

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**  
**Part - II**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

*Working notes should form part of the respective answers.*

*All questions relate to assessment year 2019-20, unless otherwise stated.*

**Question 1**

*From the following particulars of Shri Jagdish (aged 59 years) for the Assessment Year 2019-20, you are required to find out his taxable income and net tax liability :*

- (i) Basic Salary @ ₹51,000 per month, Dearness allowance @ ₹10,000 per month (Part of salary for retirement benefits), House rent allowance ₹4,000 per month and rent paid for house in Mumbai is ₹7,000 per month.*
- (ii) He owns a commercial building at New Delhi, which is let out on 1/7/2018 at a monthly rent of ₹46,000. He paid municipal taxes of ₹27,000 and ₹25,000 for the financial year 2017-18 and 2018-19 on 31-3-2019 and 20-4-2019, respectively.*
- (iii) He deals in shares. During financial year 2018-19, he earned ₹1,70,000 from his share business and paid ₹30,000 as securities transaction tax.*
- (iv) He purchased 4000 unlisted shares of Shyam Limited on 16-1-2008 for ₹80,000. Company declared bonus in the ratio of 1:1 on 1st February, 2008. Shri Jagdish sold 3000 Bonus Shares on 28/12/2018 for ₹2,00,000 to his friend Mr. Mehl through unrecognized stock exchange. (Cost Inflation Index: 2007-08: 129, 2018-19: 280)*
- (v) He received dividend of ₹13,00,000 as dividend income from listed domestic company (on which dividend distribution tax is paid) Interest from saving bank account deposits with IDBI Bank ₹15,000 and lottery winnings (Net of TDS@30%) is ₹21,000.*

*He paid the following amount out of his taxable income:*

- (a) Deposits in Public Provident Fund ₹2,00,000.*
- (b) Medical insurance premium paid for health of his wife ₹19,000 and for health of dependent son ₹12,000 through cheque.*

**(14 Marks)**

*The Suggested Answers for Paper 4A: Income-tax law are based on the provisions of income-tax law as amended by the Finance Act, 2018. The relevant assessment year is A.Y.2019-20.*

## Answer

## Computation of Taxable Income of Mr. Jagdish for the A.Y.2019-20

Particulars	₹	₹
<b>Salaries</b>		
Basic Salary = ₹ 51,000 x 12	6,12,000	
Dearness Allowance (DA) = ₹ 10,000 x 12	1,20,000	
House Rent Allowance (HRA) = ₹ 4,000 x 12	₹ 48,000	
Less: Least of the following exempt u/s 10(13A)	<u>₹ 10,800</u>	
	37,200	
(i) HRA actually received = ₹ 4,000 x 12 = ₹ 48,000		
(ii) Rent paid (-) 10% of salary [₹ 84,000 (i.e., ₹ 7,000 x 12) (-) ₹ 73,200 (10% of salary i.e., 10% of ₹ 7,32,000 (Basic Salary + DA)] = ₹ 10,800		
(iii) 50% of salary [50% of ₹ 7,32,000 (Basic Salary + DA)] = ₹ 3,66,000		
<b>Gross Salary</b>	7,69,200	
Less: Standard deduction u/s 16(ia)	40,000	
		7,29,200
<b>Income from house property</b>		
Gross Annual Value [₹ 46,000 x 9] <sup>1</sup>	4,14,000	
Less: Municipal tax paid during the P.Y. 2018-19	<u>27,000</u>	
Net Annual Value	3,87,000	
Less: Deduction u/s 24 [30% of Net Annual Value]	<u>1,16,100</u>	
		2,70,900
<b>Profits and gains of business or profession</b>		
Profits from share business	1,70,000	
Less: Securities transaction tax paid deductible u/s 36(1)(xv)	<u>30,000</u>	
		1,40,000

<sup>1</sup> In the absence of information relating to fair rent, the GAV in the above solution has been worked out on the assumption that the actual rent for 9 months exceeds the fair rent for the whole year. In the alternative, it is possible to assume that the fair rent is equal to actual rent. In such a case, GAV would be ₹ 5,52,000 i.e., ₹ 46,000 x 12, being fair rent for the whole year. The income from house property would be ₹ 3,67,500. The gross total income and total income would, accordingly, change to ₹ 17,81,700 and ₹ 15,96,700 respectively. The tax payable would be ₹ 2,10,970.

Particulars	₹	₹
<b>Capital Gains</b>		
Full value of consideration	2,00,000	
Less: Cost of acquisition of bonus shares allotted on or after 1.4.2001	<u>Nil</u>	
<b>Long-term capital gains</b> (since bonus shares are held for a period of more than 24 months)		2,00,000
<b>Income from Other Sources</b>		
Dividend received from domestic company	13,00,000	
Less: Exempt under section 10(34)	<u>10,00,000</u>	
Dividend in excess of ₹ 10 lakh chargeable to tax u/s 115BBDA@10%	3,00,000	
Interest from saving bank account deposits with IDBI Bank	15,000	
Lottery winnings [21,000 x 100/70]	<u>30,000</u>	
		<u>3,45,000</u>
<b>Gross Total Income</b>		<b>16,85,100</b>
<b>Less: Deduction under Chapter VI-A</b>		
<b>Section 80C</b>		
Deposits in PPF ₹ 2,00,000		
Restricted to ₹ 1,50,000, being the maximum allowable deduction	1,50,000	
<b>Section 80D</b>		
Medical insurance premium for wife and dependent son ₹ 31,000, restricted to	25,000	
<b>Section 80TTA</b>		
Interest on saving bank account deposit	<u>10,000</u>	<u>1,85,000</u>
<b>Total Income</b>		<b><u>15,00,100</u></b>

**Computation of tax liability of Mr. Jagdish for A.Y. 2019-20**

Particulars	₹	₹
<b>Tax on total income of ₹ 15,00,100</b>		
Tax on long-term capital gains of ₹ 2,00,000@20% u/s 112	40,000	
Tax on lottery income of ₹ 30,000 @30% u/s 115BB	9,000	
Tax on dividend income of ₹ 3,00,000@10% u/s 115BBDA	30,000	

Tax on other income of ₹ 9,70,100 [₹ 15,00,100 – ₹ 2,00,000, capital gains – ₹ 30,000, lottery income – ₹ 3,00,000, dividend income]		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500	
₹ 5,00,001 – ₹ 9,70,100 [i.e., ₹ 4,70,100@20%]	<u>94,020</u>	1,85,520
Add: Health and education cess@4%		<u>7,421</u>
<b>Tax liability</b>		1,92,941
Less: Tax deducted at source <sup>2</sup>		
TDS on lottery income		<u>9,000</u>
<b>Tax Payable</b>		<b><u>1,83,941</u></b>
Tax Payable (rounded off)		1,83,940

**Question 2**

(a) The following are the incomes of Shri Subhash Chandra, a citizen of India, for the previous year 2018-19 :

- (i) Income from business in India ₹ 2,00,000. The business is controlled from London and ₹ 60,000 were remitted to London.
- (ii) Profits from business earned in Japan ₹ 70,000 of which ₹ 20,000 were received in India. This business is controlled from India.
- (iii) Untaxed income of ₹ 1,30,000 for the year 2016-17 of a business in England which was brought in India on 3<sup>rd</sup> March, 2019.
- (iv) Royalty of ₹ 4,00,000 received from Shri Ramesh, a resident, for technical service provided to run a business outside India.
- (v) Agricultural income of ₹ 90,000 in Bhutan.
- (vi) Income of ₹ 73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross Total Income of Shri Subhash Chandra for the A.Y. 2019-20, if he is -

- (1) A Resident and Ordinarily Resident; and
- (2) A Resident but Not Ordinarily Resident

**(7 Marks)**

<sup>2</sup> It is presumed that commercial building is let out to an individual/HUF whose turnover does not exceed limit specified in section 44AB during the immediately preceding F.Y. Hence, TDS u/s 194-I is not attracted. Also, TDS u/s 194-IB is not attracted since monthly rent does not exceed ₹ 50,000.

- (b) Examine the TDS implications in the following cases along-with reasons thereof:
- (i) Ms. Varsha received a sum of ₹ 95,000 on 31<sup>st</sup> December 2018 towards maturity proceeds of LIC taken on 1<sup>st</sup> October 2013 for which sum assured was ₹ 80,000. and annual premium was ₹ 10,000.
  - (ii) Mr. Deepak transferred a residential house property to Mr. Karan for ₹ 45 lacs. The stamp duty value of such property is ₹ 55 lacs.
  - (iii) XYZ Private Limited pays the following amounts to Mr. Narayan during previous year 2018-19 :
    - (1) ₹ 22,000 towards fee for professional services
    - (2) ₹ 18,000 towards royalty.
  - (iv) Payment of ₹ 1,75,000 made to Mr. Vaibhav for purchase of calendar according to specifications of M/s. ABC Limited. However, no material was supplied for such calendar by ABC Limited to Mr. Vaibhav.
  - (v) Talent Private Limited pays ₹ 12,000 to Ms. Sudha, its director, towards sitting fee which is not taxable u/s 192.
  - (vi) Radha Limited is engaged for Shyam Limited only in the business of operation of call centre. On 18-03-2019, the total amount credited by Shyam Limited in the ledger account of Radha Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28/03/2019 by Shyam Limited. **(7 Marks)**

**Answer**

- (a) Computation of Gross Total Income of Shri Subhash Chandra for the A.Y. 2019-20**

	Particulars	Resident and Ordinarily Resident [ROR] (₹)	Resident but Not Ordinarily Resident [RNOR] (₹)
(i)	<b><u>Income from business in India, controlled from London</u></b> [Taxable both in the hands ROR and RNOR, since income accrues/arises from business in India, irrespective of the fact that business is controlled from London]	2,00,000	2,00,000
(ii)	<b><u>Profits earned from business in Japan</u></b> [Profits from business in Japan is taxable in the hands of ROR, since global income is taxable in the hands of ROR. Moreover, entire profit of ₹ 70,000 would be taxable in the hands of RNOR, even if only ₹ 20,000 is received in India, since the business in Japan is controlled from India]	70,000	70,000

(iii)	<b>Untaxed income for the year 2016-17 of a business in England which was brought in India during the P.Y. 2018-19</b> [Not taxable either in the hands of ROR or RNOR, since such income is not related to the P.Y. 2018-19.]	Nil	Nil
(iv)	<b>Royalty received from a resident for technical service provided to run a business outside India</b> [Taxable in the hands of ROR, since global income is taxable in the hands of ROR. Not taxable in the hands RNOR, since royalty income is not deemed to accrue or arise in India as such income is paid by a resident for technical services used to run a business outside India.]	4,00,000	Nil
(v)	<b>Agricultural Income in Bhutan<sup>3</sup></b> [Since agricultural income accrues/arises outside India, it is taxable only in the hands of ROR. No exemption is available in respect of agricultural income earned outside India]	90,000	Nil
(vi)	<b>Income from house property in Dubai, which was deposited in a bank at Dubai</b> Since income accrues/arises outside India and is also received outside India, it is taxable only in the hands of ROR 73,000 Less: Deduction u/s 24@30% <u>21,900</u> [See Note below for alternative treatment]	51,100	Nil
<b>Gross Total Income</b>		<b>8,11,100</b>	<b>2,70,000</b>

**Note** – In the above solution, income of ₹ 73,000 from house property in Dubai is presumed to be the rent received, since the said amount is stated to be the amount deposited in bank. Accordingly, deduction@30% of the said amount has been provided to compute the “Income from house property”, where Shri Subhash Chandra is a ROR.

<sup>3</sup> Presumed that the same was received in Bhutan

However, since the words “Income from house property” appears to indicate that the same is the income computed under that head of income, it is possible to consider the said amount of ₹ 73,000 as income computed under the head “Income from house property” after providing deduction@30% under section 24(a). In such a case, the gross total income of Shri Subhash Chandra, if he were a ROR, would be ₹ 8,33,000.

**(b) TDS implications**

- (i) **On payment of LIC maturity proceeds** - The annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 95,000 would not be exempt u/s 10(10D) in the hands of Ms. Varsha. However, tax deduction provisions u/s 194-DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.
- (ii) **On payment of sale consideration for purchase of residential house property** - Since the sale consideration of house property is less than ₹ 50 lakhs, Mr. Karan is not required to deduct tax at source u/s 194-IA, irrespective of the fact that the stamp duty value is more than the sale consideration as well as the threshold limit of ₹ 50 lakhs.
- (iii) **On payment of fee for professional services and royalty** – Under section 194J, the threshold limit of ₹ 30,000 is specified separately for, *inter alia*, fees for professional services and royalty. Therefore, XYZ Private Limited is not required to deduct tax at source under section 194J either on fee of ₹ 22,000 for professional services or on royalty of ₹ 18,000 paid to Mr. Narayan, since the payment under each category does not exceed the independent threshold ₹ 30,000 specified thereunder.
- (iv) **On payment for purchase of calendar according to specifications** - As per section 194C, the definition of “work” does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer.  
Therefore, M/s ABC Limited is not required to deduct tax at source in respect of payment of ₹ 1,75,000 to Mr. Vaibhav, for purchase of calendar according to its specifications, since it did not supply the material for such calendar. Hence, the contract is a contract for ‘sale’ and not a works contract.
- (v) **On payment of sitting fees to the director** - Talent Private Limited is required to deduct tax at source @10% on sitting fees of ₹ 12,000 paid to its director, since the threshold limit of ₹ 30,000 u/s 194J is not applicable in respect of fees paid to a director of a company.
- (vi) **On payment of call centre service charges** - Since Radha Limited is engaged only in the business of operation of call centre, Shyam Limited is required deduct tax at source@2% on the amount of ₹ 70,000 u/s 194J on 18.3.2019 i.e., at the time of credit of call centre service charges to the account of Radha Limited, since the said date is earlier than the payment date i.e., 28.3.2019.

**Question 3**

- (a) Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2018-19.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to Star Private Limited	Let-out to Ms. Puja

₹ 17,000 were paid as interest on loan taken by mortgaging House 1 for construction of House 2.

During the previous year 2018-19, Mr. Madhvan purchased a rural agricultural land for ₹ 2,50,000. Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2019-20. All workings should form part of your answer. **(8 Marks)**

- (b) Mr. Roy owned a residential house in Noida. It was acquired on 09.09.2009 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2016.

Mr. Roy utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2016. The said house property was sold on 31.10.2018 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2019. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2016-17 and 2019-20. All workings should form part of your answer: Cost inflation index for various financial years are as under:

2009-10	-	148
2015-16	-	254
2016-17	-	264
2018-19	-	280

**(6 Marks)**



## Answer

## (a) Computation of taxable income of Mr. Madhvan for A.Y. 2019-20

Particulars	₹	₹	₹
<b>Salaries</b>			
Basic Salary = ₹ 30,000 x 12		3,60,000	
Rent free accommodation [Lower of lease rental paid or payable by the employer (or) 15% of salary i.e., lower of ₹ 65,000 or ₹ 54,000, being 15% of ₹ 3,60,000]		54,000	
<b>Gross Salary</b>		4,14,000	
Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 40,000, whichever is less]		<u>40,000</u>	
<b>Net Salary</b>			3,74,000
<b>Income from house property</b>	<b>House 1</b>	<b>House 2</b>	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	<b>75,000</b>	<b>1,95,000</b>	
Actual rent received	65,000	2,85,000	
Gross Annual Value [Higher of (C) and Actual rent]	<b>75,000</b>	<b>2,85,000</b>	
Less: Municipal tax paid	<u>18,000</u>	<u>70,000</u>	
Net Annual Value (NAV)	57,000	2,15,000	
Less: <b>Deductions u/s 24</b>			
30% of NAV	17,100	64,500	
Interest on loan	<u>Nil</u>	<u>17,000</u>	
	<u>39,900</u>	<u>1,33,500</u>	
<b>Income from house property</b> [₹ 39,900 + ₹ 1,33,500]			1,73,400
<b>Income from Other Sources</b>			
Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is <b>not</b> a capital asset]			<u>Nil</u>
<b>Total Income</b>			<b>5,47,400</b>
<b>Note</b> - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

## (b) Computation of capital gains chargeable to tax for A.Y. 2016-17

Particulars	₹
Full value of consideration received on sale of residential house in Noida	1,57,00,000
Less: Indexed cost of acquisition [₹ 30,00,000 x 254/148]	<u>51,48,649</u>
Long-term capital gain	1,05,51,351
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property at Panchkula for ₹ 2,05,00,000 on 20.7.2016 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain	<u>1,05,51,351</u>
<b>Taxable long term capital gain</b>	<u><b>Nil</b></u>

## Computation of capital gains chargeable to tax for A.Y. 2019-20

Particulars	₹
Full value of consideration received on sale of residential house at Panchkula	3,25,00,000
Less: Indexed cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 20.7.2016, in this case) is transferred within 3 years of its purchase (i.e., on 31.10.2018, in this case), and the cost of acquisition of the new house (i.e., ₹ 2,05,00,000) is higher than the long-term capital gain (i.e., ₹ 1,05,51,351,) then, the cost of acquisition of such new residential house shall be reduced by long term capital gain exempted earlier, while computing capital gains on sale of the new residential house] [₹ 99,48,649 (₹ 2,05,00,000 – ₹ 1,05,51,351) x 280/264]	<u>1,05,51,597</u>
<b>Long-term capital gain</b> [Since the residential house is held for more than 24 months]	<b>2,19,48,403</b>
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property in Delhi for ₹ 2,57,00,000 on 2.3.2019 i.e., within two years from 31.10.2018, being the date of transfer of residential house at Panchkula; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gains	<u>2,19,48,403</u>
<b>Taxable long term capital gain</b>	<u><b>Nil</b></u>

**Question 4**

- (a) Ms. Geeta, a resident individual, provides the following details of her income/losses for the year ended 31.03.2019:

	<b>Particulars</b>	<b>Amount (₹)</b>
(i)	Income from salary (computed)	41,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Interest on loan taken for purchase of above property. Loan was taken from a friend	7,50,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for house property in Mumbai, which is self-occupied. Loan was taken from PNB on 01.01.1999 for purchase of this property.	1,57,000
(vi)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. Loan was taken on 01.04.17 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vii)	Long-term capital gains on sale of equity shares computed in accordance with section 112A	8,95,000
(viii)	Interest on fixed deposit	73,000
(ix)	Loss from textile business	7,50,000
(x)	Speculation profit	2,30,000
(xi)	Lottery income	75,000
(xii)	Loss incurred by the firm in which she is a partner	1,60,000
(xiii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiv)	Brought forward short-term capital loss on sale of gold	2,75,000
(xv)	Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000
(xvi)	Life insurance premium paid for her son who is 30 years of age and is working in USA	15,000

Compute total income of Ms. Geeta for the assessment year 2019-20 and the amount of loss that can be carried forward.

For the above solution, you may assume principal repayment of loan as under:

- (1) Loan taken for purchase of house property in Delhi - ₹ 2,50,000

- (2) Loan taken for purchase of house property in Mumbai - ₹ 50,000  
 (3) Loan taken for repair of house properties in Delhi and Mumbai - ₹ 75,000

Working notes should form part of your answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note. (10 Marks)

- (b) Discuss the provisions of section 139A(1) which provides the persons who are compulsorily required to apply for allotment of Permanent Account Number (PAN) with the Assessing Officer. (4 Marks)

OR

- (i) What is the fee for default in furnishing return of income u/s 234F? (2 Marks)  
 (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? (2 Marks)

Answer

- (a) Computation of total income of Ms. Geeta for the A.Y.2019-20

Particulars	₹	₹	₹
<b>Income from salary (computed)</b>			41,20,000
<b>Income from house property</b>			
<b>(i) House property at Delhi (Let out)</b>			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	5,00,000		
<b>Less: Deduction u/s 24</b>			
(a) 30% of Annual Value [30% of ₹ 5 lakh]	1,50,000		
(b) Interest on loan for purchase of property	7,50,000		
for repairs of property [₹ 1,50,000/2]	<u>75,000</u>		
	<u>9,75,000</u>		
		(4,75,000)	
<b>(ii) House property at Jaipur (Let out)</b>			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	3,20,000		
<b>Less: Deduction u/s 24</b>			
30% of Annual Value = 30% of ₹ 3,20,000	<u>96,000</u>		
			2,24,000

<b>(iii) House property at Mumbai (Self-occupied)</b>			
Annual value of self-occupied property	Nil		
<b>Less: Deduction u/s 24(b)</b>			
Interest on loan for purchase and repairs (to be restricted to ₹ 30,000, since loan for purchase was taken prior to 1.4.1999)	30,000	<u>(30,000)</u>	
<b>Loss from house property [(i) + (ii) + (iii)]</b>		<b><u>(2,81,000)</u></b>	
As per section 71(3A), loss from house property to be set-off against salary income to the extent of			<u>(2,00,000)</u>
			<b>39,20,000</b>
<b>Profits and gains of business or profession</b>			
Speculation profit (assumed as business income)		2,30,000	
Salary received as partner of firm is taxable in her hands since the entire salary was allowed as deduction in the hands of the firm		<u>50,000</u>	
		2,80,000	
Set-off of loss from textile business to the extent of		<u>(2,80,000)</u>	Nil
<b>Note</b> – Share of loss of ₹ 1,60,000 incurred by the firm in which she is partner cannot be set-off against salary received as partner of firm or any other income, since loss from an exempt source cannot be set-off against profit from a taxable source.			
<b>Capital Gains</b>			
Long-term capital gains on sale of equity shares computed in accordance with section 112A		8,95,000	
<b>Less:</b> Set-off of brought forward short-term capital loss as per section 74 <sup>4</sup>			
B/f Short-term capital loss on sale of gold	2,75,000		
B/f Short-term capital loss u/s 111A	<u>25,000</u>		
		<u>3,00,000</u>	
		5,95,000	
<b>Less:</b> Set-off of balance loss of textile business <sup>5</sup> [₹ 7,50,000 – ₹ 2,80,000 – ₹ 73000]		<u>(3,97,000)</u>	1,98,000

<sup>4</sup> As per section 74, B/f short-term capital loss can be set-off against long-term capital gain taxable u/s 112A. It is assumed that the eight year period for set-off of losses has not expired.

<sup>5</sup> Permitted as per section 71(2)

Particulars	₹	₹
<b>Income from Other Sources</b>		
Interest on fixed deposit	73,000	
Less: Set off balance loss of textile business to the extent of	<u>(73,000)</u>	
	Nil	
Lottery income (assumed as Gross Income)	<u>75,000</u>	<u>75,000</u>
<b>Gross Total Income</b>		<b>41,93,000</b>
Less: <b>Deduction under Chapter VI-A</b>		
<b>Under section 80C</b>		
<b>Life insurance premium paid</b>		
Life insurance premium paid to insure the life of her son allowable as deduction even if he is major, resides abroad and is not dependent on her	15,000	
<b>Repayment of housing loan</b>		
₹ 2,50,000, for house property in Delhi, not allowable since loan is taken from a friend	Nil	
₹ 50,000 for house property in Mumbai, allowable since loan is taken from a bank for purchase of property	50,000	
₹ 75,000, for house properties in Mumbai and Delhi, not allowable since loan is taken for repairs of properties	Nil	
		<u>65,000</u>
<b>Total Income</b>		<b><u>41,28,000</u></b>

**Loss to be carried forward to A.Y.2020-21:**

Particulars	₹
<b>Loss from house property</b> (₹ 2,81,000 - ₹ 2,00,000)	81,000
As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of ₹ 2,00,000 only. As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. Such loss can be carried forward for a maximum of eight assessment years.	

**(b) [First Alternative]**

<b>Persons who are mandatorily required to apply for PAN as per section 139A(1)</b>	
(i)	Every person whose total income or the total income of any other person in respect of which he is assessable under the Income-tax Act, 1961 during any previous year exceeds the basic exemption limit

(ii)	Every person carrying on business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakh in any previous year
(iii)	Every person, being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year
(iv)	Every person who is the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person referred to in (iii) above or any person competent to act on behalf of the person referred to in (iii) above.

**(b) [Second Alternative]****(i) Fee for default in furnishing return of income u/s 234F**

Where a person, who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of –

Fee	Circumstances
₹ 5,000	If the return is furnished on or before the 31 <sup>st</sup> December of the assessment year;
₹ 10,000	In any other case
<b>Note</b> - However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000	

**(ii) Persons to whom provisions of section 139AA relating to quoting of Aadhar Number does not apply**

The provisions of section 139AA relating to quoting of Aadhar Number would not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India.

**PAPER – 4 : TAXATION**  
**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **three** questions from the remaining **four** questions.

**All questions should be answered on the basis of position of GST law as amended upto 31<sup>st</sup> October, 2018.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September 2018:

Intra-State supply of goods	₹ 25,00,000
Inter-State supply of goods	₹ 5,00,000

He has also made the following inward supply :

Intra-State purchase of goods from registered dealer	₹ 14,00,000
Intra-State purchase of goods from unregistered dealer	₹ 2,00,000
Inter-State purchase of goods from registered dealer	₹ 4,00,000

Balance of ITC at the beginning of September 2018 :

CGST	₹ 95,000
SGST	₹ 60,000
IGST	₹ 50,000

**Additional Information :**

- He purchased a car (Intra-State supply) used for business purpose at a price of ₹ 6,72,000/- (including CGST of ₹ 36,000 & SGST of ₹ 36,000) on September 15, 2018. He capitalized the full value including GST in the books on the same date to claim depreciation.
- Out of Inter-State purchase from registered dealer, goods worth ₹ 1,00,000 were received on October 3, 2018 due to road traffic jams.

**Note:**

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.