

Direct Tax-II

Answer Key

Section - A

1. Bond washing transaction is a device used by the High Income Group (HIG) assessee to avoid tax by transferring securities to low Income Group (LIG) assessee just before the due date of interest.

Generally, the due dates of interest whether half yearly or annually are known in advance,

2. Computation of allowable depreciation

Particulars	Machinery (15%)	Truck (30%)
W.D.V as on 1-4-2020	8,90,000	3,00,000
<u>Add</u> Machinery purchased on 1-11-2020	3,00,000	-
<u>Add</u> Machinery purchased on 1-9-2020	1,20,000	-
	<hr/> 12,80,000	<hr/> 3,00,000
<u>Less</u> Asset sold during the year	60,000	250,000
W.D.V before depreciation	12,20,000	50,000
<u>Less</u> : Depreciation	2,16,500	-
	<hr/> 10,03,500	<hr/> -

3. Computation taxable income from other sources

Particulars	(₹)	(₹)
a) 12.5% tax free rebate		2778
b) Dividend received		8500
c) Gift from friend on the occasion of wedding anniversary		65,000
d) winning from lottery (₹ 20,000 × 100/70)		60,000
		<hr/> 6,76,278

with other

Machinery

Gross sales consideration	6,000	
<u>Less</u> Actual cost acquisition	6,000	
Short term capital gain		<u>Nil</u>

3) Machinery

Gross sales consideration	12,000	
<u>Less</u> Actual cost of acquisition	10,000	
Short term capital gain		<u>2,000</u>

4) Motor truck

Gross sales consideration	1,20,000	
<u>Less</u> Actual cost of acquisition	1,30,000	
Short term capital gain loss		<u>(-10,000)</u>
Total STCG		<u>32,000</u>

B) LTCG

1) Residential house

Gross sales consideration	2,00,000	
<u>Less</u> Expenses incurred at the time of sales		
Net sales consideration		<u>Nil</u>
<u>Less</u> Indexed COA		
Cost X $\frac{CII \text{ for the year of sale}}{CII \text{ for the year of purchase}}$		
$45,000 \times \frac{301}{100}$	1,35,450	
Long term capital gain		<u>1,64,550</u>

Less: Exemption u/s 54

1) Purchase a new house

Exemption u/s 54 EC	8,00,000	
Taxable Capital Gain	50,000	
		<u>10,14,550</u>

2) Agricultural Land:

Gross sales consideration	5,50,000	
<u>Less</u> Expenses incurred at the time of sales		
Net sales consideration		<u>Nil</u>
<u>Less</u> Indexed COA		
Cost X $\frac{CII \text{ for the year of sale}}{CII \text{ for the year of purchase}}$		
	5,50,000	

Less Indexed COA
Cost X $\frac{CII \text{ for the year of sale}}{CII \text{ for the year of purchase}}$

4. Rules regarding grossing up of Interest
- central government tax free government security and interest on it is fully
 - Interest on tax free state Government securities should be exempt
 - Int on taxable government security issued by the local authority
 If the Interest amount is directly given should be gross up
 - Int on taxable government security issued by the central government or state government, not required to gross up.
 - Interest on taxable or less tax securities issued by the company
 If the interest amount is directly given we should gross up by 100/90
 - Interest on taxable or less tax securities issued by the salutory corporation
 If the interest amount is directly given we should gross up
 - Interest on tax Free commercial security issued by the company should always be gross up.

5. Computation of allowable depreciation

Particulars	Building (10%)	Plant & Mac (15%)	Furniture (10%)	Computer (40%)
W.O.V as on 1/1/2020	14,50,000	10,00,000	8,00,000	2,00,000
<u>Add</u> Purchase during the year	8,00,000	32,00,000	-	-
	22,50,000	42,00,000	8,00,000	2,00,000
<u>Less</u> Sales during the year	-	-	-	30,000
W.O.V. before depreciation	22,50,000	42,00,000	8,00,000	1,70,000
<u>Less Depn</u> Normal depn	2,25,000	5,25,000	8,000	68,000
Additional depn	-	5,00,000	-	-
	20,25,000	3,475,000	72,000	102,000

5. Particulars

	Amt (₹)	Amt (₹)
A) <u>STCG</u>		
1) Residential house		
Gross sales consideration	800,000	+
<u>Less</u> Actual acquisition	7,60,000	-
Short term capital gain		40,000

1,20,000 x 30%/100

3,61,200

1,88,800

Long term capital gain

Less: Exemption U/s 54B

Brought new agricultural land 1,50,000

38,800

3) Share of steel co. Ltd

Gross sales consideration 27,000

Less: Expenses incurred at that time 500

Net sales consideration 26,500

Less Indexed COA 12,000 x 301/301

Long term capital gain

14,500

Taxable long term capital gain

Exempt

Taxable capital gain (A+B)

1,05,350

6. Computation of taxable capital gain

A) STCG

D Motor car

Gross sales consideration 62,000

Less Actual cost of acquisition 42,000

Short term capital gain 26,000

B) LTCG

A) Agricultural land

Gross sales consideration 5,00,000

Less Expenses incurred at the time of sale

NIL

5,00,000

(A+B)

5,26,000

7. Computation of taxable income from other sources of

Mr. Vikat for AY 2021-22

Particulars

RS

RS

a) 10% central govt securities

(20,000 x 10%)

2000

b) 12% tax free commd securities

(36000 x 12% x 100/90)

4800

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debentures of data industries	2400
$40,000 \times 12\% \times 6/12$	
POSB A/c Interest $30,000 \times 6\% \times 1800$	exempt
13.5% debenture of $(25,000 \times 13.5\%)$	3375
Dividend received	3,000
Int received on debenture	9,000
Int received on Karnataka govt bond	8,000
Dividend received from co-operative	5,000
Int received on deposit on deposit	10,000
Indian railway bond $(60,000 \times 9\% \times 6/12)$	2700
	<u>50,275</u>

Gross total income

Less: Deduction u/s 57

a) Bank collection charges	400	
b) Int on loan $(30,000 \times 12\% \times 8/12)$	<u>2400</u>	<u>2800</u>
Taxable income from other sources		<u>47,475</u>

Particulars	Building (10%)	Building (5%)	Plant & mac (15%)	Plant & mac (30%)	Furniture (10%)	Boat (40%)	Trade
WDV as on 01-4-2020	16,80,000	6,20,000	6,40,000	4,00,000	40,000	-	-
Type writer			1,10,000				
Scoter bikes			2,20,000				
Motor car			4,50,000				
<u>Add</u> Purchases	-	-	7,10,000	-	3,00,000	10,000	50,000
Foreign car & Ie			1,60,000				
	<u>1,6,80,000</u>	<u>6,20,000</u>	<u>7,60,000</u>	<u>7,00,000</u>	<u>40,000</u>	<u>10,000</u>	<u>50,000</u>
<u>Less</u> Sales during the year							
Type writers		80,000	80,000				
			75,70,000				
WDV before depn	<u>16,80,000</u>	-	<u>75,70,000</u>	<u>7,00,000</u>	<u>40,000</u>	<u>10,000</u>	<u>50,000</u>
			10,87,500		16,500	4,000	12,500
WDV after depn	<u>15,12,000</u>	-	<u>64,82,500</u>	<u>53,500</u>	<u>36,000</u>	<u>6,000</u>	<u>37,500</u>

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