

Topic wise Test Papers of CA Inter - Direct Tax – MAY/SEP-25 Exams

Topic: Residential Status, Clubbing, Setoff & Deduction

Total Marks: 50 Marks

Time Allowed: 70 minute

Answers:

Part-A Multiple Choice Questions

[Total 20 Marks]

1. Answer : C
2. Answer : A
3. Answer : D
4. Answer : B
5. Answer : A
6. Answer : C
7. Answer : B
8. Answer : D
9. Answer : B
10. Answer : C
11. Answer : D
12. Answer : B
13. Answer : C
14. Answer : B
15. Answer : A
16. Answer : B

Part- B Descriptive Questions

[Total 30 Marks]

Solution 1:

Computation of gross total income of Mrs. Rosy and Mrs. Mary for the A.Y.2025-26

S. No.	Particulars	Mrs. Rosy (Non-resident)	Mrs. Mary (ROR)
		₹	₹
(I)	Salaries		
	Pension received from State Govt. ₹ 60,000		
	Less: Standard deduction u/s 16(ia) ₹ 50,000	-	10,000
	Pension received from Canadian Government is not taxable in	-	-

S. No.	Particulars	Mrs. Rosy (Non-resident)	Mrs. Mary (ROR)
		₹	₹
(II)	the case of a non-resident since it is earned and received outside India		
		-	10,000
	Income from house property Rent received from house property at Mumbai (assumed to be the annual value in the absence of other information i.e. municipal value, fair rent and standard rent)	60,000	30,000
	Less: Deduction under section 24(a)@30%	18,000	9,000
	42,000	21,000	
(III)	Capital gains Long-term capital gain on sale of land at Mumbai	1,00,000	1,00,000
	Short term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,50,000
		1,20,000	3,50,000
	Gross Total Income [(I)+(II)+(III)]	1,62,000	3,81,000

Solution 2:**Determination of residential status of Mr. Dinesh for the P.Y. 2024-25**

As per Explanation 1 to section 6(1), where an Indian citizen leaves India as a member of crew of an Indian ship, he will be resident in India only if he stayed in India for 182 days during the relevant previous year.

As per Explanation 2 to section 6(1)1, in case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period or periods of stay in India shall, in respect of an eligible voyage, not include the period commencing from the date entered into the Continuous Discharge Certificate in respect of joining of ship by the said individual for the eligible voyage and ending on the date entered into the Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage.

Eligible voyage includes a voyage undertaken by an Indian ship engaged in the carriage of passengers in international traffic, originating from any port in India and having its destination at a port outside India.

In this case, voyage is undertaken by a foreign bound Indian ship engaged in the carriage of passengers in international traffic, originating from a port in India (i.e., the Kochi port) and having its destination at a port outside India (i.e., the Singapore port). Hence, the voyage is an eligible voyage.

Therefore, the period from 16th August, 2024 and ending on 21st January, 2025 has to be excluded for computing the period of stay of Mr. Dinesh in India. Accordingly, the period of 159 days [16+30+31+30+31+21] has to be excluded for computing the period of his stay in India during the P.Y.2024-25.

Further, since Mr. Dinesh had also gone out of India to Dubai on a private tour for a continuous period of 27 days in June, 2024, such period has also to be excluded for computing his period of stay in India during the P.Y.2024-25.

Consequently, the period of stay in India during the P.Y. 2024-25 would be 179 days [i.e., 365 days – 159 days – 27 days], which is less than 182 days.

Thus, Mr. Dinesh would be a non-resident for A.Y. 2025-26.

Since the residential status of Mr. Dinesh is “non-resident” for A.Y. 2025-26 consequent to his number of days of stay in India in P.Y. 2024-25, being less than 182 days, his period of stay in India in the earlier previous years become irrelevant.

Solution 3:

Computation of deduction under section 10AA for A.Y. 2024-25

Since A.Y. 2025-26 is the 5th assessment year from A.Y. 2021-22, relevant to the previous year 2020-21, in which the SEZ unit began manufacturing of articles or things or provide any services, it shall be eligible for deduction of 100% of the profits derived from export of such articles or things or from services, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profit of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ} \times 100\%}{\text{Total Turnover of Unit in SEZ}}$$

$$= 6,00,000 \times \frac{22,00,000}{30,00,000} \times 100\% = 4,40,000$$

Working Note:

Computation of total sales, export sales and net profit of Unit X

Particulars	M/s Rajveer (₹)	Unit Y (₹)	Unit X (₹)
Total sales	85,00,000	50,00,000	35,00,000
Export sales	55,00,000	28,00,000	27,00,000
Domestic sales	30,00,000	12,00,000	18,00,000
Net Profit	10,00,000	4,00,000	6,00,000
Export Turnover			
Sale proceeds			27,00,000
Less: Freight not includible in export turnover			5,00,000
			22,00,000
Total turnover			35,00,000
Less: Freight not includible [Since freight has been excluded from export turnover, the same has to be excluded from total turnover also].			5,00,000
			30,00,000

Solution 4:**Determination of residential status**

Mr. Raghu would be a resident in India in P.Y. 2024-25, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If he satisfies any one of the mentioned above, he is a resident. If both the above conditions are not satisfied, he would be a non-resident.

During the P.Y. 2024-25 Mr. Raghu stayed in India for 179 days i.e., 365 days – 186 days [78 days + 34 days + 74 days] and 380 days i.e., more than 365 days during the 4 preceding previous years. He satisfies the second basic condition for being a resident. Hence, he is a resident in India for A.Y.2025-26.

A person would be “Not ordinarily Resident” in India in any previous year, if such person, inter alia:

- (a) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or
- (b) has during the 7 previous years immediately preceding the relevant previous year been in India for less than 730 days.

For the previous year 2024-25, Mr. Raghu would be “Resident but not ordinarily resident” since he stayed for less than 730 days during the 7 previous years immediately preceding P.Y. 2024-25.

Computation of total income of Mr. Raghu for A.Y.2025-26

Particulars		Amount (₹)
(1)	Salary from Indian company received in a bank account in India	15,00,000
	Less: Standard deduction u/s 16(ia)	50,000
(2)	Dividend of ₹ 48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the resident but not ordinarily resident since the income has neither accrued or arisen in India nor has it been received in India.	Nil
(3)	Interest on fixed deposit with PNB credited to his savings bank account is taxable in the hands of Mr. Raghu as Income from other sources, since it has accrued and arisen in India and is also received in India.	10,500
Gross Total Income		14,60,500

Solution 5:**Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2025-26**

Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
Salary of Samrat	8,50,000			-
Less: Standard deduction under section 16(ia)	<u>50,000</u>	8,00,000		-
Salary of Komal	5,50,000			-
Less: Standard deduction under section 16(ia)	<u>50,000</u>	5,00,000		-

Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
[Salary earned by Mrs. Komal has to be included in the total income of Mr. Samrat, since he has substantial interest in the concern (i.e., having 24% voting power in ABC (P) Ltd., along with his wife) and Mrs. Komal does not have any professional qualification for the job.]				
Business Income				
Dividend income from ABC (P) Ltd. [Taxable in the hands of Mr. Samrat as per section 60, since he transferred the income i.e., dividend without transferring the asset i.e., shares]	[22,500/90 x 100 x 2]	15,60,000 50,000	[45,000/90 x 100]	- 50,000
Interest on Fixed Deposit earned by Mrs. Komal				
Total Income (before including minor's income)		-		<u>9,00,000</u>
Income of minor child to be included in Mr. Samrat's income, since his total income before including minor's income is higher than that of Mrs. Komal. [₹ 54,000/90 x 100]	60,000	29,10,000		9,50,000
Less: Exemption of ₹ 1,500 u/s 10(32) in respect of the income of each child so included.	<u>1,500</u>	58,500		
Gross Total Income		29,68,500		9,50,000