VIVITSU

STRIVING TOWARDS KNOWLEDGE

Paper 3

Taxation

Chapter-wise compilation of RTPs, MTPs and PYPs

NEW *Modified as per new scheme*

Applicable for Sept'24 & Jan'25

SAMPLE MATERIAL

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HOW TO GET THE BEST OUT OF OUR MATERIAL?

1 INITIAL READING

After your initial reading of a particular chapter in your study material, go through the questions in our 3, 5, and 11 attempt's compilations, focusing on the chapter you've just covered. Make note of challenging questions for later reference.

2 FIRST REVISION

During your first revision, revisit the marked questions. If you still can't answer them, highlight them in red and review the related concepts to improve your understanding. This process helps you to grasp the key concepts and address your weak points

3 KEEP GOING WITH THE REVISIONS

Repeat the reading and revision process as often as possible before your exams. Each iteration will enhance your confidence and knowledge.

4 EXAMINERS COMMENTS

Pay attention to the examiner's comments in our compilations, as they highlight common mistakes. Learning from these errors will help you avoid them in your exams

Frequently Asked Questions

1. **Why RTP's, MTP's and PYP's?**
   RTP's, MTP's, and PYP's are extremely important to ensure that you reproduce ICAI language. These questions train you to understand what is important and what is expected of you.
   At least 41% of questions* are asked from previous RTP's, MTP's and PYP's.

2. **What is included?**
   In this compiler, all questions from the last 3, 5 or 11 attempts depending on the one you have selected will be available. There will be references to the marks and the attempt from which they were asked. Identical or similar questions have been removed and references for both attempts are mentioned.

3. **What is the benefit of Chapter-wise?**
   We have categorized each and every question from all Old RTPs, MTP's, and PYP's into chapters. This means that you don't have to wait until you've completed your entire syllabus to tackle an RTP, MTP, or past paper. You can start solving these questions to check your conceptual clarity right after finishing a particular chapter.

4. **What does amended for the latest attempt mean?**
   When we reviewed all the questions from the past 11 attempts of RTP, MTP, and PYP'S, we didn't just segregate them Chapterwise; we also updated them to reflect the latest provisions. All the answers provided in the compilation are applicable for the May 2024 examination. So, there's no need to stress about outdated or incorrect information.

5. **How are Old RTP's, MTP's & PYP's beneficial for me?**
   All old RTPs, MTPs, and PYPs have been organized according to the new syllabus issued by ICAI. This means that if a specific chapter from the old scheme is not included in the new scheme, it has been omitted. If a particular chapter in the new scheme is based on concepts from two or more chapters in the old scheme, it has been adapted to align with how the chapter should be in the new scheme. If a chapter is only partially included in the new scheme, the questions related to those specific concepts are only included in the corresponding chapter of the new scheme. A comprehensive reconciliation of the chapters between the new scheme and the old scheme is provided on the following page.

6. **What if a new attempt is added post my purchase?**
   If you have purchased materials for the May 2024 attempt, you will receive a file with the questions segregated Chapterwise specifically for that attempt.

7. **What does N/A mean?**
   It could mean any of the following:
   1. No questions from that chapter have been included in the selected attempts.
   2. The chapter is newly introduced, and as a result, no questions have been previously asked in RTP's, MTP's, or PYP's.

*This is on an average based on the last 11 attempts

Taxation

Reconciliation of chapters of the new scheme (May'24) with old course

New Chapter No.	Chapter Name as per NEW Syllabus	Comparison with chapters of Old Scheme
	SECTION A: Income Tax Law	
1	Basic Concepts	Same
2	Residence and Scope of Total Income	Same
3	**Heads of Income**	
3.1	Salaries	Same
3.2	Income from House Property	Same
3.3	Profits and Gains of Business or Profession	Same
3.4	Capital Gains	Same
3.5	Income from Other Sources	Same
4	Income of Other Persons included in Assesse's Total Income	Same
5	Aggregation of Income, Set-Off and Carry Forward of Losses	Same
6	Deductions from Gross Total Income	Same
7	Advance Tax, Tax Deduction at Source and Tax Collection at Source	Same
8	Provisions for filing Return of Income and Self-Assessment	Same
9	Income Tax Liability – Computation and Optimisation	Same
	SECTION B: Goods & Service Tax	
1	GST in India – An Introduction	Same
2	Supply under GST	Same
3	Charge of GST	Same
4	Place of Supply *	Not a part of CA inter syllabus in the old scheme
5	Exemptions from GST	Same
6	Time of Supply	Same
7	Value of Supply	Same
8	Input Tax Credit	Same
9	Registration	Same
10	Tax Invoice; Credit and Debit Notes	Same
11	Accounts and Records**	Not a part of CA inter syllabus in the old scheme
12	E-Way Bill **	Not a part of CA inter syllabus in the old scheme
13	Payment of Tax	Same

14	Tax Deduction at Source and Collection of Tax at Source ***	Not a part of CA inter syllabus in the old scheme
15	Returns	Same

* This chapters were earlier a part of CA Final Paper 8: Indirect Tax in chapter 5

** These chapters were earlier a part of CA Final Paper 8: Indirect Tax in chapter 11

*** This chapters were earlier a part of CA Final Paper 8: Indirect Tax in chapter 12 (second part)

Table of Contents

This includes:

MTPs: March'19, April'19, Oct'19, May'20, Oct'20, March'21, April'21, Oct '21, Nov '21, March '22, April '22, Sep '22, Oct '22, March '23, April '23,Sep '23 ,Oct '23,March'24 & April '24

PYPs: May'19, Nov'19, Nov'20, Jan'21, July '21, Dec '21, May'22, Nov '22, May'23, Nov'23

RTPs: May'19, Nov'19, May'20, Nov'20, May'21, Nov '21, May '22, Nov '22, May '23, Nov '23, May'24

Chapter 1
Basic Concepts

Question 1

Compute the tax liability of Ms. Kajal for A.Y. 2024-25, a female resident aged 40 years, where her total income is ₹2,00,50,000 comprising of business income. Ms. Kajal opts for the provisions of section 115BAC. (MTP 3 Marks Apr'22)

Answer 1

Computation of tax liability of Ms. Kajal under section 115BAC for the A.Y.2024-25

		₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,00,50,000		
	Up to ~~₹ 2,50,000~~ ***₹ 3,00,000*** Nil	Nil	
	₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
	₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
	₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
	₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
	Above ₹ 15,00,000 @30%	55,65,000	
	Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	57,15,000	
		14,28,750	***71,43,750***
(B)	***Tax payable on total income of ₹ 2 crore [(₹ 15,000 plus ₹ 30,000 plus ₹ 45,000 plus ₹ 60,000 ~~plus ₹ 62,500~~ plus ₹ 55,50,000) plus surcharge @15%]***		***65,55,000***
(C)	Excess tax payable (A)-(B)		5,88,750
(D)	Marginal Relief (₹ 5,88,750 – ₹ 50,000, being the amount of income in excess of ₹ 2,00,00,000)		5,38,750
(E)	Tax payable before cess (A – D)		66,05,000
	Add: Health and education cess @4%		2,64,200
	Tax payable		68,69,200

Alternative Presentation

Computation of tax liability of Ms. Kajal for the A.Y.2024-25

		₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,00,50,000		
	Upto ~~₹ 2,50,000~~ ***₹ 3,00,000*** Nil	Nil	
	₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
	₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
	₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
	₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
	Above ₹ 15,00,000 @30%	55,65,000	
	Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	57,15,000	
		14,28,750	**71,43,750**

(B)	*Tax payable on total income of ₹ 2 crore [(₹ 15,000 plus ₹ 30,000 plus ₹ 45,000 plus ₹ 60,000 ~~plus ₹ 62,500~~ plus ₹ 55,50,000) plus surcharge @15%]*		*65,55,000*
(C)	Total income less ₹ 2 crore		50,000
(D)	Tax payable on total income of ₹ 2 crore plus excess of total income over ₹ 2 crore (B + C)		66,05,000
(E)	Tax payable: Lower of A and D		66,05,000
	Add: Health and education cess @4%		2,64,200
	Tax payable		**68,69,200**
(F)	**Marginal Relief (A -D)**		**5,38,750**

Question 2 (Includes concepts of Residence & Scope of Total Income)

Miss Deepika, a citizen of India, got married to Mr. John of Australia and left India for the first time on 20.8.2023. She has not visited India again during the P.Y. 2023-24. She has derived the following income for the year ended 31-3-2024:

	Particulars	₹
(i)	**Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari.**	**1,50,000**
(ii)	**Income from sale of coffee grown and cured in Kodagu, Karnataka**	**2,00,000**
(iii)	**Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.**	**5,00,000**
(iv)	**Income from sale of tea grown and manufactured in West Bengal.**	**12,00,000**
(v)	**Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.**	**2,00,000**

You are required to determine the residential status of Miss Deepika and compute the business income and agricultural income of Miss. Deepika for the Assessment Year 2024-25. (MTP 7 Marks, Oct'20)

Answer 2

Miss Deepika is said to be resident if she satisfies any one of the following basic conditions:

(i) Has been in India during the previous year for a total period of 182 days or more

(or)

(ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Deepak's stay in India during the P.Y.2023-24 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2023-24 exceeds 60 days. Since, she+ left India for the first time, her stay in India during the four previous years prior to P.Y.2023-24 would be more than 365 days. Hence, she is a resident for P.Y.2023-24.

Further, Miss Deepika would be "Resident and ordinarily resident" in India in during the previous year 2023-24, since her stay in India in the last seven previous years prior to P.Y.2023-24 is more than 730 days and she must be resident in the preceding ten years.

Computation of business income and agricultural income of Miss Deepika for A.Y. 2024-25

Particulars		Income	Business Income ₹	Agricultural Income ₹
(I)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500

(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka (Apportioned between business and agricultural income in the ratio of 25:75, as per Rule 7B (1) of the Income-tax Rules, 1962)	2,00,000	50,000	1,50,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai **[See Note 1 below]**	5,00,000	5,00,000	-
(iv)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land **[See Note 2 below]**	2,00,000	-	2,00,000
		22,50,000	**10,82,500**	**11,67,500**

Notes:

(1) Since MS Deepika is resident and ordinarily resident in India for A.Y. 2024-25, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.

(2) As per Explanation 3 to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of Rs.2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.

Question 3

Mr. Rana, a resident and ordinarily resident aged 42 years, manufactures rubber from the latex processed from rubber plants grown in Kerala. Thereafter, he sold the rubber for ₹ 47 lakhs. The cost of growing rubber plants was ₹ 25 lakhs and the cost of manufacturing rubber was ₹ 7 lakhs. He has no other income during the previous year 2023-24. Compute his tax liability for the Assessment Year 2024-25. (RTP May'19)

Answer 3

In cases where the assesses himself grows rubber plants and manufactures rubber processed from latex obtained from rubber plants in India, then, as per Rule 7A, 35% of profit on sale of rubber is taxable as business income under the head "Profits and gains from business or profession", and the balance 65% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of rubber processed from latex = ₹ 47 lakhs – ₹ 25 lakhs – ₹ 7 lakhs = ₹ 15 lakhs

Agricultural Income = 65% of ₹ 15 lakhs = ₹ 9.75 lakhs

Business Income = 35% of ₹ 15 lakhs = ₹ 5.25 lakhs.

The tax liability of Mr. Rana has to be computed applying the concept of partial integration, since his total income comprises of both agricultural income and non- agricultural income and his agricultural income exceeds ₹ 5,000 p.a and his non- agricultural income exceeds the basic exemption limit i.e., ₹ 2,50,000 (applicable, in his case). Accordingly, his tax liability would be computed in the following manner:

Computation of tax liability of Mr. Rana for the A.Y. 2024-25

Particulars	₹
Tax on total income of ₹ 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., ₹ 12,25,000 [₹ 9,75,000 plus ₹ 2,50,000]	1,80,000
	82,500
Add: Health and Education cess@4%	3,300
Total Tax liability	**85,800**

Question 4

Explain with brief reasons, whether the following income can be regarded as agricultural income, as per the provisions of the Income-tax Act, 1961:

(i) Rent received for letting out agricultural land for a movie shooting.

(ii) Income from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assesses. (RTP Nov '20)

Answer 4

i) Rent received for letting out agricultural land for a movie shooting:

As per section 2(1A), "agricultural income" means, inter alia,

- any rent or revenue derived from land
- which is situated in India and is used for agricultural purposes.

In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose and hence, it does not constitute agricultural income.

ii) Income from sale of seedlings in a nursery:

As per Explanation 3 to section 2(1A), income derived from saplings or seedlings grown in a nursery is deemed to be agricultural income, whether or not the basic operations were carried out on land.

Therefore, the amount received from sale of seedlings in a nursery adjacent to the agricultural lands owned by the assesses constitutes agricultural income.

Question 5

Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2024-25:

Income from Salaries	**27,88,000**
Income from House Property (Computed)	**15,80,000**
Interest Income from FDR's	**7,22,000**

He has not claimed any deduction under Chapter VI-A. You are required to compute tax liability of Mr. Rajat Saini as per the provisions of Income-tax Act, 1961. Assume that he has not opted for 115BAC. (PYP 5 Marks, Nov'18, PYP May '20)

Answer 5

Computation of tax liability of Mr. Rajat Saini for the A.Y. 2024-25

Particulars	**₹**	**₹**
Income from Salaries		27,88,000
Income from house property (computed)		15,80,000
Interest income from FDR's		7,22,000
Total Income		**50,90,000**
Tax Liability		
(A) Tax payable including surcharge on total income of ₹ 50,90,000		
Upton ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @ 5%	12,500	
₹ 5,00,001 – ₹ 10,00,000 @ 20%	1,00,000	
₹ 10,00,001 – ₹ 50,90,000 @30%	12,27,000	
	13,39,500	
Add: Surcharge @ 10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore.	1,33,950	14,73,450
(B) Tax Payable on total income of ₹ 50 lakhs (₹ 12,500 plus ₹ 1,00,000 plus ₹ 12,00,000, being 30% of ₹ 40,00,000)		13,12,500

(C) Excess tax payable (A)-(B)		1,60,950
(D) Marginal Relief (₹ 1,60,950 – ₹ 90,000, being the amount of income in excess of ₹ 50,00,000)		70,950
Tax payable (A)-(D) [₹ 14,73,450 – ₹ 70,950]		14,02,500
~~Add: Education cess@1% and SHEC@2%~~ ***Add: EC & SHEC @ 4%***		~~42,075~~ ***56,100***
Tax Liability		***14,58,600***
Tax Liability (Rounded off)		***14,58,600***

Question 6

Mr. X a resident, aged 56 years, till recently was a successful businessman filing his return of incomes regularly and promptly ever since he obtained PAN card. During the COVID- Pandemic period his business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1st January, 2024 he decided to wind-up his business which he also promptly intimated to the jurisdictional Assessing Officer about the closure of his business.

The Assessing Officer sent him a notice to tax income of A.Y. 2024-25 during the A.Y. 2023-24 itself. Does the Assessing Officer have the power to do so? Are there any exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year"? (PYP 4 Marks Nov'22)

Answer 6

Yes, he has the power to do so.

Since the business of Mr. X is discontinued on 1st January, 2024, the income of the period from 1.4.2023 to 1.1.2024 may, at the discretion of the Assessing Officer, be charged to tax in A.Y.2024-25 itself.

Following are the other exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year" i.e., the income of the previous year is assessed in the previous year itself.

(i) Shipping business of non-resident
(ii) Persons leaving India with no present intention of returning
(iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose and likely to be dissolved
(iv) Persons likely to transfer property to avoid tax.

Question 7

The assesses is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2024 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue. (PYP 2 Marks May'22)

Answer 7

As per section 69B, if the assesses is found to be the owner of gold (market value of which is ₹ 50 lakhs) during the financial year ending 31.3.2024 but he has recorded to have spent only ₹ 10 lakhs in acquiring it, the Assessing Officer can add the difference of the market value of such gold and ₹ 10 lakhs i.e., ₹ 40 lakhs as the income of the assesses for A.Y.2024-25, if the assesses offers no satisfactory explanation thereof. Such income would be chargeable to tax@78% (@60% plus surcharge @25% and cess @4%).

Question 8

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961: Cash credit of ₹ 1,50,000 were traced in the books of accounts of Mr. Yogesh for which no explanation about its source was provided. Such income is taxable @30% under section 115BB in the hands of Yogesh. (RTP Nov'23)

Answer 8

The statement is incorrect.

Unexplained cash credit is taxable @ 60% plus surcharge @25% plus cess @4% under section 115BBE.

Question 9

Discuss the taxability of the following transactions giving reasons, in the light of relevant provisions, for your conclusion. Attempt any two out of the following three parts:

(i) Mr. Rajpal took a land on rent from Ms. Shilpa on monthly rent of ₹ 10,000. He sub- lets the land to Mr. Manish for a monthly rent of ₹ 11,500. Manish uses the land for grazing of cattle required for agricultural activities. Mr. Rajpal wants to claim deduction of ₹ 10,000 (being rent paid by him to Ms. Shilpa) from the rental income received by it from Mr. Manish.

(ii) Mr. Netram grows paddy on land. He then employs mechanical operations on grain to make it fit for sale in the market, like removing hay and chaff from the grain, filtering the grain and finally packing the rice in gunny bags. He claims that entire income earned by him from sale of rice is agricultural income not liable to income- tax since paddy as grown on land is not fit for sale in its original form.
(PYP 4 Marks, Jan'21)

Answer 9

(i) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income under section 2(1A) (a). Therefore, rent received from sub-letting of the land used for grazing of cattle required for agriculture activities is agricultural income. The rent can either be received by the owner of the land or by the original tenant from the sub-tenant.
Accordingly, rent received by Mr. Rajpal from Mr. Manish for using land for grazing of cattle required for agricultural activities is agricultural income exempt u/s 10(1). As per section 14A, no deduction is allowable in respect of exempt income.

(ii) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income under section 2(1A) (b)(ii). The process of making the rice ready from paddy for the market may involve manual l operations or mechanical operations, both of which constitute processes ordinarily employed to make the product fit for the market.
Accordingly, the entire income earned by Mr. Netram from sale of rice is agricultural income.

Question 10

Mr. Avani, a resident aged 25 years, manufactures tea leaves from the Tea plants grown by him in India. These are then sold in the India market for ₹ 40 lakhs. The cost of growing tea plants was ₹ 15 lakhs and the cost of manufacturing tea leaves was ₹ 10 lakhs.
Compute her tax liability for the Assessment Year 2024-25. (PYP 7 Marks, May'18)

Answer 10

Computation of tax liability of Ms. Avani for the A.Y. 2024-25

In cases where the assesse himself grows tea leaves and manufactures tea in India, then, as per Rule 8 of 40% of profit on sale of tea is taxable as business income under the head "Profits and gains from business or profession", and the balance 60% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of tea = ₹ 40 lakhs – ₹ 15 lakhs – ₹ 10 lakhs = ₹ 15 lakhs

Agricultural Income = 60% of ₹ 15 lakhs = ₹ 9 lakhs

Business Income = 40% of ₹ 15 lakhs = ₹ 6 lakhs.

The tax liability of Ms. Avani has to be computed applying the concept of partial integration, since her total income comprises of both agricultural income and non-agricultural income and her agricultural income exceeds ₹ 5,000 p.an and her non-agricultural income exceeds the basic exemption limit i.e., ₹ 2,50,000 (applicable, in her case).

Accordingly, her tax liability would be computed in the following manner:

Particulars	₹
Tax on total income of ₹ 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., ₹11,50,000 [₹ 9,00,000 plus ₹ 2,50,000]	1,57,500
	1,05,000

~~Add: Education cess@2%~~	~~2,100~~
~~Secondary & higher education cess@1%~~	~~1,050~~
Add: ***EC & SHEC @ 4% (as per amendment)***	**4,200**
Total Tax liability	**1,09,200**

Question 11

Mr. Kabra is engaged in the business of growing and curing (further processing) coffee in the state of Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31-03-2024 are given hereunder:

PARTICULARS	AMOUNT ₹
Opening balance of the car as on 01-04-2023	3,00,000
Opening balance of machinery as on 01-04-2023	15,00,000
Expenses incurred in growing coffee	3,10,000
Expenses of curing coffee	3,00,000
Sale value of cured coffee	22,00,000

The car is used for the agricultural operations and the machine was used for coffee curing business operations. Compute the income arising from the above activities for the assessment year 2024-25 and the written down value as on 01-04-2024 (WDV as on 31-03-2024 less depreciation for the P.Y. 2023-24).
(PYP 4 Marks, May'22)

Answer 11

Computation of Income from growing and curing coffee of Mr. Kabra for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from growing and curing coffee		
Sale value of cured coffee		22,00,000
Less: Expenses incurred in growing coffee	3,10,000	
Depreciation on Car (15% of ₹ 3,00,000)	45,000	
		3,55,000
Less: Expenses of curing coffee	3,00,000	18,45,000
Depreciation on machinery (15% of ₹ 15,00,000)	2,25,000	5,25,000
		13,20,000
Business Income [25% of ₹ 13,20,000]		**3,30,000**
Agricultural Income [75% of ₹ 13,20,000]		**9,90,000**
Computation of Written Down Value as on 1.4.2024		
Opening balance of Car as on 1.4.2023	3,00,000	
Less: Depreciation@15% on ₹ 3 lakh	45,000	
WDV of car as on 1.4.2024	**2,55,000**	
Opening balance of machinery as on 1.4.2023	15,00,000	
Less: Depreciation @15% on ₹ 15 lakh	2,25,000	
WDV of machinery as on 1.4.2024	**12,75,000**	

Question 12

Mr. Jay is having total income of ₹ 6,90,000 during the P.Y. 2023-24 consisting of Income from business of ₹ 40,000, lottery winnings (gross) ₹ 5,60,000, income by way of salary (computed) ₹ 1,20,000 and loss from house property ₹ 30,000. Compute his tax liability and advance tax obligations for A.Y. 2024-25.
(MTP 4 Marks, Oct'21)

Answer 12

Computation of tax liability and advance tax obligations of Mr. Jay for A.Y. 2024-25

Particulars	₹	₹
Income from salary (computed)	1,20,000	
Less: Set-off loss from house property	(30,000)	90,000
Loss from house property	30,000	
Less: Set-off against salary income	(30,000)	-
Income from business		40,000
Lottery winning		5,60,000
Total Income		**6,90,000**
Tax liability		
Tax @30% on lottery income		1,68,000
Tax on other income of ₹ 1,30,000 (Nil, since it does not		-
exceed the basic exemption limit of ₹ 2,50,000)		
		1,68,000
Add: Health and education cess@4%		6,720
Total tax liability		1,74,720
Less: TDS on lottery income under section 194B		1,68,000
Net tax payable		6,720
Since tax payable for the P.Y. 2023-24 is less than ₹ 10,000, Mr. Jay is not liable to pay advance tax.		

MULTIPLE CHOICE QUESTIONS (MCQS)

1. XYZ LLP falls under which category of person?

(a) Firm
(b) Company
(c) Association of persons
(d) Artificial judicial person **(MTP 1 Mark, May'20)**

Ans :(a)

2. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:

(a) A body corporate incorporated in a country outside India
(b) A Limited Liability Partnership (LLP)
(c) Indian branch of a foreign company
(d) A local authority **(MTP 1 Mark, Apr'19)**

Ans :(c)

3. (Also includes concepts of Income Which Do Not Form a Part of Total Income)
Mr. Devansh has agricultural income of Rs.2,30,000 and business income of Rs.2,45,000. Which of the following statements are correct?

(a) Agricultural income has to be aggregated with business income for tax rate purposes.
(b) No aggregation is required since agricultural income is less than basic exemption limit.
(c) No aggregation is required since business income is less than basic exemption limit.
(d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds Rs. 5,000. **(MTP 1 Mark, Mar'19)**

Ans: (c)

4. Miss Nisha (68 years) is a resident individual. For the Assessment Year 2024-25, she has following income: Long-term capital gain on transfer of equity shares Rs.1,80,000 (Securities Transaction Tax has been paid on acquisition and transfer of the said shares) Other income Rs.2,75,000. Calculate the tax liability of Miss Nish for Assessment Year 2024-25. Assume that she has not opted for 115BAC.

(a) Nil
(b) Rs. 5670
(c) Rs. 5,720
(d) Rs. 8,320 **(MTP 2 Marks, Nov'21)**

Ans: (c)

5. Mr. Ashutosh, aged 65 years and a resident in India, has a total income of ₹ 3,20,00,000, comprising long term capital gain taxable under section 112 of ₹ 57,00,000, long term capital gains taxable under section 112A of ₹ 65,00,000 and other income of ₹ 1,98,00,000. What would be his tax liability for A.Y. 2024-25. Assume that Mr. Ashutosh has not opted for the provisions of section 115BAC.

(a) ₹ 90,05,880
(b) ₹ 97,25,690
(c) ₹ 97,34,400
(d) ₹ 97,22,440 **(MTP 2 Marks, Oct'21)**

Ans: ~~(d)~~ *Answer is amended to (a)*

6. During the P.Y.2023-24, Mr. Rohan has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 2.90 crores. Which of the following statements is correct?

(a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 4.40 crores
(b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 4.40 crore
(c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@25% on income-tax
(d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@37% on income-tax

(MTP 2 Marks, Sep'22)

Ans: (c)

7. Mr. Ashish's total income comprises of long-term capital gains on sale of land ₹ 5 lakhs; short-term capital gains on sale of STT paid listed equity shares ₹ 2 lakhs; income from lottery ₹ 1 lakh and savings bank interest ₹ 30,000. He invests ₹ 1.50 lakhs in PPF. His tax liability for A.Y.2024-25, assuming that he is a resident Indian of the age of 40 years and does not opt for the provisions of section 115BAC, is –

(a) ₹ 1,64,800
(b) ₹ 1,66,400
(c) ₹ 1,14,400
(d) ₹ 1,13,300 **(MTP 2 Marks, Oct'22)**

Ans: (c)

8. The Gupta HUF in Maharashtra comprises of Mr. Harsh Gupta, his wife Mrs. Nidhi Gupta, his son Mr. Deepak Gupta, his daughter-in-law Mrs. Deepti Gupta, his daughter Miss Preeti Gupta. Which of the members of the HUF are eligible for coparcenary rights?

(a) Only Mr. Harsh Gupta and Mr. Deepak Gupta
(b) Only Mr. Harsh Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
(c) Only Mr. Harsh Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
(d) All the members are co-parceners **(MTP 1 Mark, Mar'23)**

Ans: (b)

9. Sham Singh spends ₹ 1,00,000 on cultivation and harvesting of his agricultural produce. 50% of the production is sold for ₹1,10,000 and rest is stored for self-consumption. What is the amount of the agricultural income?

(a) Rs. 60,000
(b) Rs. 1,10,000
(c) Rs.1,20,000
(d) Rs. 1,00,000 **(MTP 2 Marks, Oct'20)**

Ans: (a)

10. Which of the following incomes are exempt incomes as per the provisions of Income-tax Act, 1961?

(i) Allowance paid by Government to a citizen of India for rendering services outside India
(ii) Death-cum-retirement gratuity received by a government employee
(iii) Any sum received under a life insurance policy taken on 01.05.2023, if the premium payable for any of the years exceeds 10% of the actual capital sum assured.
(iv) Any payment from National Pension System Trust to an employee on account of closure of his NPS account.

(a) (I), (ii), (iii), (iv)
(b) (I) & (ii)
(c) (I), (ii) & (iv)
(d) (ii) & (iv) **(MTP 1 Mark, Oct'19)**

Ans: (b)

11. Which of the following statements is/are true in respect of taxability of agricultural income under the Income-tax Act, 1961?

(i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
(ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).
(iii) While computing income tax liability of an Assesses aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (including net agricultural income) exceeds Rs.2,50,000.
(iv) While computing income tax liability of an Assesses aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (excluding net agricultural income) exceeds Rs.2,50,000.

Choose from the following options:

(a) (I) and (iii)
(b) (ii) and (iii)
(c) (I) and (iv)
(d) (I), (ii) and (iv) **(MTP 2 Marks, Oct'19)**

Ans: (c)

12. Income derived from farm building situated in the immediate vicinity of an agricultural land (not assessed to land revenue) would be treated as agricultural income if such land is situated in –

(a) an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
(b) an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
(c) an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
(d) an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census **(MTP 1 Mark Mar'23)**

Ans: (a)

13. Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2024. He earned total income of ₹ 3,40,000 till 31.03.2024. His employer advised him to claim rebate u/s 87A while filing return of income for A.Y. 2024-25. Assume that he does not opt for 115BAC. He approached his father to enquire regarding what is rebate u/s 87A of the Act. His father told him:

(i) An individual who is resident in India and whose total income does not exceed ₹ 3,50,000 is entitled to claim rebate under section 87A.

(ii) An individual who is resident in India and whose total income does not exceed ₹ 5,00,000 is entitled to claim rebate under section 87A.

(iii) Maximum rebate allowable under section 87A is ₹ 5,000.

(iv) Rebate under section 87A is available in the form of exemption from total income.

(v) Maximum rebate allowable under section 87A is ₹ 2,500.

(vi) Rebate under section 87A is available in the form of deduction from tax liability.

As a tax expert, do you agree with the explanation given by Mr. Ajay's father? Choose the correct option from the following:

(a) (ii), (iii), (vi)
(b) (i), (v), (vi)
(c) (ii), (iii), (iv)
(d) (i), (iv), (v)
(e) (ii) (v)(vi) **(RTP May'19)**

Ans: ***(As per amendment the answer is (e) as the Rebate is now available an individual who is resident in India and whose total income does not exceed ₹ 5,00,000 and Maximum rebate allowable under section 87A is ₹ 12,500)***

14. During the P.Y.2023-24, Mr. Ranjit has short-term capital gains of ₹ 95 lakhs taxable under section 111A, long-term capital gains of ₹ 110 lakhs taxable under section 112A and business income of ₹ 90 lakhs. Which of the following statements is correct?

(a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 2.95 crore, since total income exceeds ₹ 2 crore.

(b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.95 crore.

(c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; in respect of business income, surcharge is leviable@25% on income- tax, since total income exceeds ₹ 2 crore.

(d) Sucharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; surcharge@10% is leviable on income-tax computed on business income, since the same exceeds ₹ 50 lakhs but is less than ₹ 1 crore**. (RTP Nov'19)**

Ans: (b)

15. Mr. Ajay is found to be the owner of two gold chains of 50 gms each (market value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2024 but he could offer satisfactory explanation for ₹ 50,000 spent on acquiring these gold chains. As per section 115BBE, Mr. Ajay would be liable to pay tax of –

(a) ₹ 1,87,200
(b) ₹ 2,26,200
(c) ₹ 1,49,760
(d) ₹ 1,80,960 **(RTP May'20)**

Ans: (a)

16. Mr. Rishabh, aged 65 years and a resident in India, has a total income of ₹4,50,00,000, comprising long term capital gain taxable under section 112 of ₹ 85,00,000, long term capital gain taxable under section 112A of ₹ 75,00,000 and other income of ₹ 2,90,00,000. What would be his tax liability for A.Y. 2024-25. Assume that Mr. Rishabh has opted for the provisions of section 115BAC.
(RTP May '23, MTP 2 Marks Sep '23)

(a) ₹ 1,41,40,750
(b) ₹ 1,38,86,990

(c) ₹ 1,38,84,390
(d) ₹ 1,39,81,240

Ans: (~~b~~) (*As per amendment in the tax structure as per 115BAC the answer will be none of them it is Rs 1,38,50,200)*

17. Mr. Anay (aged 25) has an agricultural income of ₹ 2,10,000 and business income of ₹ 2,35,000. Which of the following statement is correct?

(a) Agricultural income always has to be aggregated with business income for rate purposes
(b) No aggregation is required since business income which constitutes his total income, is less than basic exemption limit
(c) No aggregation is required since agricultural income is less than basic exemption limit
(d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds ₹ 5,000. **(RTP May'19)**

Ans: (b)

18. Mr. A has taken two ULIPs. ULIP "X" is issued on 1.1.2023 and ULIP "Y" on 1.5.2023. The sum assured of ULIP "X" and ULIP "Y" is ₹ 30 lakhs and ₹ 40 lakhs, respectively. The annual premium paid by Mr. A during the P.Y. 2023-24 is ₹ 3 lakhs and ₹ 4 lakhs, respectively. What would be the taxability of the consideration received by Mr. A on maturity of both the ULIPs?

(a) Consideration received on the maturity of ULIP "X" would be exempt u/s 10(10D) while the profits and gains from receipt of consideration on the maturity of ULIP "Y" would be taxable.

(b) Consideration received on the maturity of ULIP "Y" would be exempt u/s 10(10D) while the profits and gains from receipt of consideration on the maturity of ULIP "X" would be taxable.

(c) Consideration received on the maturity of both ULIP "X" and ULIP "Y" would be exempt u/s 10(10D)
(d) The profits and gains from receipt of consideration on the maturity of both ULIP "X" and ULIP "Y" would be taxable. **(RTP May '22)**

Ans: (a)

19. Mr. Garg, aged 45 years and a resident in India, is having a total income of ₹ 5,70,000 comprising of long term capital gains taxable under section 112 of ₹ 70,000, long term capital gains taxable under section 112A of ₹ 1,50,000, short term capital gains taxable under section 111A of ₹ 1,00,000 and other income of ₹ 2,50,000. Compute his tax liability for A.Y. 2024-25 under the default tax regime under section 115BAC.

a) Nil

b) ₹ 5,200

c) ₹ 9,360

d) ₹ 19,760 **(RTP May '24)**

Ans : (b)

20. Mr. X, a resident 47 years, has salary income (computed) of ₹ 7,25,000 and agricultural income of ₹ 1,00,000 for the P.Y. 2023-24. Compute his tax liability for A.Y. 2024-25 if he is paying tax under default tax regime under section 115BAC.

(a) ₹ 26,000
(b) ₹ 33,800
(c) Nil
(d) ₹ 30,160 **(MTP 1 Mark April '24)**

Ans 20 : (a)