,48,120
Net Income	57,48,120

Answer 4 (b):

Computation of deduction u/s 80D available to Mr. Y:

Particulars	Amount (₹)	Amount (₹)
Mediclaime Insurance premium paid for himself		10,000
Mediclaime Insurance premium paid for spouse		10,000
Mediclaime Insurance premium paid for dependent children		5,000
Deductible amount (A)		25,000
Add: Additional deduction for parents		
Mediclaime Insurance premium paid for mother		9,000
Mediclaime Insurance premium paid for father		39,000
Deductible amount (B)		48,000
Add: Expenditure incurred for preventive health check up		
Preventive health-check up expenditure for father [₹ 50,000 – (B)]	(C)	
Incurred	6,000	
Maximum limit	2,000	2,000
Add: Medical expenditure incurred for father being super- senior citizen	(D)	Nil
(As mediclaime insurance premium is paid on the health of father)		
Deduction u/s 80D (A + B + C + D)		75,000

Compute deduction available to Mr. Y u/s 80D

[6]

5. (a) Mr. S is engaged in the business of plying goods carriages. On 1st April, 2021, he owns 10 trucks (out of which 6 are heavy goods vehicles of (unladen weight of each is 20 ton)). On 2/5/2021, he sold one of the heavy goods vehicles & purchased a light goods vehicle on 6th May, 2021. This new vehicle could however be put to use only on 15-6-2021. Compute the total income of Mr. S for the A.Y. 2022-23, taking note of the following data: [8]

Particulars	Amount (₹)	Amount (₹)
Freight Charges collected		8,70,000
Less: Operational expenses	6,25,000	
Depreciation as per Sec. 32	1,85,000	
Other Office expenses	15,000	8,25,000
Net Profit		45,000
Other business and non-business income		70,000

- 5.(b) The following information is submitted by Mr. A for the previous year ending on March 31, 2022:

	(₹)
Profits of business A carried on in India	2,50,000
Loss of business B carried on in India	(1,00,000)
Profits of business C carried on in Canada (income is earned and received in Canada and business is controlled from Canada)	2,50,000
Loss of business D carried on in Canada (though profits are not received in India, business is controlled from Delhi)	(2,70,000)
Unabsorbed depreciation of business D	1,82,000
Income from property situated in India	1,58,000
Income from property situated in Canada (received in Canada)	1,10,000

Determine the net income of Mr. A for the assessment year 2022-23 in the following cases, if he is:

- (a) Resident and ordinarily resident in India
- (b) Resident but not ordinarily resident in India
- (c) Non-resident in India

[7]

Answer 5.(a)

Alternative 1) Direct estimation of income u/s 44AE

Vehicle	No. of vehicle	Details	Amount
Light	4	₹ 7,500 * 4 vehicles * 12 months	3,60,000
Heavy	5	₹ 1,000 * 5 vehicles * 12 months * 20 ton	12,00,000
Heavy	1	₹ 1,000 * 1 vehicle * 2 nd months * 20 ton	40,000
Light	1	₹ 7,500 * 1 vehicles * 11 th months	82,500
Income from business of plying goods carriage			16,82,500
Add: Other business and non-business income			70,000
Total Income			17,52,500

Income shall be calculated from the month when assessee acquired the property whether it has been put to use or not. For this purpose, any fraction of the month shall be considered as month.

Alternative 2) Computation of income as per the provision of sec. 28 to 38

Particulars	Amount	Amount
Freight charges collected		8,70,000
Less: Expenditure related to business		
Operational expenses	6,25,000	
Depreciation u/s 32	1,85,000	
Other office expenses	15,000	8,25,000
Income from business of plying goods carriage		45,000
Add: Other business and non-business income		70,000
Total Income		1,15,000

Since Mr. S has lower taxable income in alternative 2 hence his total income is ₹ 1,15,000. But to claim such lower income than the estimated income (computed in alternative 1) as per provision of section 44AE, he will have to —

Maintain books of account as required u/s 44AA; and - Get his accounts audited.

Answer 5 (b)

Computation of Net Income of the assessee for the assessment year 2022-23:

Particulars	Resident & Ordinarily Resident (₹)	Resident but not Ordinarily Resident (₹)	Non Resident (₹)
Business Income			
Business A	2,50,000	2,50,000	2,50,000
Business B	(1,00,000)	(1,00,000)	(1,00,000)
Business C	2,50,000	Nil	Nil
Business D	(2,70,000)	(2,70,000)	Nil*
Unabsorbed depreciation	(1,82,000)	(1,82,000)	Nil
Business Income/Loss	(52,000)	(3,02,000)	1,50,000
Income from house property in India	1,58,000	1,58,000	1,58,000
Income from house property in Canada	1,10,000	Nil	Nil
Gross total income	2,16,000	(1,44,000)	3,08,000
Less: Deductions under sections 80C to 80U	Nil	Nil	Nil
Net Income/ Loss	2,16,000	(1,44,000)	3,08,000

*Note: Business income earned and received outside India is not taxable in the hands of non-resident. Therefore, loss arising from such business is not deductible.

6.(a) The following details of income of Ms. PB (age 24), a resident of India is furnished for the previous year 2021 – 2022.

- Gross salary ₹ 5,01,000 (Professional tax paid ₹ 2,000)
- Income from Business owned by her ₹2,00,000 and allowable expenses ₹ 1,20,000
- Received family pension ₹ 10,000 p.m. w.e.f. 1.04.2021
- Long term capital gain on sale of building ₹ 80,000
- She received her share of income from Hindu Undivided Family (HUF) as member ₹ 40,000
- She deposited to PPF ₹ 80,000 during the year
- Donation to National Relief Fund ₹ 25,000
- Repayment of house building loan taken from ICICI Bank (purchased during 2021-22) ₹ 2,50,000 (of which ₹ 50,000 is for principal repayment)
- Paid premium on Mediclaim Insurance Policy on own health by cheque ₹ 16,000 [8]

6. (b) Complete the total income and tax payable by Ms. PB for the Assessment Year 2022 – 23. The Kolkata Co-operative society derives total income from the following sources, for the Assessment Year 2022 – 23:

- Income from processing with the aid of power : ₹ 10,000
- Income from collective disposal of labour of its members : ₹ 15,000
- Interest from another co-operative society : ₹ 50,000
- Income from house property : ₹ 100,000
- Income from other business : ₹ 80,000
- Determine its taxable income

[7]

Answer 6(a):

Computation of total income of MS. PB for the A.Y. 2022-23:

Particulars	Amount (₹)	Amount (₹)	Amount (₹)
Salaries			
Gross Salary		5,01,000	
		52,000	4,49,000
Income from House Property	-	-	-
Net annual value of self – occupied property		Nil	
Less: Deduction u/s 24(b) (interest on loan)		2,00,000	(2,00,000)
Profits & Gains of Business or Profession			
Income from business		2,00,000	
Less: Allowable expenses		1,20,000	80,000
Capital Gain			
Long term capital gain			80,000
Income from other sources			
Family pension		1,20,000	
Less: Standard deduction [Lower of 1/3 rd of pension or ₹ 15,000]		15,000	1,05,000
Gross Total Income			5,14,000
Less: Deductions			
• u/s 80C			
- PPF	80,000		
- Repayment of housing loan	50,000	1,30,000	
• u/s 80D (mediclin)		16,000	
• u/s 80G (Donation to National Relief		25,000	1,71,000
Net Income			3,43,000

Note:

❖ Member's share in Income of HUF are exempt from tax u/s 10(2)

Computation of tax liability of Ms. PB for the A.Y. 2022-23:

Particulars	Amount (₹)
Tax on long term capital gain	
[20% on ₹ 80,000]	16,000
Tax on balance Income ₹26,300	650
Tax liability	16,650
Less: Rebate u/s 87A	12,500
	4,150
Add: Health & Education cess [4% on 4,150]	166
Total tax liability	4,316
Tax liability Rounded off u/s 288B	4,320

Answer 6.(b)

Computation of taxable income of Kolkata Co-operative society for the A.Y 2022-23

Particulars	Amount (₹)	Amount (₹)
Income from house property		1,00,000
Business Income		
• Processing with the aid of power	10,000	
• Collective disposal of labour	15,000	

Other business	80,000	1,05,000
Interest received from a co-operative society		50,000
Gross total income		2,55,000
Less : Deductions u/s 80P		
Interest from another co-operative society	50,000	
Collective disposal of labour	15,000	
Other business	50,000	1,15,000
Net Income		1,40,000

- 7.(a) Shri Mr. A follows cash basis of accounting and has furnished the Receipts & Payment A/c of previous year 2021-22 for computing his income: [9]

Particulars	Receipts (₹)	Payments (₹)
Interest on listed debenture of A Ltd.	16,200	
Letting of building & machinery @ ₹ 15,000 p.m. under a composite lease	1,50,000	
Collection charges		1,000
Repairs		5,000
Capital repairs		16,000
Interest paid outside India without deducting tax on loan taken for construction of building		8,000
Gift from father	6,000	
Ground rent received (related to financial year 2020-21)	600	

The following additional information are also provided –

Allowable depreciation on Building and Machinery – ₹ 4,000

Fire Insurance on Building and Machinery (not paid) -- ₹1,000

- (b) TDS on payment of compensation on acquisition of certain immovable property [sec.194LA] - Discuss [6]

Answer 7.(a)

Computation of income from other sources of Anil for A.Y.2022-23

Particulars	Details	Details	Amount	Amount
Interest on debenture of A Ltd.	₹ 16,200 / 90%			18,000
Interest received on letting of assets			1,50,000	
Less: Expenses paid				
Collection charges		1,000		
Repair		5,000		
Capital repairs ³		Nil		
Depreciation		4,000	10,000	1,40,000
Gift from father [As received from relative]				Nil
Ground rent received				600
Income from other source				1,58,600

Notes:

1. Since assessee follows cash basis of accounting, hence, income shall be chargeable and expenditure shall be allowed on cash basis.
2. Debenture income required to be grossed up.
3. Capital repairs are not allowed.
4. Interest paid outside India without deducting tax at source shall not be deductible expenditure.

Answers 7(b):

TDS on payment of compensation on acquisition of certain immovable property [Sec.194LA]:

Who is responsible to deduct tax: Any person responsible for paying to a resident any sum, being compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition of any immovable property (other than agricultural land)

When tax shall be deducted: At the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

Rate of TDS: 10%

When TDS cannot be made

Where the amount of such payment or the aggregate amount of such payments to a resident during the financial year does not exceed ₹ 2,50,000.

Exemption or relaxation from the provision

When the recipient applies to the Assessing Officer in Form 13 and gets a certificate authorizing the payer to deduct tax at lower rate or deduct no tax [Refer sec. 197] Other points

1. Agricultural land means agricultural land in India.
2. Immovable property means any land (other than agricultural land) or any building or part of a building.
3. Deduction shall not be made where payment is made in respect of any award or agreement which has been exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

8. Short note: (any three)**[5×3=15]**

(a) Scope of ICDS VI: Effects of Changes In Foreign Exchange Rates

(b) Time limit for filing return of income

(c) Any five transactions where quoting PAN is mandatory

(d) Scrutiny Assessment U/S 143(3)

Answers 8. (a)

Scope of ICDS VI: Effects of Changes In Foreign Exchange Rates

- The Standard deals with:

a. treatment of transactions in foreign currencies;

b. translating the financial statements of foreign operations; —

- Foreign operations of a person is a branch, by whatever name called, of that person, the activities of which are based or conducted in a country other than India

c. treatment of foreign currency transactions in the nature of forward exchange contracts.

- Foreign currency transaction is a transaction which is denominated in or requires settlement in a foreign currency, including transactions arising when a person:

- (i) buys or sells goods or services whose price is denominated in a foreign currency; or
- (ii) borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or
- (iii) becomes a party to an unperformed forward exchange contract; or
- (iv) otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.

- Forward exchange contract means an agreement to exchange different currencies at a forward rate, and includes a foreign currency option contract or another financial instrument of a similar nature.

(b) Time limit for filing return of income:

A return should be filed on or before the following due date (of respective assessment year):

Assessee	Due date
Where the assessee is required to furnish a report in Form 3CEB u/s 92E pertaining to international transaction(s)	30 th November
Where the assessee is a company not having international transaction(s)	30 th September
Any other assessee	
- Where accounts of the assessee are required to be audited under any law	30 th September
- Where the assessee is a working partner in a firm and the accounts of the firm are required to be audited under any law	30 th September
- In any other case	31 st July

(c) Any five transactions where quoting PAN is mandatory:

Every person shall quote its PAN in all documents pertaining to following transactions entered into by him –

1. Transactions relating to sale or purchase of a motor vehicle (other than two wheeled vehicles), which requires registration.
2. Opening an account [other than a time-deposit and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank.
3. Making application for issue of a credit card or debit card.
4. Opening of a demat account.
5. Payment in cash exceeding ₹50,000 to a hotel or restaurant against a bill or bills at any one time.

(d) Scrutiny Assessment U/S 143(3):

Where the Assessing Officer or the prescribed income-tax authority (here-in-after collectively referred to as „Assessing Officer“) considers it necessary to ensure that the assessee has not –

- understated his income; or
- declared excessive loss; or
- under paid the tax,

he can make a scrutiny in this regard and gather such information and evidence as he deems fit. And on the basis of such information and evidence so collected, he shall pass an assessment order. Such order shall be treated as regular assessment order.

Conditions for scrutiny assessment

- A return has been furnished u/s 139 or in response to a notice u/s 142(1); and
- Assessing Officer considers it necessary or expedient to ensure that the assessee has not understated his income, declared excessive loss or under-paid the tax.

Procedure**Notice for scrutiny [Sec. 143(2)]**

Assessing Officer shall serve on the assessee a notice requiring the assessee, on a date specified in the notice, to produce, or cause to be produced, any evidence on which assessee may rely, in support of the return.

Time limit of notice

No notice shall be served on the assessee after the expiry of 3 months from the end of the financial year in which the return is furnished.

Order

After collecting such information and hearing such evidence as the assessee produces in response to the notice u/s 143(2) and after taking into account all relevant materials, which the Assessing Officer has gathered;

The Assessing Officer shall, by an order in writing, make an assessment of the total income or loss of the assessee and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

Time limit for completion of scrutiny assessment

Assessment u/s 143(3) should be completed within 12 months from the end of the relevant assessment year.

The assessment u/s 143(3) or u/s 144, in the specified cases, shall be made in faceless manner for which the National Faceless Assessment Centre shall serve a notice.