

1. a. PERSON —sec 2(31):

The term persons include:

- a) an individual
- b) a Hindu undivided family
- c) a company
- d) a firm
- e) an association of persons and a body of individuals whether incorporated or not
- f) a local authority
- g) Every artificial jurisdictional person not falling under any of the preceding category.

1.b. **ASSESSMENT YEAR:** AY is a financial year in which the income earned during the previous year is taxed

PREVIOUS YEAR (sec 3): The year in which the income is earned is called the previous year.

1.c.

| | |
|---|------------|
| Pension received by Mr X for 8 months | Rs. 72,000 |
| Pension received by Mr. X after commuting his pension (9000 * 2/3* 2 months) | Rs. 12,000 |
| Total taxable pension is | Rs.84,000 |

2.a. Residents and Non-Resident Concepts

According to the current test of residence, an individual becomes a resident, if he

- a. is in India for 182 days or more during the previous year; or
- b. Has been in India for at least 365 days within the preceding four years and for at least 60 days in the relevant previous year.

In other situations the person is to be treated as nonresident.

2.b. Taxable income of Mr X for the AY 2017-18

| | |
|---------------------------|--------------|
| Share of profit from Firm | NT |
| Income from salary | Rs.24,00,000 |

| | |
|--------------------------|---------------|
| Receipt from PPF | exempt |
| Winnings from lottery | Rs.2,10,000 |
| Less contribution to PPF | Rs.70,000 |
| Total taxable income is | Rs.25,40,000. |

2.c.Taxable in the case of Mr Ram in the following situations are

| Particulars | Ordinary resident | Not ordinary resident | Non resident |
|---|-------------------|-----------------------|--------------|
| Salary received in India | 25,000 | 25,000 | 25,000 |
| Payment received in UK | 12,000 | 12,000 | 12,000 |
| Served at Syria Indian embassy | 24,000 | 24,000 | NIL |
| Business profit remitted to India | 75,000 | 75,000 | 75,000 |
| Income from land in Bangladesh | 15,000 | NIL | NIL |
| Income received from French co. outside India | 10,000 | NIL | NIL |
| Total Taxable income | | 1,36,000 | 1,12,000 |

3.a Computation of taxable income from business for the AY 2017-2018

| | | |
|----------------------------|----------|----------|
| Net Profit | | 1,80,000 |
| Add: Inadmissible expenses | | |
| Advertising expenses | | 48,000 |
| Drawings | | 48,000 |
| Interest on capital | 14,000 | |
| Repairs | | 2,500 |
| Legal expenses | | 6,000 |
| Depn | | 30,000 |
| Bonus | | 8,000 |
| Motor car purchase | 1,44,000 | |
| Donations | | 4,000 |
| Provn for Bad debt | 12,000 | 3,16,500 |
| Less: | | |
| Depreciation | 28,800 | |

| | |
|-------------------------|---------------|
| Income on Securities | 28,000 |
| Income from HP | 50,000 |
| | 1, 06,800 |
| Income from Business is | Rs. 3, 89,700 |

3.b.

Salary Income of Mr. N. for the AY 2017-18

| | |
|---|--------|
| Basic salary | 96,000 |
| D.A | 24,000 |
| Bonus | 8,000 |
| Commission | 4,500 |
| E.A | 6,000 |
| Value of Rent free accommodation | |
| Fair rental value is 40,000 and 15% of salary is 18,615 | 18,615 |
| Cost of furnishing | 2,000 |

Total salary income is Rs.1,59,115 for M X.

• 4.a.Evasion

Dishonest taxpayers try to reduce their taxes by concealing income, inflation of expenses, falsification of accounts and willful violation of the provisions of the Income-tax Act. Such unethical practices often create problems for the tax evaders. Tax department not only imposes huge penalties but also initiate prosecution in such cases.

Tax Planning

Tax planning is arrangement of financial activities in such a way that maximum tax benefits, as provided in the income-tax act are availed of. It envisages use of certain exemption, deductions, rebates and reliefs provided in the act.

4.b.

Perquisites: Sec 17(2)

The term perquisite is defined to include the following:

1. The value of rent –free accommodation provided to the assessee by his employer.

2. The value of any concession in rent for accommodation provided by the employee
3. Value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the below cases:
 - a) by a company to an employee who is a director thereof
 - b) by a company to an employee, having an substantial interest in the company
 - c) any person not included in any of the above two categories having a cash salary of more than 50,000/-
4. any sum paid by the employer in respect of any obligation which but for such payment would have been payable by the assessee
5. any sum payable by the employer, to effect an assurance on the life of the assessee or to effect a contract for an annuity
6. the value of any other fringe benefits or amenity as may be prescribed.

