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Chapter 1 : Basics of Income Tax

Problem 1

Calculate the tax liability in following independent cases for AY 2021-22 (Age is given in bracket, if any)

<u>Particulars</u>	<u>Mr. A (30)</u>	<u>Mrs. B (82)</u>
Gross Total Income	4,20,000	12,50,000
Chapter VI-A Deductions	1,00,000	1,00,000

Calculate in scenarios if they are Resident or Non-Resident.

Problem 2

Calculate tax payable for AY 2021-22 by Mr. A, a Resident Individual (born on 1.4.1961) whose net taxable income is ₹70,20,000.

Problem 3

Mr. A lives in Goa and is governed by Portuguese Civil Code. He earns Rs.5,00,000/- as Salary Income. Mrs. A earns Business Income Rs. 8,00,000. Mr. A has a self-occupied House Property for which he has taken a housing loan, Interest on which is Rs. 80,000/- Mrs. A earns Savings Bank Interest of Rs. 25,000/- Compute the taxable Income.

Chapter 2 : Profits and Gains of Business and Profession

Depreciation

Problem 1

Superb Tyres & Tubes (P) Ltd, Delhi was incorporated on 30.07.2020 for manufacture of tyres and tubes for motor vehicles. The company commenced its manufacturing operations on 01.09.2020. The total cost of the plant and machinery installed is Rs. 120 lakhs. It included second hand plant and machinery bought for Rs. 25 lakhs and new plant and machinery for scientific research relating to the business of the assessee acquired at a cost of Rs.15 lakhs. Compute the amount of depreciation allowable and WDV.

Problem 2

Cost of Machinery 1,00,000/- Calculate depreciation in following independent cases -

	Date of Purchase	Date put to use
1	1 April 2020	1 April 2020
2	1 April 2020	31 st March 2021
3	1 October 2020	1 October 2020
4	1 October 2020	2 October 2020
5	1 October 2020	3 October 2020
6	1 October 2020	4 October 2020
7	1 October 2020	31 December 2020
8	1 October 2020	1 November 2021

Problem 3

Opening WDV (Assets A and B) ₹10,00,000/- Addition C ₹4,00,000/-. Transfer Expenses 1% of Sale Price.

Case 1: Asset A sold for ₹5,00,000 (sold on 1.8.2020)

Case 2: Asset A sold for ₹15,00,000 (sold on 1.1.2021)

Case 3: All Assets sold for ₹5,00,000 (sold on 1.8.2020)

Case 4: All Assets sold for ₹15,00,000 (sold on 1.1.2021)

Problem 4

Mr. C had purchased furniture on 1.10.10 for ₹4,00,000. It was sold on 31st March 2021 for ₹10,000. Explain the tax implications if it was used for business purpose in the previous year 2010-11 and then used for personal use thereafter.

Problem 5

Opening WDV of Plant (A and B) ₹10,00,000/- Addition C ₹4,50,000/- (put to use for more than 180 days during the year) Plant A is sold for ₹13,50,000. Explain the tax implications.

Problem 6

Mr. Akash is engaged in the business of running motor cars on hire. His brother, Mr. Vikas, is a dentist. Mr. Akash and Mr. Vikas each purchased a motor car of the value of Rs.5 lakh on 1.11.2019 for their business/profession and put the same to use immediately. The written down value of motor cars as on 1.4.2019 may be taken as Rs.50 lakh for Mr. Akash and Nil for Mr.Vikas. Find the WDV as on 1.4.2020.

Problem 7

Mr. A purchased a machine costing ₹10,00,000 on 1.4.2020. Expenses on inward transportation and on installation were ₹40,000 and ₹60,000 respectively. Before commencement of commercial production, the machine was tested for which test run expenses of ₹80,000 were incurred. Compute depreciation. All the amounts were paid by account payee cheque except installation charges paid in cash on 1.7.2020 and inward transportation charges were paid in cash in 10 equal daily instalments starting from 7.4.2020.

Problem 8

Mr. P leased out building to Mr. Q. Mr. Q incurred Current Repairs of ₹10,000 and Capital Repairs of ₹50,000/- on 1.4.2020. Find out the tax implications.

Problem 9

Year 1	Maintained Books of Accounts and claimed depreciation; WDV as on 1 st April of Plant was ₹ 10,00,000
Year 2	Did not maintain books and declared 8% profit as per Section 44AD
Year 3	Maintained Books of Accounts

Calculate WDV as on 1st April of Year 4. Will your answer change if the asset was revalued to ₹12,00,000 on 1st April of Year 1?

Problem 10

Mr. X had few plants with opening WDV of ₹10 Lakhs. Plant which was purchased 2 years back for ₹90,000/- was transferred to Mr. Y for ₹5 Lakhs to enable him claim higher depreciation as he was in higher tax bracket. Opening WDV in the hands of Mr. Y was ₹6 Lakhs. Calculate Closing WDV in the hands of Mr. X and Mr. Y if

Case 1: Explanation 3 to Section 43(1) is not invoked

Case 2: Explanation 3 to Section 43(1) is invoked; AO determines the cost of asset as ₹65,000

Answer**Case I: Explanation 3 to section 43(1) is not invoked**

Mr. X		Mr. Y	
Opening WDV	10,00,000	Opening WDV	6,00,000
(-) Sales Consideration	(5,00,000)	(+) Additions	5,00,000
	5,00,000		11,00,000
(-) Depreciation@ 15%	(75,000)	(-) Depreciation @15%	(1,65,000)
Closing WDV	4,25,000	Therefore closing WDV	9,35,000

Case II: Explanation 3 to Section 43(1) is included (AO determines cost to be Rs. 65,000)

Mr. X		Mr. Y	
Opening WDV	10,00,000	Opening WDV	6,00,000
(-) Sales Consideration	(5,00,000)	(+) Additions	65,000
	5,00,000		6,65,000
(-) Depreciation @ 15%	(75,000)	(-) Depreciations @ 15%	(99,750)
Closing WDV	4,25,000	Closing WDV	5,65,250