

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

**Course: Income Tax: Theory, Practice and Management  
Semester- IV (Batch: 2021-26)**

**End Semester Examination: May 2023**

**Date: 11<sup>th</sup> May, 2023****Duration: 3 hours****Max. Marks: 50****Instructions:**

- Read the questions properly and write the answers in the given answer book.
- Do not write anything on the question paper.
- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- Use of a calculator is permitted.

**Marks**

- Q.1 Yashoda owns a house which has an annual municipal valuation of Rs.39,000 and the annual fair rent is Rs.45,000 per annum. The annual standard rent is Rs.39,000. (10)

During the Previous Year (PY) 2022-23, the house is let out for residential purposes w.e.f. 1st April, 2022 to 30th June, 2023 at the rate of Rs.4,000 per month and self-occupied for residential purposes for the remaining part of the calendar year 2022. The rent of Rs.4,000 included maintenance cost of Rs.500 p.m. which were paid directly by the tenant to the housing service society. The tenant also deposited a non refundable deposit of Rs.5,000 at the start of the previous year 2022-23. The tenant defaulted rent payment of June 2022. However, he claimed that the non refundable deposit could be used for recovery of the rent of June 2022. The owner had no option but to accept it. Yashoda incurred the following expenses in respect of this house: Municipal taxes Rs.6,000, drainage connection charges of Rs.5,000 and fire insurance premium of Rs.1,000. A home loan of Rs.50,000 was taken on 1st April, 2020 for purchase of this house. For the financial year of 2022-23, Yashoda repaid Rs.40,000 to the bank for closure of the loan before selling it to Xavier. This amount included Rs.36,500 of principal and Rs.3,500 of interest due in the current financial year up to the date of sale of the house.

On 1<sup>st</sup> January 2023, it was transferred to Xavier. Xavier also rented it at Rs.4,000 per month for the remaining part of the financial year 2022-23. Xavier bought the property out of his own funds. However, Xavier wants to claim deduction for interest on own capital of Rs.10,000 for the previous year 2022-23.

Find the income of Yashoda and Xavier separately under the head Income from House Property for the Assessment Year (AY) 2023-24.

- Q.2 Mr. Gopinath, is an assessee having income under the head of Profits and Gains of Business and Profession (PGBP). He has reported the following details of his transactions during the PY 2022-23. Compute the amount taxable under the head of PGBP for the AY 2023-24. (15)

| Particulars                           | Amount (Rs.)     | Particulars                                   | Amount (Rs.)     |
|---------------------------------------|------------------|---|------------------|
| To Purchases                          | 20,00,000        | By Sales                                      | 44,60,000        |
| To Expenditure on Scientific Research | 6,00,000         | By Commission                                 | 1,00,000         |
| To Goods and Services Tax (GST)       | 3,00,000         | By Interest                                   | 2,00,000         |
| To Depreciation                       | 4,00,000         | By Unexplained Receipts                       | 3,00,000         |
| To Advertisement Expenses             | 4,00,000         | By GST Credit                                 | 2,00,000         |
| To Keyman Insurance Premium           | 60,000           | By Insurance Claim on Keyman Insurance Policy | 2,00,000         |
| To Income Tax                         | 1,60,000         |   |                  |
| To General Expenses                   | 6,40,000         |   |                  |
| To Net profit                         | 9,00,000         |   |                  |
| <b>Total</b>                          | <b>54,60,000</b> | <b>Total</b>                                  | <b>54,60,000</b> |

1. He has a business of generating power.
2. The Sales figure includes some definite sales return of Rs.2,00,000.
3. His other income includes receipt from sale of industrial scrap of Rs.5,00,000.
4. He also received interest on investment in a bank of Rs.60,000. The Assessing officer has classified this income as income from other sources whereas, the assessee wishes to cover it under PGBP.
5. He has spent for advertising and promotion a huge sum of Rs.4,00,000. The assessing officer claims that it is inadmissible as the amount is almost 10% of the total sales. Further, the assessee is not able to show receipts/vouchers for some gifts presented to consumers for sales promotion amounting to Rs.3,00,000 during Vishwakarma puja.
6. He has made donations to a political party of Rs.3,00,000 using the instruments of electoral bonds.
7. He has invested in employee development and training an amount of Rs.5,00,000. All of those employees have left his business.
8. He has made donations of Rs.1,00,000 to the PM Relief fund in June 2020, but he wishes to claim the same as deduction for the AY 2021-22.
9. He has got plant and machinery worth 30,00,000 belonging to 20% block. The written down value of the same is Rs.28,00,000. He wishes to avail depreciation and additional depreciation as per straight line method. The assessing officer objected to the method of straight line. A fixed asset of Rs.5,00,000 belonging to the 10% block was bought on 1<sup>st</sup> February 2023 but has not been delivered at the plant of Gopinath yet by the supplier. Gopinath has invested in R & D and internally generated an intangible asset worth Rs.10,00,000 (25% block) on 1<sup>st</sup> June 2022.
10. He has made payments of Rs.30,000 each in cash to suppliers two times during the year.
11. GST credit is accrued but not yet received.
12. Insurance claim of Rs. 50,000 is admitted but yet to be received.



13. The source of the unexplained receipt is identified as a customer, but it is not yet clear as to why the customer has deposited the amount.
14. **Purchases** include these items: Goods of Rs. 40,000 (uninsured) were burnt by fire. A free sample of Rs. 10,000 received from a supplier was included in Purchases. Purchases also include gift of goods given to a relative. It did not include a compensation received for a defective consignment of goods from a customer for Rs. 10,000.
15. General Expenses include a lobbying expense of Rs. 30,000 with Govt. officials. It also includes the following:
- Gifts in cash of Rs. 30,000 to a relative.
  - An amount spent for holidays of promoter directors of Rs. 20,000
  - An amount of USD 500 (Equivalent Indian Rupees Rs. 34,000) for advertising in a foreign electronic media.
  - A donation to a political party of Rs. 1,00,000.
- Q.3 Discuss the rules of exemption and taxability of Leave Encashment and Gratuity under the head income from Salary for Government and Private Sector employees. (5)

**OR**

An individual assessee had the following combinations of agricultural income and non-agricultural income during the PY 2022-23.

| Income                        | Situation 1   | Situation 2   |
|-------------------------------|---------------|---------------|
| Net Agricultural Income (Rs.) | Rs. 35,00,000 | Rs. 15,00,000 |
| Non-Agricultural Income (Rs.) | Rs. 20,00,000 | Rs. 4,00,000  |

Determine the total tax liability of the individual applying integration process for the AY 2023-24.

- Q.4 From the following information, compute taxable capital gains after availing exemptions in the best interest of the assessee for the A.Y. 2023-24. (10)

| The following assets were sold:          |              |                     |                  |                           |
|--|--------------|---------------------|------------------|---------------------------|
| Asset                                    | Date of Sale | Sale Proceeds (Rs.) | Date of Purchase | Cost of Acquisition (Rs.) |
| Urban Agricultural Land                  | 19/03/2023   | 1,13,00,000         | 31/03/2005       | 3,00,000                  |
| Personal Car                             | 15/11/2022   | 50,000              | 16/08/2002       | WDV- 15,000               |
| Plant and Machinery                      | 23/04/2022   | 5,00,000            | 14/07/2011       | WDV-4,00,000              |
| Debentures                               | 04/10/2022   | 4,50,000            | 14/07/2001       | 2,00,000                  |
| Piece of Art (Personal)                  | 30/04/2022   | 60,000              | 12/01/2013       | 1,00,000                  |
| Personal Jewellery (Gold)                | 03/04/2022   | 6,00,000            | 23/02/2002       | 30,000                    |
| The following new assets were purchased: |              |                     |                  |                           |
| Residential House Property               |              |                     | 18/08/2022       | 20,00,000                 |
| Commercial House Property                |              |                     | 13/03/2023       | 45,00,000                 |

|  |                     |                     |
|--|---------------------|---------------------|
| IRFC Bonds                                 | 16/06/2022          | 15,00,000           |
| REC Bonds                                  | 05/04/2022          | 10,00,000           |
| NHAI Bonds                                 | 10/08/2022          | 14,00,000           |
| Rural Agricultural Land                    | 15/09/2022          | 10,00,000           |
| <b>The following new assets were sold:</b> | <b>Date of Sale</b> | <b>Amount (Rs.)</b> |
| Rural agricultural land                    | 31/01/2023          | 6,00,000            |
| IRFC bonds                                 | 25/03/2023          | 5,00,000            |

**Cost Inflation Index Number Series:**

| Financial Year      | Cost Inflation Index (CII) | Financial Year | Cost Inflation Index (CII) |
|---------------------|----------------------------|----------------|----------------------------|
| 2001-02 (Base year) | 100                        | 2013-14        | 220                        |
| 2002-03             | 105                        | 2014-15        | 240                        |
| 2003-04             | 109                        | 2015-16        | 254                        |
| 2004-05             | 113                        | 2016-17        | 264                        |
| 2005-06             | 117                        | 2017-18        | 272                        |
| 2006-07             | 122                        | 2018-19        | 280                        |
| 2007-08             | 129                        | 2019-20        | 289                        |
| 2008-09             | 137                        | 2020-21        | 301                        |
| 2009-10             | 148                        | 2021-22        | 317                        |
| 2010-11             | 167                        | 2022-23        | 331                        |
| 2011-12             | 184                        | 2023-24        | 348                        |
| 2012-13             | 200                        |                |                            |

- Q.5 a) Determine the residential status of Mahi for the PY 2022-23 only, who is an Indian citizen, based on the fact that during previous years 2001-02 to 2022-23, he was present in India as follows, (3 Marks) (10)

| Previous Year | Days | Previous Year | Days |
|---------------|------|---------------|------|
| 2022-23       | 122  | 2011-12       | 185  |
| 2021-22       | 190  | 2010-11       | 210  |
| 2020-21       | 132  | 2009-10       | 75   |
| 2019-20       | 80   | 2008-09       | 189  |
| 2018-19       | 66   | 2007-08       | 98   |
| 2017-18       | 210  | 2006-07       | 130  |
| 2016-17       | 30   | 2005-06       | 140  |
| 2015-16       | 179  | 2004-05       | 210  |
| 2014-15       | 194  | 2003-04       | 105  |
| 2013-14       | 75   | 2002-03       | 55   |
| 2012-13       | 110  | 2001-02       | 160  |

- b) Examine the issue of taxation of social enterprises in India by classifying the enterprises into (a) for profit, (b) not for profit and (c) hybrid social enterprises.

Does use of Section 8 Company structure or a Trust structure provide additional tax incentives? (7 Marks)

**OR**

- a) Examine the taxability of gifts classifying it as genuine/ ingenuine gifts from relatives/non relatives under section 56 of the Income Tax Act, 1961. (05 Marks)
- b) Ms. Yamuna earned the following income during the PY 2022-23. Determine the income chargeable to tax for the PY 2022-23 if, Ms. Yamuna is a;
- (i) Resident & Ordinarily Resident,
  - (ii) Resident but Not Ordinarily Resident,
  - (iii) Non Resident.
- a. Gift from an Indian friend received in New York: Rs.60,000
  - b. Income from an export business in UAE controlled from India: Rs.30,000
  - c. Income from a venture capital fund received in India. The fund has widely invested in Australian businesses: Rs.40,000
  - d. Annual interest credited on fixed deposit by a foreign branch of an Indian bank- Rs.2,000
  - e. Dividend declared but not yet received from an Indian company- Rs.2,000
- (05 Marks)

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