

## INTERMEDIATE EXAMINATION

December 2022

P-7(DTX)

Syllabus 2016

## Direct Taxation

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicated full marks.*

*Wherever required, the candidate may make suitable assumption(s) and state the same clearly in the answer.*

*Working notes should form part of the relevant answer.*

*All questions relate to the Income-tax Act, 1961.*

*All the questions relate to Assessment Year 2022-23, unless otherwise stated.*

*Answer Question No. 1 which is compulsory and any five from Questions No. 2 to Question No. 8.*

1. (a) Choose the most appropriate answer:

1 × 10 = 10

- (i) Sriram born on 1st April, 1962 has total income of ₹7,50,000 for the assessment year 2022-23. He has opted for section 115BAC. How much is his income-tax liability (including cess)?
- (A) ₹39,000  
(B) ₹65,000  
(C) ₹36,400  
(D) ₹26,000
- (ii) Gupta (age 56) a salaried employee has income from salary (computed) ₹4,00,000 and short-term capital gain from sale of listed shares (computed) ₹1,50,000. What is the tax liability?
- (A) ₹31,200  
(B) ₹18,250  
(C) ₹23,400  
(D) ₹10,400
- (iii) Shri Ambalal has total income of ₹350 lakhs. It includes income from business ₹3 crores and rental income ₹50 lakhs.  
How much is the rate of surcharge applicable for the assessment year 2022-23?
- (A) 10%  
(B) 15%  
(C) 25%  
(D) 37%
- (iv) Eknath (P) Ltd. engaged in manufacturing activity. For the assessment year 2022-23, its total income is ₹ 50 lakhs. It is eligible and has opted for section 115 BAA. How much is the income tax payable by Eknath (P) Ltd. for the assessment year 2022-23?
- (A) ₹ 12,58,400  
(B) ₹ 11,40,000  
(C) ₹ 13,00,000  
(D) ₹ 7,80,000

- (v) Alok & Co. is engaged in trade of Garments. Total interest on term loan taken from SBI due for the previous year 2021-22 amounts to ₹5,20,000. It paid ₹2,50,000 towards interest on term loan up to 31st March, 2022. Out of the balance amount ₹1,10,000 was paid before the 'due date' for filing the ITR specified in section 139(1). Remaining amount was outstanding even after the 'due date' for filing the ITR specified in section 139(1).  
How much of interest is deductible for the assessment year 2022-23?
- (A) ₹ 5,20,000  
(B) ₹ 3,60,000  
(C) ₹ 4,10,000  
(D) ₹ 2,70,000
- (vi) Ms. Mala is employed in X Co. Ltd. She wants interest-free loan from the employer to meet some personal expenses. How much of loan from the employer would be free from computation of interest on such loan being taxed as perquisite?
- (A) ₹ 2,00,000  
(B) ₹ 1,00,000  
(C) ₹ 50,000  
(D) ₹ 20,000
- (vii) Sangma has tea estate in Assam. His income from growing and manufacturing tea for the year ended 31st March, 2022 was ₹ 10 lakhs. How much of such income is agricultural income?
- (A) ₹ 10,00,000  
(B) ₹ 6,00,000  
(C) ₹ 4,00,000  
(D) ₹ 2,50,000
- (viii) Dr. Ramseshan received ₹1 lakh as lifetime achiever award for rendering medical service from a social club. How much of such award is taxable as income?
- (A) ₹1,00,000 — Fully taxable  
(B) NIL— Exempt under section 10(17A)  
(C) 50% is taxable  
(D) ₹95,000 is taxable
- (ix) Mr. A let out a property for a monthly rent of ₹30,000 during the whole of the financial year 2021-22. He paid municipal tax of ₹60,000 in December, 2021 for financial years 2019-20, 2020-21 and 2021-22 being ₹20,000 per annum. How much is the income under the head 'house property' taxable in the hands of Mr. A?
- (A) ₹3,40,000  
(B) ₹3,00,000  
(C) ₹2,10,000  
(D) ₹1,92,000

- (x) Ranjit (age 50) has income by way of lottery winning ₹25 lakhs and loss under the head 'House property' ₹1,50,000. How much is his net tax liability for the assessment year 2022-23?
- (A) ₹5,85,000  
(B) ₹5,38,200  
(C) ₹4,60,200  
(D) ₹7,80,000

(b) Match the following:

1 × 5 = 5

1	2	3	4
(i)	Unabsorbed depreciation eligible for carry forward	(A)	₹5,000
(ii)	Loss from speculation business eligible for carry forward	(B)	₹1,50,000
(iii)	Deduction of entertainment allowance for Government employee	(C)	₹2,00,000
(iv)	Maximum deduction under section 80EEA	(D)	Subsequent 4 assessment years
(v)	Maximum loss under house property eligible for set off against other incomes	(E)	No time limit

(c) State whether the following statements are *True* or *False* :

1 × 5 = 5

- (i) When a person stays less than 182 days in India yet all his income accrued in India is taxable.
- (ii) An Individual cannot claim two residential house properties as self-occupied.
- (iii) The time limit for reinvestment in capital gain bonds is up to the due date for filing the ITR.
- (iv) In the case of very senior citizen, if non-resident, the basic exemption limit is ₹2,50,000.
- (v) Education allowance is exempt up to ₹1,000 per month.

(d) Fill up the blanks:

1 × 5 = 5

- (i) Retrenchment compensation is exempt up to \_\_\_\_\_.
- (ii) When minor income is clubbed \_\_\_\_\_ is allowed as deduction.
- (iii) Rate of depreciation allowed on patent is \_\_\_\_\_.
- (iv) Maximum Quantum of penalty for failure to file tax audit report is \_\_\_\_\_.
- (v) For a goods carriage with 7 tonne carrying capacity is ₹ \_\_\_\_\_ per month.

2. (a) Determine the residential status in the following independent cases:

2+2+4=8

- (i) Albert born and brought up in India left India on 05.11.2021 for the purpose of employment to Malaysia. He did not visit India up to 31.03.2022.
- (ii) Chander born and brought up in India was employed in Singapore since 01.04.2017. He stayed in India in every financial year for 70 to 80 days.
- (iii) Dilip a foreign citizen came to India for the purpose of employment in X Co. Ltd. and stayed in India from 05.06.2021 and remained in India up to 31.03.2022.

- (b) Amar (age 50) a resident has the following properties which are let out during the financial year 2021-22.

Particulars	House 1	House 2	House 3
Actual Rent (House 3 vacant for 2 months)	₹ 3,00,000	₹ 3,30,000	₹ 3,00,000
Gross municipal value	₹ 2,40,000	₹ 3,00,000	₹ 3,30,000
Fair rent	₹ 2,70,000	₹ 3,30,000	₹ 3,00,000
Standard rent	₹ 2,10,000	₹ 2,70,000	₹ 4,20,000
Municipal tax	10%	10%	10%
Sewerage tax	₹ 14,000	₹ 10,000	₹ 15,500
Water tax	5%	5%	5%
Interest on moneys borrowed	₹ 1,05,000	₹ 1,32,500	₹ 1,65,500

Compute income from house property for the assessment year 2022-23.

7

3. (a) Shri Manas, Finance Manager of Lighting Co. Ltd. furnishes you the following information:

	₹
Basic Salary (per month)	50,000
Dearness allowance 50% on basic salary Note: Not forming part of retirement benefit	
Transport allowance — per month	2,500
Bonus (per annum)	50,000
Commission — for the year	2,00,000
Refreshments during office hours — cost to employer	27,000
Rent-free accommodation provided by the employer at Kolkata	
Furniture fittings in the rent-free accommodation. Original cost ₹4,80,000 acquired in financial year 2018-19.	
Medical facility in clinic maintained by the employer — estimated cost in case it is incurred in outside clinic	65,000
Gardener provided for maintaining the garden — salary of gardener	36,000
Motor car of the employer was sold to Manas for ₹5 lakhs in August, 2021. The car was acquired by the company on 01.06.2018 for ₹11,50,000.	

Compute income from salary of Shri Manas for the assessment year 2022-23.

7

- (b) State which of the following would be agricultural income or otherwise:
- Salary of plantation worker from Duncan Co. Ltd. engaged in rubber plantation.
  - Royalty income from Orissa Coal Mines Ltd.
  - Interest on loan given to Ram Poultry Farming Ltd.
  - Rent received for use of land for grazing of cattle by God Dairy Ltd.
  - Income from saplings and seedlings grown by Soundarya Nursery.
  - Rent from farmhouse in the midst of agricultural land received by Banerjee.
  - Compensation from insurance company for damage caused to standing crops due to cyclone received by Atul.
  - Profit on sale of crops after harvest where the standing crops were purchased by Agro Farms (P) Ltd.

8

4. (a) Raghuram (age 44) inherited a vacant land from his father in April, 1998. The land was acquired by his father in January, 1990 for ₹5 lakhs. The fair market value of the land as on 01.04.2001 was ₹25 lakhs. Raghuram entered into an agreement for sale of land in January, 2021 and received ₹5 lakhs as advance. This amount was forfeited since the party did not complete the transaction.

Again, Raghuram looked for a buyer and found one Sathish interested in the property. The sale consideration was fixed at ₹200 lakhs vide agreement made in December, 2021. It was sold and the document was registered in March, 2022. Brokerage @1% of the sale consideration was paid. The stamp duty value of the land on the date of sale was ₹215 lakhs. Raghuram acquired a residential building at Chennai for ₹180 lakhs in May, 2022.

Cost inflation index F.Y. 2001-02 = 100, F.Y. 2021-22 = 317

Compute the taxable capital gain in the hands of Raghuram for the assessment year 2022-23. 7

- (b) Determine the quantum of deduction under the applicable provisions of Chapter VI-A for the assessment year 2022-23 in the following cases: 8
- (i) Rahul engaged in manufacture of household utensils applied for housing loan for the first house property for self-residential use. The loan was sanctioned in June, 2021 of ₹40 lakhs and the balance ₹8 lakhs was met from his own source. Interest on loan for the year ended 31.03.2022 amounts to ₹2,40,000.
- (ii) Pramod employed in a listed company availed loan from SBI for the purpose of purchase of electric car. The cost of electric car was ₹15,00,000 for which he borrowed loan of ₹12 lakhs. Interest payable on loan for the financial year 2021-22 amounts to ₹1,70,000.
- (iii) Priti (P) Ltd. contributed ₹5 lakhs to an electoral trust and incurred ₹90,000 on advertisement in a brochure of a recognized political party.
- (iv) The gross total income of Everest (P) Ltd. includes profits and gains of ₹11 lakhs from the collecting and processing of bio-degradable waste for producing bio-gas. The company began the business in the financial year 2018-19.

5. (a) Abhijit & Co. is a partnership firm engaged in manufacturing activity. The firm furnishes you the following details:

Particulars	Plant & Machinery (₹)	Furniture & Fittings (₹)	Building (₹)
WDV as on 01.04.2021	20,00,000	1,40,000	9,90,000
Acquired (new)	10,00,000 (10.01.2022)	60,000 (30.09.2021)	20,00,000 (includes land ₹5,00,000) acquired on 20.07.2021
Acquired (old)	5,00,000 (25.08.2021)		

**Note:** Plant & Machinery as on 01.04.2021 includes a new machine whose cost was ₹8,00,000 and which was acquired on 22.01.2021 but put to use from 01.02.2021.

Compute the eligible amount of depreciation under section 32 of the Act. 7

- (b) Laxman engaged in textile trade reports a turnover of ₹170 lakhs for the year ended 31.03.2022. It includes ₹60 lakhs received by way of cash and ₹40 lakhs received through banking channel up to 31st March, 2022. Of the balance of turnover, ₹30 lakhs was realized by cheque up to the due date for filing the return specified in section 139(1). On 25.05.2021, he acquired two heavy goods vehicles with each vehicle having capacity to carry goods up to 12000 kilos. Vehicles were operated for carrying goods of customers on hire. Vehicles were acquired through bank loan for which interest due for the year amounts to ₹3,70,000. He wants to admit both the business incomes as referred above as per applicable presumptive provisions.

Compute total income of Laxman for the assessment year 2022-23.

8

6. Following is the profit and loss account of Ashok (age 56) a resident for the year ended 31.03.2022:

To Rent	2,70,000	By Gross Profit	10,50,000
To Car repair & running expenses	10,000	By Cash Gift from friend	35,000
To Income tax	15,000	By Profit on sale of car	20,000
To Medical expenses	20,000	By Interest on income tax refund	1,300
To Administration expenses	1,30,000		
To Salary	90,000		
To Net Profit	5,71,300		
	11,06,300		11,06,300

*Other information:*

- He bought a motor car on 1st March, 2022 for ₹2 lakhs by paying cash.
- He sold his old motor car on 8th September, 2021 whose WDV as on 01.04.2021 was ₹60,000 and book value ₹80,000 for ₹97,000.
- Medical expenses given above includes medical expenses for wife ₹7,000.
- Let out a residential property for a monthly rent of ₹25,000 to Amin throughout the financial year 2021-22. Municipal tax of ₹30,000 was paid in cash in December, 2021.
- Incurred ₹50,000 towards medial expenditure for employees due to fire accident in business premises. This amount is included in administrative expenses given above.
- Paid health insurance premium for himself and wife ₹20,000 by crossed cheque. Also paid health insurance premium for his two children by net banking ₹12,000.
- Repaid housing loan principal by cash ₹1,05,000 and life insurance premium of his brother ₹20,000 and of himself ₹25,000.

Compute the total income of Ashok for the assessment year 2022-23.

15

7. (a) Rupesh furnishes you the following details for the financial year 2021-22:

	₹
Director sitting fees from Sky (P) Ltd	50,000
Dividend from Indian companies	1,20,000
Interest on moneys borrowed for purchase of shares from which dividend income was earned.	60,000
Interest on Public Provident Fund A/c	80,000
Rent received for sub-letting a leasehold house property	1,00,000
Lease rent for the sublet leasehold property	36,000
Gift received from relatives on the occasion of marriage	55,000
Gift received from non-relatives on the occasion of marriage	80,000
Gift received from friends on the occasion of 25th birthday	60,000
Fixed deposit interest from PSU banks	16,000
Savings bank account interest	12,000
Net Agricultural income from land in Malaysia	1,60,000

Compute total income of Rupesh for the assessment year 2022-23.

7

(b) State the quantum of tax deductible at source in the following independent cases:

8

(i)	Salary of General Manager (computed) ₹6,00,000 who has opted for section 115BAC.
(ii)	Dividend declared by a company and a resident shareholder eligible for dividend of ₹60,000.
(iii)	Interest paid by a partnership firm to HUF ₹15,000.
(iv)	Interest paid ₹45,000 to a bank on housing loan by an individual engaged in business with turnover exceeding ₹200 lakhs every year.
(v)	Payment made to contractor Mr.P by a company ₹90,000 out of which a single contract value was ₹37,000 and every other contract value was less than ₹10,000.
(vi)	Commission paid to a brokerage firm by a company during the year of ₹11,000.
(vii)	Rent paid ₹2,70,000 by Dr. Q engaged in profession with aggregate receipt of ₹21 lakhs for the financial year 2020-21.
(viii)	Residential apartment acquired by a company for accommodation by its director for ₹55 lakhs.

8. Write short notes on *any three* of the following:

5×3=15

- Clubbing of Minor Child
- Deemed owner under House Property
- Capital gain on transfer of depreciable assets
- Best Judgement Assessment

## SUGGESTED ANSWERS TO QUESTIONS

**1.(a)**

**1X10=10 Marks**

- (i) (A)
- (ii) (A)
- (iii) (C)
- (iv) (A)
- (v) (B)
- (vi) (D)
- (vii) (B)
- (viii) (A)
- (ix) (C)
- (x) (D)

**1.(b)**

**1X5= 5 Marks**

- (i) (E)
- (ii) (D)
- (iii) (A)
- (iv) (B)
- (v) (C)

**1.(c)**

**1X5= 5 Marks**

- (i) True.
- (ii) False.
- (iii) False.
- (iv) True.
- (v) False.

**1.(d)**

**1X5= 5 Marks**

- (i) Rs.5,00,000
- (ii) Rs.1,500
- (iii) 25%
- (iv) Rs.1,50,000
- (v) Rs.7,500

*Any five from Questions No. 2 to 8*

**2. (a)**

**2+2+4=8 Marks**

- (i) His status is resident and ordinarily resident.
- (ii) His status would be non-resident.
- (iii) His status is resident but not ordinarily resident.

**2.(b)**

**7 Marks**

**Income from house property:**

- House 1 – Rs. 70,000
- House 2 – Rs. 60,000
- House 3 – Rs. (1,000)

**3 (a)**

**7 Marks**

Gross Salary income Rs. 14,48,800

Net salary income Rs. 13,98,800

**3.(b)**

**8 Marks**

Deciding whether agricultural income or not

- (i) Salary from company engaged in rubber plantation is not agricultural income as the salary income does not have direct nexus to basic or subsequent operations involved in agriculture
- (ii) Royalty income from coal mines is not agricultural income as royalty is computed on the output of coal taken out of the mine. There is no specific effort in creating the mine.
- (iii) Income from poultry farming is not agricultural income as it has no component of basic or subsequent operations with regard to land or the plants /trees.
- (iv) Income by way of rent from land used for grazing of cattle is an agricultural income. As the land was specifically used for growing grass.
- (v) Income from nursery is income from agriculture as the activity involved is systematic performance for sowing seeds and growing saplings in a specified environment.
- (vi) Rent from farm house which is located in the midst of land is part and parcel of agricultural land and therefore it is agricultural income.
- (vii) Compensation received from insurance company for crops damaged by cyclone is in lieu of agricultural income and therefore it partakes the character of income from agriculture.
- (viii) Purchase of standing crops and profit on sale of crops so cut off from the plants is not agricultural income.

**4.(a)**

**7 Marks**

Long term capital gain Rs. 10,79,545

**4.(b)**

**8 Marks**

Deduction under Chapter VI-A

- (i) As per section 80EEA interest on moneys borrowed for acquisition of residential house by a resident taxpayer is eligible for extra deduction of Rs.1,50,000 in addition to Rs.2,00,000 allowable under section 24.  
Borrower Rahul bought first residential house but the cost of the property is more than Rs.45 lakhs. Out of total interest of Rs.2,40,000 after claiming deduction of Rs.2,00,000 under section 24 the balance of Rs.40,000 is not eligible for claiming deduction under section 80EEA.
- (ii) As per section 80EEB in the case of individual who has taken loan from financial institution for purchase of electric vehicle, interest on loan is eligible for deduction up to a maximum of Rs.1,50,000.  
In this case interest payable on the loan is Rs.1,70,000. The assessee hence can avail deduction of Rs.1,50,000 under section 80EEB.
- (iii) Amount contributed to electoral fund Rs.5 lakhs is eligible for deduction under section 80GGB in the case of Indian companies.  
The amount of expenditure by way of advertisement in a brochure of a political party Rs.90,000 is not eligible for deduction in view of section 37(2B).  
However, the said amount is eligible for deduction under section 80GGB. Thus, the both the payments are deductible under section 80GGB.
- (iv) As per section 80JJA profits and gains derived from the business of collecting and processing or treating of bio-degradable waste is eligible for deduction @100% for first 5 assessment years beginning with the assessment year in which the business commences.

Therefore, 100% of the income so included from the said activity in the gross total income Everest (P) Ltd is eligible for deduction.

**5.(a)**

**7 Marks**

Computation of depreciation and additional depreciation for the A.Y.2022-23

Particulars	Depreciation	Addl. Depreciation
Plant & Machinery	3,75,000	80,000 On Rs.8 lakhs @ 10%
Plant & Machinery	75,000	1,00,000 On Rs.10 lakhs @ 10%
Furniture & Fittings	20,000	Nil
Building	2,49,000	Nil

**5.(b)**

**8 Marks**

Total Income Rs. 14,84,000 (or) Rs. 13,85,000

**6.**

**15 Marks**

Computation of total income of Ashok for the Assessment Year 2022-23

	Rs.
Income from house property	1,89,000
Income from Business	5,37,000
Capital gains	37,000
Income from Other Sources	1,300
Gross Total Income	7,64,300
Less: Deduction under Chapter VI-A	1,55,000
Total Income	6,09,300

**7.(a)**

**7 Marks**

Total Income Rs. 4,48,000

**7.(b)**

**8 Marks**

Computation of the quantum of tax deductible at source

- (i) The quantum of tax deductible at source on this income when opted section 115BAC by the employee is Rs.23,400.
- (ii) Tax is deductible at source @ 10% being Rs.6,000 as the amount exceeds Rs.5,000.
- (iii) As per section 194A tax is deductible at 10% being Rs.1,500.
- (iv) Payment of interest on housing loan to a bank is not liable for tax deduction at source. This is irrespective of whether the payer of interest is engaged in business or not.
- (v) TDS @ 1% is deductible on Rs.37,000 as the contract value exceeded Rs.30,000. The TDS amount being Rs.370. In respect of the balance amount of Rs.53,000 no tax is deductible at source.
- (vi) The amount of commission paid is less than Rs.15,000. Therefore, no tax is deductible at source.
- (vii) As the gross receipt from profession is less than Rs.50 lakhs no tax is deductible at source on payment of rent by Dr.Q even though it exceeds the monetary limit of Rs.2,40,000.
- (viii) As the purchase value of immovable property exceeds Rs.50 lakhs tax is deductible at source @ 1% on the total amount of consideration being Rs.55,000.

Any Three of the following:

**8.(a)**

**5X3= 15 Marks**

**Clubbing of income of minor child**

In computing the total income of an individual, there shall be included all such income as arises or accrues to his minor child (except those which are earned through their personal skill, talent etc). Therefore, the income of a minor child is to be clubbed in the hands of either of his / her parents.

Minor's income shall be clubbed in the hands of that parent whose total income (excluding the income of the minor) is greater.

If the marriage of his parents does not subsist, the minor's income shall be clubbed in the hands of that parent who maintains the minor child in the previous year.

Where any income is once included in the total income of either parent, any such income arising in any succeeding year shall not be included in the total income of the other parent unless the Assessing Officer is satisfied.

However, for changing the clubbing of minor's income with the other parent the Assessing Officer can do so only after giving an opportunity of being heard to the other parent.

**8.(b)**

**Deemed owner under House Property**

1. Transfer to a spouse: If an Individual transfers any house property to his/her spouse for Inadequate consideration, such transferor is deemed to be the owner of the transferred House property.

2. Transfer to Minor Child: If an Individual transfers any house property to minor child for inadequate consideration, transferor is deemed to be the owner of transferred house property.

3. Holder of an Impartible estate: Holder of an Impartible estate (Impartible estate is a property which is not legally divisible) shall be deemed to be owner of all properties comprised in the estate.

4. Member of a Co-operative Society, etc: Member of a co-operative society, company or other AOPs to whom a building or part thereof is allotted or leased under a House Building Scheme of a society/company/association, shall be deemed to be owner of that building or part thereof allotted to him although the co-operative society/company/association is the legal owner of that building.

5. Person in possession of a property: A person who is allowed to take possession of any building or part thereof in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act shall be deemed owner of that house property.

6. Person having right in a property by way of lease for 12 years or more: A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building or part thereof.

**8.(c)**

**Capital gain on transfer of depreciable assets**

As per 'block asset' concept, group of assets falling within a class of assets for which same rate of depreciation is prescribed under the Act are grouped (section 2(11)). These assets are eligible for depreciation as per section 32.

Block asset concept is applicable both for tangible and intangible assets. Only condition for inclusion in the block asset is that it should be a depreciable asset for which rate of depreciation is prescribed in the Income-tax Rules,1962.

Where the entire block of depreciable assets are transferred and the block ceases to exist: If the net sale consideration is more than the opening WDV of the block of assets plus actual cost of assets falling within that block of assets acquired during the previous year, the resultant is taxable as short-term capital gain.

When depreciable assets are sold and the block continues to exist: If the net sale consideration is more than the opening WDV of block of assets plus actual cost of assets falling within that block of assets acquired during the previous year, then also the surplus is taxed as short-term capital gain. However, the remaining assets of the block would continue to exist at 'nil' value.

Where depreciable assets are sold and the block continues to exist: If the net sale consideration is less than the opening WDV of block of assets plus actual cost of assets falling within that block of assets acquired during the previous year, when the block continues to exist (with assets), the remaining WDV (after deduction of net sale consideration) would be eligible for depreciation.

Where entire block of depreciable assets is transferred i.e. the block ceases to exist: If the value of net sale consideration is less than the opening WDV of block of assets plus actual cost of assets falling within the block of assets acquired during the previous year, the deficiency will be short-term capital loss.

The sale consideration less expenditure incurred for realising the sale consideration being net sale consideration would be adopted for comparing the opening WDV + actual cost of asset falling within the block of assets during the previous year.

#### **8.(d)**

##### **Best judgment assessment under section 144**

When an assessment is made by the Assessing Officer to the best of his judgment after considering all relevant materials which he has gathered, it shall be called as best judgment assessment or ex-parte assessment.

The Assessing Officer cannot reduce the tax liability of the assessee by best judgment assessment under this section.

Also, a refund cannot be granted in an order passed under section 144.

It is not the discretionary power of the Assessing Officer to make an assessment under this section. The Assessing Officer is under an obligation to make an order taking note of the materials available on record.

If a person fails to make a return under section 139 or in response to notice under section 142(1) or fails to comply with the directions issued under section 142(2A), a best judgment assessment could be made.

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