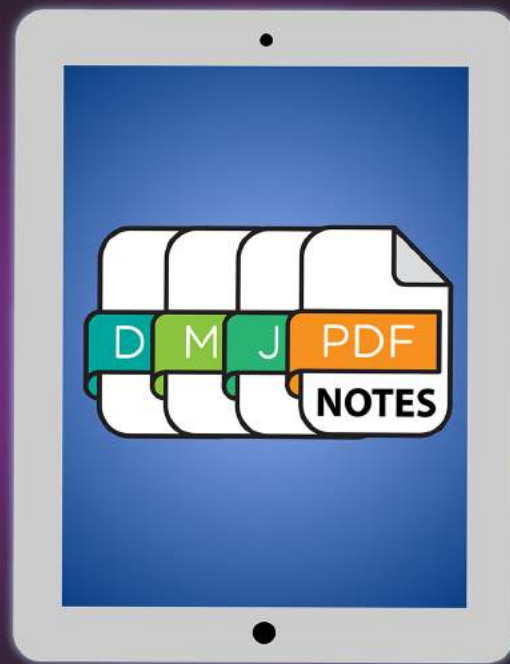




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Paper-4A

Illustrations:

Illustration 1

Ramdin, aged 33 years, working as Manager (Sales) with Frozen Foods Ltd., provides the following information for the year ended 31.03.2021:

Basic Salary	Rs.15,000 p.m.
DA (50% of it is meant for retirement benefits)	Rs.12,000 p.m.
Commission as a percentage of turnover of the Company	0.5 %
Turnover of the Company	Rs.50 lacs
Bonus	Rs.50,000
Gratuity	Rs.30,000
Own Contribution to R.P.F.	Rs.30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F. account @ 15% p.a.	Rs.15,000

- Gold Ring worth Rs.10,000 was given by employer on his 25th wedding anniversary.
- Music System purchased on 01.04.2020 by the company for Rs.85,000 and was given to him for personal use.
- Two old light goods vehicles owned by him were leased to a transport company against the fixed charges of Rs.6,500 p.m. Books of account are not maintained.
- Received interest of Rs.5,860 on bank FDR's on 24.4.2020 and interest of Rs.6,786 (Net) from the debentures of Indian Companies on 5.5.2020.
- Made payment by cheques of Rs.15,370 towards premium on Life Insurance policies and Rs.22,500 for Mediclaim Insurance policy for self and spouse.
- Invested in NSC Rs.30,000 and in FDR of SBI for 5 years Rs.50,000.
- Donations of Rs.11,000 to an institution approved u/s 80G and of Rs.5,100 to Prime Minister's National Relief Fund were given during the year by way of cheque.

Compute the total income and tax payable thereon for the A.Y. 2021-22. Assume Ramdin does not opt for section 115BAC.

Illustration 2

From the following details, compute the total income and tax liability of Siddhant, aged 31 years, of Delhi both as per the regular provisions of the Income-tax Act, 1961 and as per section 115BAC for the A.Y.2021-22.

Advise Mr. Siddhant whether he would opt for section 115BAC:

Particulars	Rs.
Salary including dearness allowance	3,35,000
Bonus	11,000
Salary of servant provided by the employer	12,000
Rent paid by Siddhant for his accommodation	49,600
Bills paid by the employer for gas, electricity and water provided free of cost at the above flat	11,000

Siddhant purchased a flat in a co-operative housing society in Delhi for Rs.4,75,000 in April 2014, which was financed by a loan from Life Insurance Corporation of India of Rs.1,60,000 @15% interest, his own savings of Rs.65,000 and a deposit from a nationalized bank for Rs.2,50,000 to whom this flat was given on lease for ten years.

The rent payable by the bank was Rs.3,500 per month. The following particulars are relevant:

- Municipal taxes paid by Mr. Siddhant - Rs.4,300 (per annum)
- House Insurance - Rs.860
- He earned Rs.2,700 in share speculation business and lost Rs.4,200 in cotton speculation business.
- In the year 2015-16, he had gifted Rs.30,000 to his wife and Rs.20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest @ 19% per annum.
- Siddhant received a gift of Rs.30,000 each from four friends.
- He contributed Rs.50,000 to Public Provident Fund.

Illustration 3

Mr. X, an individual set up a unit in Special Economic Zone (SEZ) in the financial year 2016-17 for production of washing machines. The unit fulfils all the conditions of section 10AA of the Income-tax Act, 1961.

Computation of Total Income & Tax payable

During the financial year 2019-20, he has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. It fulfils all the conditions of section 35AD. Capital expenditure in respect of warehouse amounted to Rs. 75 lakhs (including cost of land Rs. 10 lakhs).

The warehouse became operational with effect from 1st April 2020 and the expenditure of Rs.75 lakhs was capitalized in the books on that date.

Relevant details for the financial year 2020-21 are as follows:

Particulars	Amount
Profit of unit located in SEZ	40,00,000
Export sales of above unit	80,00,000
Domestic sales of above unit	20,00,000
Profit from operation of warehousing facility (Before considering deduction under Section 35AD)	1,05,00,000

Compute income-tax (including AMT under Section 115JC) liability of Mr. X for Assessment Year 2021-22 both as per regular provisions of the Income-tax Act and as per section 115BAC for Assessment Year 2021-22.

Advise Mr. X whether he should opt for section 115BAC.

Illustration 4

Ms. Purvi, aged 55 years, is a Chartered Accountant in practice. She maintains her accounts on **Cash basis**.

Her Income and Expenditure account for the year ended March 31, 2021, reads as follows:

Expenditure	Rs.	Income	Rs.	Rs.
Salary to staff	15,50,000	Fees earned:		
Stipend to articled Assistants	1,37,000	Audit	27,88,000	
Incentive to articled Assistants	13,000	Taxation services	15,40,300	
Office rent	12,24,000	Consultancy	12,70,000	55,98,300
Printing and stationery	12,22,000	Dividend received on 30.4.2020 on shares of X Ltd., an Indian company (Gross)		10,524

Computation of Total Income & Tax payable

Meeting, seminar, and Conference	31,600	Income from UTI (Gross), received on 25.4.2020		7,600
Purchase of car (for official use)	80,000	Honorarium received from various institutions for valuation of answer papers		15,800
Repair, maintenance, and petrol of car	4,000	Rent received from residential flat let out		85,600
Travelling expenses	5,25,000			
Municipal tax paid in respect of house property	3,000			
Net Profit	9,28,224			
	57,17,824			57,17,824

Other Information:

- Allowable rate of depreciation on motor car is 15%.
- Value of benefits received from clients during the course of profession is Rs.10,500.
- Incentives to articled assistants represent amount paid to two articled assistants for passing IPCC Examination at first attempt.
- Repairs and maintenance of car include Rs.2,000 for the period from 1-10-2020 to 30-09-2021.
- Salary include Rs.30,000 to a computer specialist in **cash** for assisting Ms. Purvi in one professional assignment.
- The travelling expenses include expenditure incurred on foreign tour of Rs.32,000 which was within the RBI norms.
- Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to Rs.5,000 and Rs.10,000, respectively, paid in cash.
- She invested an amount of Rs.10,000 in National Saving Certificate.
- She has paid Rs.70,000 towards advance tax during the P.Y. 2020-21.

Compute the total income and tax payable of Ms. Purvi for the assessment year 2021-22.

Computation of Total Income & Tax payable

Illustration 5

Dr. Niranjana, a resident individual, aged 60 years is running a clinic in Surat. Her Income and Expenditure Account for the year ending March 31st- 2021 is as under:

Expenditure	Rs.	Income	Rs.
To Medicine consumed	35,38,400	By Consultation and medical charges	58,85,850
To Staff salary	13,80,000	By Income-tax refund (principal Rs.5,000, interest Rs.450)	5,450
To Clinic consumables	1,10,000	By Dividend from units of UTI (Gross)	10,500
To Rent paid	90,000	By Winning from game show on T.V. (net of TDS of Rs.15,000)	35,000
To Administrative expenses	2,55,000	By Rent	27,000
To Amount paid to scientific research association approved u/s 35	1,50,000		
To Net profit	4,40,400		
	59,63,800		59,63,800

Amount	Slab rates		
	Individual/ HUF/ AOP/ BOI/ Artificial Juridical Person	Senior citizens (60 years < 80 years)	Resident individuals ≥ 80 years
Total income ≤ Rs.2,50,000	0	0	0
Rs.2,50,000 ≤ Rs.3,00,000	5%	0	0
Rs.3,00,000 ≤ Rs.5,00,000	5%	5%	0
Rs.5,00,000 ≤ Rs.10,00,000	20%	20%	20%
Total income ≥ Rs.10,00,000	30%	30%	30%

Additional information -

Computation of Total Income & Tax payable

a) Rent paid includes Rs.30,000 paid by cheque towards rent for her residential house in Surat.

b) Clinic equipment's are:

1.4.2020	Opening W.D.V.	Rs.5,00,000
7.12.2020	Acquired (cost) by cheque	Rs.2,00,000

c) Rent received relates to property situated at Surat. Gross Annual Value Rs.27,000. The municipal tax of Rs.2,000, paid in December 2020, has been included in "administrative expenses".

d) She received salary of Rs.7,500 p.m. from "Full Cure Hospital" which has not been included in the "consultation and medical charges".

e) Dr. Niranjana availed a loan of Rs.5,50,000 from a bank for higher education of her daughter. She repaid principal of Rs.1,00,000, and interest thereon Rs.55,000 during the previous year 2020-21.

f) She paid Rs.1,00,000 as tuition fee (not in the nature of development fees/ donation) to the university for full time education of her daughter.

g) An amount of Rs.28,000 has also been paid by cheque on 27th March 2021 for her medical insurance premium.

From the above, compute the total income of Dr. Smt. Niranjana for the A.Y. 2021-22 under the regular provisions of the Income-tax Act, 1961, assuming that she has not opted for to pay tax under section 115BAC.

Illustration 6

Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2021 revealed the following information:

a) The net profit was Rs.11,20,000.

b) The following incomes were credited in the profit and loss account:

a. Dividend from UTI Rs.22,000 (Gross)

b. Interest on debentures Rs.17,500 (Gross)

c. Winnings from horse races Rs.15,000 (Gross)

c) It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:
Opening stock Rs.8,000. Closing stock Rs.12,000.

d) Rs.1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).

e) Salary includes Rs.20,000 paid to his brother which is unreasonable to the extent of Rs.2,500.

f) Advertisement expenses include 15 gift packets of dry fruits costing Rs.1,000 per packet presented to important customers.

Computation of Total Income & Tax payable

- g) Total expenses on car were Rs.78,000. The car was used both for business and personal purposes. $\frac{3}{4}$ th is for business purposes.
- h) Miscellaneous expenses included Rs.30,000 paid to A & Co., a goods transport operator in cash on 31-1-2021 for distribution of the company's product to the warehouses.
- i) Depreciation debited in the books was Rs.55,000. Depreciation allowed as per Income-tax Rules, 1962 was Rs.50,000.
- j) Drawings Rs.10,000.
- k) Investment in NSC Rs.15,000.

Compute the total income of Mr. Y for the assessment year 2021-22, assuming that he has not opted to pay tax under section 115BAC.

Illustration 7

Rosy and Mary are sisters, born and brought up at Mumbai. Rosy got married in 1982 and settled in Canada since 1982. Mary got married and settled in Mumbai. Both of them are below 60 years. The following are the details of their income for the previous year 2020-21:

S.No.	Particulars	Rosy Rs.	Mary Rs.
1.	Pension received from State Government	-	60,000
2.	Pension received from Canadian Government	20,000	-
3.	Long-term capital gain on sale of land at Mumbai	1,00,000	50,000
4.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,50,000
5.	LIC premium paid	-	10,000
6.	Premium paid to Canadian Life Insurance Corporation at Canada	40,000	-
7.	Mediclaime policy premium paid vide account payee cheque	-	25,000
8.	Investment in PPF	-	20,000
9.	Rent received in respect of house property at Mumbai	60,000	30,000

Compute the taxable income and tax liability of Mrs. Rosy and Mrs. Mary for the Assessment Year 2021-22 and tax thereon, ignoring the provisions of Section 115BAC.

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