**Taxation- Direct and Indirect**

**September 2022 Examination**

**Q1. Mr. Vinay is an IT associate pursuing online MBA program. He buys a house property in the Mumbai suburbs and gave this house property on rent to his friend for the previous year. His friend, Ramesh wants to start his own consultancy in the said apartment and agreed him to pay rent for 12 months @Rs50000 per month. Discuss, in the light of the relevant provisions of Indian Income Tax, what are the various instances under which the income from such house property would be and would not be assessed to tax. Further, in the above case discuss the tax treatment for rental incomes in the hands of Mr. Vinay if any.**

**Ans 1.**

**Introduction**

Indian income tax is regulated and managed by Entry 82 of the Union List in the Seventh Schedule of the constitution of India. The income-tax law consists of the act of 1961 and the Income tax of 1962, which are issued by the Central Board of Direct Taxes (CBDT) and the annual Financial Acts. The Indian government taxes some individual incomes, companies, associations, local authorities and any other juridical person. Personal tax depends on living

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**Q2. Mr. Amit owns a flat. On 5-4-2020, he decides and starts a business of dealing in sale
and purchse of flats. He treats this flat as a part of stock in trade for this newly
commenced business. He entered into a deal of selling this flat to one of his client on
30/.3/2021 and booked a profit of Rs5 Lakhs. Discuss the term capital asset, the
relevant provision applicable, implications of above transaction, provision in his hand
under the relevant head of Indian Income Tax Act.**

**Ans 2.**

**Introduction**

Capital assets are properties that are invested and expected to benefit the business for a long time. Examples of capital assets in an organization include buildings, vehicles, machinery, computers and land.

**Capital assets have the following characteristics:**

They have a life time of more than a year. They depreciate with time but for more than a year.

They are not expected to be sold in the normal operation of the business like the normal inventory.

**Q3 . Mrs. Viraj is an individual aged 50 years working with an undertaking of State
Government . For the previous year, he earned various income like
i. Dividend Income Rs4500
ii. Rs 50000, as share of income from HUF
iii. Winning from Lotteries Rs80000
iv. Interest on securities Rs35000
v. Income received by letting out a ‘flour grinding machine’ Rs4000**

**a. Compute his total taxable income (5 Marks)**

**b. tax liability on the winning from lotteries and the type of income it is, and give reasons for the treatment of items(i,ii,v) as mentioned here**

**Ans 3a.**

**Computation of the total taxable income of Mrs. Viraj for the previous year XXXX-XXXX relevant to the assessment year XXXX-XXXX**

**Assessee Name: Mrs. Viraj**

**Status : Resident (Ordinary )Individual**

**Age: 50 years**

|  |
| --- |
| **Computation of the total taxable Income** |
| **Particulars** | **Amount in Rs.** | **Amount in Rs.** |
| Income Under Other Sources |  |  |
| Winnings from Lotteries | 80,000 |  |
| Interest on Securities | 35,000 |  |
| Income received by letting out a flour grinding machine | 4,000 |  |
| Dividend | 4,500 |  |
| Income from Other Sources |  | 123,500 |
|  |  |  |
| **TOTAL TAXABLE INCOME** |  | **123,500** |

**Explanation**

Explanation

As question is silent, it is assumed that total taxable income is calculated for the F.Y. 2021-22.

**Ans 3b.**

**(b) Tax liability on the winning from lotteries**

Reasons for treatment

The reason for the exemption of the dividend is because it violate the Taxation Act, section 8, which states as below:

Dividend, which includes deemed dividend, shall be taxed in the year in which dividend is paid, declared or distributed, or paid. TheInterim dividend is subjected to taxation on receipt basis, in