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Test Paper -1 (Income Tax)

Time – 1 ½hr

Marks - 50

1. X (44 years) is a citizen of India. He leaves India for the first time on September 20,2009 for the purpose of working on an overseas project of his employer-company: ABC Ltd.,an Indian company. He will come back on October 10,2011. Find out his residential status for the assessment years 2010-11 and 2011-12.
(Marks 5)
2. Mrs. X is non-resident in India for the assessment year 2010-11. For the previous year 2009-10, her income chargeable to tax in India is Rs.5,30,000. Find out tax liability.
(Marks 5)
3. X is a businessman. His parents and grandparents were born in Canada. He was born in USA but later on the migrated to Karachi and took Indian citizenship on June 1,1946. After division of India, he stayed in Pakistan and took Pakistan citizenship in December 1948. From the information given below, find out the residential status of X for the assessment year 2010-11
(Marks 5)

| Previous year | Presence in India | Previous year | Presence in India |
|---------------|-------------------|---------------|-------------------|
| 2010-11 | 20 days | 2004-05 | 46 days |
| 2009-10 | 70 days | 2003-04 | 182days |
| 2008-09 | 60 days | 2002-03 | 55days |
| 2007-08 | 40 days | 2001-02 | 59 days |
| 2006-07 | 5 days | 2000-01 | 25 days |
| 2005-06 | 260 days | 1999-2000 | 24 days |

4. For the previous year 2009 -10, X reports the following income-

| | |
|---|----------|
| Fees for technical services paid by a non-resident company for a project situated outside India (income is received outside India and later on it is gifted to Mrs X) | 97,000 |
| Income from a professional set up in India, services is rendered From India but amount is received in USA (later on remitted to India) | 1,24,000 |
| Rental income from house property situated in Kenya (amount is Kenya (amount is received in USA which is entirely used for the Education of his daughter in USA) | 80,0000 |

| | |
|--|----------|
| Agricultural income from Bhutan (received in Nepal and Agricultural operations are controlled from India) | 2,00,000 |
| Agricultural income from Kerala | 70,000 |
| Rental income of property situated in Kenya pertaining to the Previous year 2008-09 is remitted to India in current year | 75,000 |
| Technical fess paid by Government of India for a foreign project (amount is received outside India) | 90,000 |

Find out the income of X chargeable to tax for the assessment year 2010-11 if X is (i) resident and ordinarily resident; (ii) resident but not ordinarily and (iii) non- resident in India. (Marks 5)

5. X (43 years) is the finance officer of A Ltd. Is a company in which public are substantially interested and it is engaged in business of housing finance. During the previous year, X gets Rs.50,000 per month as salary and Rs.10,000 per month as dearness allowances (which is taken into consideration for calculating pension but not gratuity). Besides, he gets following allowance-

Transport allowance :Rs.1,000 per month (for commuting between office and residence.)
Travelling allowance Rs.3000 per month (approximately 75 per cent is used for official purpose).

Research allowance : Rs.2,000 per month (nothing is spent).

Helper allowance : Rs.9,000 per month (approximately 80 per cent is issued for engaging domestic helper and remaining amount is not used).

House rent allowance :Rs.17,000 per month (till may 2009, he resides in a rented house for which he pays rent of Rs.5,500 per month).

On May 1,2009, X takes an interest-free housing loan of Rs.55,00,000 from A Ltd. SBI lending rate on April 1,2009 and May 1,2009 is 8 per cent and 8.5 per cent respectively. Rs.5,00,000 out of the housing loan is repaid on January 31,2010. He purchases a house for his own residence on May 15,2009 and it is used for his own residential purpose since June 2009. For the year ending March 31,2010, X pays municipal tax of Rs. 60,000

Find out net income and tax liability of X for the assessment year 2010-11 on the assumption that A Ltd. does not maintain provident fund account but annually deposits Rs.70,000 in public provident fund account of X. (Marks 8)

6. Mrs. X (age:26 years) is an employee of a co-operative society at Varanasi. During the previous year 2009-10, he gets Rs.45,000 per month as basic salary, Rs.10,000 per month bonus and Rs. 1,500 per month as dearness allowances (32 per cent of it forms part of salary for computation of retirement benefits) and Rs.3000 per month as medical allowances (medical expenses is, however, more than Rs.3,000 per month). He is a member of a recognized provident fund to which the employer contributes Rs. 89,000 (x also a matching contribution). X gets an interest-free loan (repayable within 8 years) of Rs. 2,00,000 from the employer for purchasing a house (SBI lending rate : 10 per cent).

Besides, he gets Rs.99,000 as interest on company deposits from a private sector undertaking. Determine the taxable income and liability of X for the assessment year 2010-11
(Marks 7)

7. Mrs. X (age :22 years) has occupied two houses for her residential purpose, particulars of which are follows:

| | House I Rs. | House II Rs. |
|---|----------------|-----------------|
| Municipal valuation (MV) | 36,000 | 92,000 |
| Fair rent (FR) | 29,000 | 97,000 |
| Standard rent under the Rent Control Act (SR) | 24,000 | 86,000 |
| Municipal taxes paid | 4,000 | 10,000 |
| Interest on borrowed capital | 1,000 | 4,000 |
| Repairs | Nil | Nil |

Business income of Mrs. X is Rs. 5,00,000. Besides Mrs. X is employed by a private limited company on monthly salary of Rs. 24,000. Every year she contributes Rs.60,000 towards public provident fund. Determine the taxable income and tax liability of Mrs.X for the assessment year 2010-11.
(Marks 7)

8. X (age : 66 years), a salaried employee (drawing. 42,000 per month as salary) has occupied three houses for his residential purpose, particulars of which are as follows:

| | I Rs. | II Rs. | III Rs. |
|---|----------|-----------|------------|
| Standard rent under the poona Rent Control Act (SR) | 63,000 | 1,85,000 | 73,000 |
| Municipal valuation (MV) | 70,000 | 1,90,000 | 69,000 |
| Fair rent (FR) | 53,000 | 1,78,000 | 71,000 |
| Municipal taxes paid | 4,000 | 42,000 | 6,000 |
| Repairs | Nil | Nil | Nil |
| Ground rent due but outstanding | 600 | - | 800 |
| Insurance premium due but outstanding | 900 | 2,000 | 1,200 |

X borrows From a relative Rs. 40,000 @ 9 per cent per annum for construction of House II (date of borrowing June 1, 2006, date of repayment of loan May 31,2009). Construction of all the house is completed in August 2008. Determine the taxable income and tax liability of X for the assessment year 2010-11 on the assumption that X contributes Rs. 16,000 towards statutory provident fund and Rs. 8,000 towards National Relief Bonds.
(Marks 8)



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