

Text Book



INCOME TAX

A Textbook for B.Com. & BBM/BBA as per Gulbarga University Kalaburagi,
Karnataka University Dharwad, Rani Chennamma University Belagavi,
Vijaynagar Sri Krishnadevaraya University Bellary and Akkamahadevi
Women's University Vijayapura Syllabus

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9.2 ASSESSMENT OF HINDU UNDIVIDED FAMILY

For Income tax purpose Hindu Undivided Family (HUF) is treated as separate assessee. The income Tax Act has not defined the meaning of Hindu Undivided Family. For the purpose of understanding the meaning of HUF we have to depend on the Hindu Law.

According to Hindu law, a Joint Hindu Family consists of all persons lineally descended from a common ancestor including their wives and unmarried daughters. (Only one member cannot constitute a joint Hindu family.) There must be at least two persons whether male or female to constitute joint Hindu family.

SCHOOLS OF HINDU LAW

Joint Hindu Families are governed by two schools namely Dayabhag School and Mitakshara School.

a) Dayabhaga School of Thought (দায়ভাগ)

It is applicable to the states of West Bengal, Assam and some parts of Orissa. Under this law (the son does not get any right in the properties merely by birth in the family. His rights will arise only after the death of his father as regards both ancestral and self acquired property of his father.) Hence, the father will be assessed as an individual even for his ancestral property if he has no coparceners. He is considered to be the absolute owner of all properties until his death. After his death, if there are two or more coparceners in the family, the income from ancestral property will be taxable in the hands of HUF.

b) Mitakshara School of Thought (মিতাক্ষর)

It is applicable to the whole of India except the states of West Bengal, Assam and some parts of Orissa. According to this school, (the male members of joint hindu family acquire right in the joint family property by birth and become coparceners.) However, after the passing of Hindu Succession (Amendment) Act 2005, the position of daughters has changed. The daughters of a coparcener become coparceners of the family by birth in the same manner as the son.

Generally, (the joint Hindu family is managed by the eldest male member of the family called the Karta) (The income from such joint property will be assessed as income of Hindu undivided family.) However, the income from self-acquired property of father is taxable in the hands of father as an individual.

Status of HUF:

For claiming the status of Hindu undivided family, the following conditions should be satisfied.

a) Common Property of the Family

The common property of the family consists of

- i) Ancestral property
- ii) Other property acquired with the help of ancestral property

SECTION-C

1. Mr. Veeranna, Karta of HUF, gives the following details of his family income:

a) Salary received by Veeru, a member of the family, as an employee of a college Rs.3,72,000.

b) House property: Family owns two houses, the details are:

X 1) *S.O.P* First house of the municipal value of Rs.1,00,000 is used for the residence of the family. The interest on loan taken for construction of this house amounted to Rs.20,000. *Loss - loss*

II calculation 2) Second house of the municipal value of Rs.60,000 is let out at a monthly rent of Rs.6,000. The municipal taxes paid on this house amounted to Rs.12,000.

c) Income from business:

I 1) Family business profit Rs.5,00,000 after charging:

X i. Salary to Karta Rs.24,000.

II ii. Life insurance premium on the life of Karta Rs.20,000. *- 1/5 800*

II iii. Donation to approved temple Rs.22,000. *- 1/5 800 by - 50%*

X 2) Rs.2,00,000 earned by Basappa another member from his independent profession.

II d) Capital Gain: Long term capital gain on sale of agriculture land of the family Rs.50,000.

e) Other sources:

II i. Winnings from lottery (net) Rs.42,000 $\times \frac{100}{70} = 60,000$ ✓

except II ii. Dividend from an Indian Company Rs.10,000.

Compute the total income of the family for the assessment year 2018-19.

(GUG, B.Com VI Sem 2009 & 2011 mod. & 2016)

Ans: Total Income Rs.6,43,000.

Hint: Income from house property (42,000-20,000) Rs.22,000; Income from Business Rs.5,42,000; LTCG Rs.50,000; Income from Other Sources Rs.60,000; GTI Rs.6,74,000; Deduction U/s 80C Rs.20,000; 80G Rs.11,000.

2. Shivalingegouda and Bros., a Hindu Undivided Family gives the following information for the previous year 2017-18.

a) The family owns the following two houses.

X i) *S.O.P* The first house of the municipal value of Rs.35,000 per annum is used for family residence.

II calculation ii) The second house is let out at a monthly rent of Rs.4,000 on which municipal taxes Rs.3,000 and repairs of Rs.8,000 were paid during the year.

b) *I* The family runs an ancestral business and the profit and loss account of which shows a net profit of Rs.7,50,000 after debiting the following.

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- ~~i)~~ Salary to Karta Rs.50,000
- ~~II ii)~~ An irrecoverable loan of Rs.30,000 given to a relative of the family.
- ~~II iii)~~ Expenses of Rs.10,000 for celebrating the birth day of a baby of the family.
- Example* ~~c) IV~~ The family made an income of Rs.2,60,000 by doing agriculture in Bellary district.
- ~~d)~~ One of the family members Dr. Murthy is an Associate Professor in a college whose annual salary is Rs.10 lakhs.
- ~~IV e)~~ The family has fixed deposits in some banks on which the interest earned during the year amount to Rs.18,500.
- f) The following payments were also made by the family during the year:
- ~~80C~~ i) Subscription to NSC VIII issue Rs.20,000 - *ded u/s 80C*
- ~~100% 80C~~ ii) Donation to the Prime Minister's National Relief Funds Rs.10,000 *Ded u/s*
- Compute the total income of the family for the assessment years 2018-19.

(GUG B.Com VI Sem. 2012 & KSWU B.Com. VI Sem. 2014)

Ans: Total income Rs.8,10,000.

Hint: Income from HP Rs.31,500; Business Rs.7,90,000; Other source Rs.18,500; GTI Rs.8,40,000; Deduct u/s 80C Rs.20,000; 80G Rs.10,000.

3. Sri Rama of Bidar is the Karta of HUF. He is furnishing the following particulars.

- | | | |
|-------------------|--|-----------|
| *1) | Salary received by the member of the family from a company | Rs.10,000 |
| 1 ✓ 2) | Profits from family business | |
| ✓ 3) | Rent from house property let out | Rs.50,000 |
| ✓ 4) | Director's fees by Karta | Rs.32,000 |
| ✓ 5) | Municipal tax on let out house | Rs.5,000 |
| ✓ 6) ✓ | Dividend from Indian Company | Rs.2,000 |
| ✓ 7) | Long term capital gain on sale of shares | Rs.5,000 |
| ✓ 8) | Long term capital gain on sale of building | Rs.10,000 |
| ✓ 9) | Donations paid to approved institution - <i>80G - 50%</i> | Rs.25,000 |
| ✓ 10) | Profit from partnership firm | Rs.5,000 |
| ✓ 11) | Salary paid to family member working for family business | Rs.10,000 |
| ✓ 12) | Expenditure on family religious function | Rs.5,000 |
| | Karta made the following payments: | |
| | LIC premium on the sons and daughters of family members Rs.6,000 - <i>80C</i> | |
| | NSC (VIII issue) purchased in the name of the family Rs.5,000. You are required to compute the <u>total income</u> of HUF for the year A.Y. 2018-19. | |

(GUG B.Com VI sem. 2013; VSKUB, B.Com. VI Sem., 2018)

ASSESSMENT OF HINDU UNDIVIDED FAMILY

Ans: GTI Rs.1,11,000; TI Rs.97,500.

Hint: Income from Business Rs.50,000; Income from House Property Rs.21,000; Income from LTCG Rs.35,000; Income from Other Sources Rs.5,000; Deduction U/s 80C Rs.11,000; Deduction U/s 80G Rs.2,500.

Notes:

1. Salary received by a member from a company is taxable in the hands of that member as an individual.
 2. Dividend from Indian company is exempt u/s 10(34)
 3. Share of profit from firm is exempt u/s 10(2A)
 4. Salary paid to a member for working for family business is allowed and it is assumed that such salary is taken in to account while calculating profit from family business.
 - ✓ 5. Expenditure on family religion function is not allowed and assumed that it is not debited to P & L A/c
 - ✓ 6. Donation to approved institution is fully qualified for deduction u/s 80G as it does not exceed 10% of adjusted GTI of Rs.65,000 (1,11,000-11,000-35,000)
 7. It is assumed that Karta has become director on the strength of qualifying shares purchased by HUF.
4. From the following particulars furnished by the Karta of HUF, compute the total income of the family for the AY 2018-19.
- I ✓ a) Profit from business Rs. 84,780
 - X b) Salary received by the member of the family employed in a company Rs. 50,000
 - ✓ c) Directors fees received by the Karta representing the family Rs. 8,000
 - ✓ d) Dividend from co-operative society Rs. 8,000
 - e) Donations to approved institutions Rs. 6,000 - 80G - 50%.
 - ✓ f) During the year the family sold a Building for Rs. 1,18,300 which was purchased on 11-4-2006 for Rs. 42,700. It also (sold gold for Rs.31,900 which was purchased on 1-3-2007 for Rs.12,200.) The cost inflation indices for the financial years 2006-07 and 2017-18 were 122 and 272 respectively.

Ans: Total income Rs. 1,25,580

(GUG B.Com. VI Sem. 2014)

Hint: Business Rs. 84,780; LTCG(23,100 + 4,700) Rs.27,800; other sources Rs. 16,000; GTI Rs. 1,28,580; deduction U/s 80G Rs.3,000. ICA of Building Rs. 95,200; ICA of Gold Rs. 27,200

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5. A HUF comprises Gopal, the Karta and his three brothers namely Ram, Shyam and Mohan. The family and the coparceners had the following incomes during the previous year 2017-18.

X1) Salary of Shyam as Manager of a company Rs.18,000

2) Rent from Property:

✓ i. ~~Calculation~~ Ancestral house Rs.12,000, municipal taxes paid being Rs.3,000

✓ ii. ~~Calculation~~ House in the name of Mr. Gopal (brought in 1954 out of family funds) Rs.7,200, Municipal tax paid being Rs.1,200.

SOP *✓* iii. ~~X~~ House of the municipal value of Rs.6,000 in which the family resides.

3) Business and profession incomes:

✓ i. Family business income Rs.35,000

Exempt *✓* ii. Half share of income in a firm in which Gopal is a partner as a family representative Rs.3,600

✓ iii. Income of Mohan as lawyer Rs.10,500

X4) Capital Gain: Long term capital gain of Rs.12,000 on the sale of Mrs. Ram's Jewellery which were gifted to her by her father at the time of marriage.

5) Dividend and interest:

✓ i. In the name of Gopal bought out of family funds Rs.3,000 (gross interest)

✓ ii. In the name of Gopal's wife bought out of her Stridhan Rs.1,200 (dividend)

✓ iii. Gross interest in the name of all coparceners Rs.2,900 investment made out of the family income.

Compute the taxable income of the family.

Ans: GTI Rs.51,400; Income from Business Rs.35,000; House Property Rs.10,500; Other Sources Rs.5,900; Deductions u/s 80 Nil. *6300+4200*

Note: a) Salary of Shayam from company is taxable in the hands of Shayam as an individual.

a) Share of income from firm is exempt u/s 10(2A).

b) Income of Mohan as Lawyer is taxable in the hands of mohan as an individual.

c) Long term capital gains on Jewellery is taxable in the hands Mrs Ram as an Individual.

6. From the following particulars furnished by a Hindu undivided family for A.Y. 2018-19, find out the taxable income of the family:

✓ Profit from business $(80000 - 15000) = 65000$ *✓* 80,000

X Suresh a member of HUF received salary as manager 20,000

✓ Property let out has rental annual value - *calculation* 18,000

✓ Municipal tax paid 1,800

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✓ Karta received Director's fees p.m.	500 × 12 = 6000 ✓
80C Donation paid to Approved Educational Institution 80C-50%	10,000
80C Dividend from Domestic company	5,000
1-128 There was a loss from business during previous year 2015-16 carried forward	15,000
80C Insurance premium paid on:	
✓ Lives of two daughters 80C	10,000
✓ Life of father 80C	5,000
	15,000
✗ Share of profit from firm	20,000
✓ Long term capital gain from:	
Transfer of building	20,000
Transfer of shares	10,000

Ans: GTI Rs.1,12,340; TI Rs.93,973

Hint: Income from Business Rs.65,000; House Property Rs.11,340; LTCG Rs.30,000; Other Sources Rs.6,000; Deduction U/s 80C Rs.15,000; U/s 80G Rs.3,367.

Note: It is assume that Karata has become a director of a company on the strength of qualifying shares purchased by HUF.

7. Shri Venkappa of Bellary is Karta of Hindu undivided family with his two brothers. From the following particulars compute the total income of the family for A.Y. 2018-19.

- ✓ a) Interest on Govt. Securities held out of family fund Rs.8,000
- ✗ b) The family owns a house property of the Municipal value of Rs.30,000 on which Municipal tax amounts Rs.3,000. Ground rent paid Rs.300. The house is used for "residential purpose" of the family. S.O.P.
- 1 ✓ c) Profit from business managed by Mr. Ramappa his brother, on behalf of the family amounted to Rs.60,000 before deducting Rs.6,000 paid to Ramappa as salary. $(60,000 - 6,000) = 54,000 ✓$
- ✓ d) Long term capital gain on the sale of shares held by the family out of family fund Rs.20,000.
- ✓ e) Interest received on debentures of X Ltd (listed) held by the family Rs.4,500. $4,500 \times \frac{12}{90} = 6,000 ✓$
- ✗ f) Salary Rs.60,000 received by Laxamappa another member of the family as professor in the university. Family spent for his education.
- 80C-g) Life insurance premium paid on the lives of members Rs.8,000 on the policy of Rs.60,000 worth.
- ✗ h) Karta spent Rs.5,000 on Annual Pooja for family diety. Rs.2,000 gift to daughter of the family in a function.

Ans: GTI Rs.87,000; TI Rs.79,000.

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Hint: Income from Business Rs.54,000; House Property Rs.Nil; LTCG Rs.20,000;
Other Sources Rs.13,000; Deduction U/s 80C Rs.8,000.

8. From the following particulars given by Sri Amaresh who is Karta of the HUF, compute the total income of the family for the A.Y. 2018-19.

I ✓ a) Profits from family business (As per P & L A/c) Rs.47,000.

Profit was computed after debiting the following items:

- X 1. Salary to Karta Rs.10,000
- II ✓ 2. Loss of speculation business Rs.3,000
- II ✓ 3. An irrecoverable loan given to a relative of the Karta without interest Rs.5,000.

b) The HUF owns two houses:

X
S.D.P. { First house used for its residence:
Municipal value Rs.5,000
Municipal taxes paid Rs.600
Insurance premium paid Rs.100

LoP ✓ Second house has been let out for Rs.6,000
Municipal taxes paid Rs.1,000 ^{LoP}
+ Insurance premium paid Rs.80 X

Exempt ✓ c) Dividends from Indian Companies Rs.3,000

II ✓ d) Interest on fixed deposits with Bank Rs.2,000

e) Payments:

80C-1) Life premium paid Rs.8,000

80G-2) Donation to National Defence Fund Rs.2,000 - 100%

80G-3) Donation to Karnataka Govt. for promotion of family planning
Rs.8,000 - 100%

20 ✓ 4) Donation to Vishwa Hindu Parishad Rs.2,000

X f) One member of the family is a Govt. servant whose computed salary was Rs.35,000

X g) Sri Veeresh, another member of the family, converted Rs.60,000, 10% debentures of Karnataka Govt. on 1st April, 1988 into a HUF property. (Interest received thereon by family on 30th June and 31st December) $60,000 \times 10\% = 6,000$ X

X h) Sri Ramesh, a member of the family is a partner in a firm in which Rs.35,000 X was invested by the family. During the previous year Rs.12,000 X debited to capital account for share in loss of firm.

i) Sri Veeresh's wife was given by the Karta a gift of Rs.50,000 X ^{Exempt} out of family property on the occasion of her marriage and (this amount was deposited by her in a firm. Rs.9,000 received in the previous year as interest after deduction of tax at source at 10%. $(9000 \times \frac{10}{90} = 10,000)$ X ✓

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(GUG April-1995 & April 1990 Mod)

Ans: GTI Rs.70,500; TI Rs.54,250.

Hint: Income from Business Rs.55,000; House Property Rs.3,500; Other Sources Rs.12,000; Deduction U/s 80C Rs.8,000; Deduction U/s 80G Rs.8,250.

9. From the following details furnished by Mr. Mahantesh, Karta of HUF compute its total income for A.Y. 2018-19.

✓ 1.	Profits from Business	
✗ 2.	Salary received by a member of the family for his service as a lecturer in the college	60,000
✓ 3.	Directors fees received by the Karta in a representative capacity	10,000
		6,000
✓ 4.	Annual rental value of the property <u>let out</u> - <i>calculated</i>	12,000
✓ 5.	Municipal taxes paid	600
✓ 6.	Dividend from Indian Company	450
✓ 7.	Donation to B.R.B College (Which is approved one) - 50%	8,000
✗ 8.	Marriage expenses of a daughter of Karta ✗	10,000

The family has sold on 01.12.2017 its open site for Rs.50,800 which was purchased by it on 01.06.2012 for Rs.30,000. The cost inflation index for the financial years 2012-13 and 2017-18 were 200 and 272 respectively.

Ans: GTI Rs.83,980; TI Rs.80,281. IT rounded off Rs 80,280.

Hint: Income from Business Rs.60,000; House Property Rs.7,980; Other Sources Rs.6,000; LTCG Rs.10,000; Deduction U/s 80G Rs.3,699.

Note: Donations to BRB College is qualified only to the extent of Rs.7,398 (i.e., 10% of Rs.73,980) and rate of deduction is 50%.

10. Mr. Subhash Karta of HUF supplied following details. You are required to compute net total income of the family for assessment year 2018-19.

✗ a)	Ravi is member of the family working in a college, salary he received	
✓ b)	Profit from a family business	10,000
✓ c)	Karta received the Director's fees from a company	50,000
✓ d)	Karta received the Director's fees from a company	5,000
✓ e)	Annual rental house property <u>let out</u> is more than <i>calculated</i> rent received	30,000
✓ f)	Municipal tax paid 10% annual rent	3,000
✓ g)	Dividend on shares of foreign co.	4,500
✗ h)	Profit from partnership firm	15,000
✗ i)	Marriage expenses of the daughter of the family	15,000
✗ j)	Salary paid to Shankar a member of the family for his work in the business	10,000

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§ 80A j) Donation paid for Approved temple - 50% 10,000

Ans: GTI Rs.78,400; TI Rs.74,480.

Hint: Income from Business Rs.50,000; House Property Rs.18,900; Other Sources Rs.9,500; Deduction U/s 80G Rs.3,920.

11. The following details have been supplied by the Karta of a HUF compute the total income of the family for the A.Y. 2018-19.

- ✓ a) Profits from Business Rs.2,52,000
- ✓ b) Salary received by a member of HUF for his service elsewhere Rs.60,000
- ✗ c) Director's fees received by Karta by his personal exertion Rs.12,000
- ✓ d) Annual rental value of the property let Rs.48,000 - calculation
- ✓ e) Municipal taxes paid Rs.2,400
- ✓ f) Dividend from Co-operative Society Rs.4,500
- ✓ g) Long term capital gain from sale of buildings Rs.19,880
- ✓ h) Short term capital gain from investments Rs.10,000
- 80G ✓ i) Donation to an Approved Charitable Institution Rs.18,000 - 50%
- ✗ j) Share of profit from a partnership firm Rs.10,000

Ans: GTI Rs.3,18,300; TI Rs.3,09,300.

Hint: Income from Business Rs.2,52,000; House Property Rs.31,920; Capital Gains Rs.29,880; Other Sources Rs.4,500; Deduction U/s 80G Rs.9,000.

12. A Hindu Undivided Family with Ramesh as Karta and Suresh and Mahesh brothers. From the following particulars compute the total income of the family for A.Y. 2018-19.

- ✓ a) Interest on Govt. securities held out of family funds Rs.7,000
- 80P ✓ b) The family owns a house property of municipal value Rs.16,000 on which municipal tax was paid Rs.1,000 ground rent Rs.100, Insurance Rs.200, House used for family.
- ✓ c) Profit from business managed by Karta on behalf of the family Rs.60,000 before deducting salary to Mahesh worked for business Rs.8,000. $\rightarrow (60,000 - 8,000) = 52,000$
- ✗ d) Long term capital gain from the sale of shares held by Mr. Suresh from his own fund Rs.2,000.
- ✓ e) Interest on debentures of DCM. Co, (listed) held by family Rs.3,600 $\times \frac{100}{90} = 4,000$ (net)
- ✗ f) Salary received by Suresh a doctor in Hospital Rs.30,000, Educational expenses were met by family.
- 80C ✓ g) LIC Premium paid on the lives of members of the family Rs.5,000
- ✗ h) Karta spent Rs.10,000 on a special Puja of family diety.

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Ans: GTI Rs.63,000; TI Rs.58,000.

Hint: Income from Business Rs.52,000; House Property Rs.Nil; Other Sources Rs.11,000; Deduction U/s 80C Rs.5,000.

13. Sri Raju is the Karta of a HUF. The family is carrying cloth business along with some speculation business also. Particulars of income of family and its members for the previous year 2017-18 are as under:

a) Salary:

~~X~~ i) Received by Sri Yogi, a coparcener Rs.5,000 p.m. from elsewhere.

ii) Received from the HUF by Raju and Giri another member of the HUF Rs.3,800 p.m. and Rs.4,800 p.m. respectively as salary. The assessing officer considers that Sri Giri's salary is excessive. The justified amount is Rs.4,000 p.m. $(4800 - 4000) = 800 \times 12 = 9600$ II

b) Interest and Income:

~~V~~ ~~✓~~ i) On Government Securities held in the name of Karta purchased from HUF funds Rs.5,000.

~~Exempt~~ ~~II~~ ~~✓~~ ii) On units of UTI inherited by the family Rs.3,500

c) Family Business Income:

Net profit Rs.45,000 ~~✓~~ after charging salary to Raju and Giri. The debits and credits in the P & L A/c included the following:

~~IV & V~~ ~~✓~~ Taxable income from house property Rs.16,000 ~~not calculation~~

~~II~~ ~~✓~~ Loss from speculation business Rs.10,000

~~IV & V~~ ~~✓~~ Winnings from crossword puzzles Rs.8,000

~~II~~ ~~✓~~ Life insurance premium paid on the lives of the members of the family Rs.10,000 ~~✓~~ Contribution to public provident fund in the name of Raju Rs.10,000. ~~II & 80C~~

Compute the total income of the HUF for the A.Y. 2018-19.

Ans: GTI Rs.89,600; TI Rs.69,600.

Hint: Income from Business Rs.60,600; House Property Rs.16,000; Other Sources Rs.13,000; Deduction U/s 80C Rs.20,000.

14. Rama is the Karta of HUF consisting of himself and his 3 brothers. He furnishes the following particulars. Compute the total income of HUF for A.Y. 2018-19.

~~X~~ a) Rama is a manager of M/s Shital Ltd. Received salary of Rs.90,000

~~I~~ ~~✓~~ b) Family business profit is Rs.75,000

~~X~~ c) Karta is partner of a firm in a representing capacity, received 1/2 share of profits Rs.18,000 ~~X~~

100
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- d) Laxman is younger doing a doctor and his professional income is Rs.20,000. To set up his office family spent Rs.25,000
- e) ^{SOP} Family had an ancestral house (self occupied) rental value is Rs.50,000. Another house purchased in the name of Laxman out of the family fund let out for Rs.3,000 monthly rent. Taxes paid ¹²⁸⁸ Rs.2,000 and 1,000 respectively. ~~let out~~ ✓✓
- ✓✓ f) Rs.18,000 received as interest on debentures of a company purchased out of family fund (un listed). $18000 \times \frac{100}{90} = 20,000$ ✓
- g) (Dividend Rs.10,000 received by Mrs. Rama out of her own fund) and ✓✓ Rs.2,000 on shares of foreign companies out of family fund.
- (GUG April-2001 & April 1994 Mod)

Ans: TI Rs.1,21,500.

Hint: Income from Business Rs.75,000; House Property Rs.24,500; Other Sources Rs.22,000; GTI Rs 1,21,500

15. Dharma is the Karta of HUF consisting himself and his four brothers. He furnishes the following particulars.

Compute the total income of HUF for the AY 2018-19

- ✓ a) Dharma is a Manager of M/s Tara Ltd. Received salary of Rs.50,000.
- b) Family business profits Rs.80,000. ✓ Karta is partner of a firm in representing capacity, received half share of profit Rs.12,000. ✗
- ✓ c) Nakula is younger brother doing as lawyer and his professional income is Rs.20,000. To set up the office family he spent Rs.50,000 ✗
- d) ^{S.O.P.} Family had an ancestral house (self occupied) rental value is Rs.40,000. ✓ Another house purchased in the name of Sahadev out of family fund let out for Rs.4,000 monthly rent, taxes paid Rs.4,000 ✓ and 2,000 respectively. ✓✓
- ✓✓ e) Rs.18,000 received as interest on debentures of a listed company purchased out of family fund. $18000 \times \frac{100}{90} = 20,000$ ✓✓
- f) Dividend of Rs.10,000 ✓ received by Mrs. Dharma out of her stridhan and Rs.3,000 ✓ on shares of foreign companies purchased out of family fund. ✓✓

Ans: TI Rs.1,35,200.

Hint: Income from Business Rs.80,000; House Property Rs.32,200; Other Sources Rs.23,000; GTI Rs 1,35,200

16. Shri Vidyasagar of Bellary is Karta of a Hindu Undivided Family with his two brothers. From the following particulars compute the total income of the family for the A.Y. 2018-19.

- ✓✓ 1) Interest on Govt. securities held out of family fund Rs.16,000

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- 2) S.O.P. The family owns a house property of the municipal value of Rs.60,000 on which municipal tax amounts Rs.6,000. Ground rent paid is Rs.600. The house is used for residential purpose of the family.
- 3) Profit from business managed by Mr. Ramappa his brother, on behalf of the family amounted to Rs.1,20,000 before deducting Rs.12,000 paid to Ramappa as salary. $(1,20,000 - 12,000) = 1,08,000$ ✓
- 4) Long term capital gain on the sale of shares held by the family out of family fund Rs.40,000. ✓
- 5) Dividend received on shares of co-operative society held by the family Rs.9,000. ✓
- 6) Salary is 1,20,000 received by Laxmappa another member of the family as professor in the University. Family spent for his education.
- 7) Life insurance premium on the lives of member Rs.16,000 on the policy of Rs.1,20,000. ✓
- 8) Karta spent Rs.10,000 on annual pooja for family deity. (Rs.4,000 gift to daughter of the family in a function. ^{80C} ^{exempt})

Ans: GTI Rs.1,73,000; TI Rs.1,57,000.

Hint: Income from Business Rs.1,08,000; House Property Rs.Nil; LTCG Rs.40,000; Other Sources Rs.25,000; Deduction U/s 80C Rs.16,000.

Section - C — 15 marks Question Answer.
Solution No-1:-

Computation of Total Income of H.V.F. for the A.Y. 2019-20		Amount
S.No.	Particulars	
I)	Net profit as per profit & loss A/c	5,00,000
II)	Add:- Disallowable Expenses:-	
	1) Life Insurance premium on the life of Kanta Rs = 20,000	
	2) Donation to approved temple Rs = 22,000	42,000
		5,42,000
III)	Less:- Allowable Dep. ————	NIL
		5,42,000
IV)	Less:- Income not chargeable under this head ————	NIL
	Income from Business →	5,42,000
V)	Add:- Income from other sources:-	
	1) Let out at a monthly Rent 6000 × 12 = 72,000	
	Less municipal tax paid ———— 12,000	
	Annual value = 60,000	
	Less Deduction u/s 24	
	Standard at 30% of Annual value = 60,000 × 30% = 18,000	
	Let out Income from house property = 42,000	
	Less S.O.P. Interest on loan housing loan = 20,000	22,000
	Income from house property →	22,000
	2) Long term Capital gain. Sales of Agrib land.	50,000
	3) other Sources.	
	a) winnings from Lottery (net) Rs = 42,000 × 100 = 60,000	60,000
	b) Dividend from an Indian Company Rs = 10,000	Exempt
	Gross Total Income →	6,74,000
VI)	Less:- Deduction u/s 80.	
	1) Ded u/s 80C - Life insurance premium, life of Kanta Rs 20,000	
	2) Ded u/s 80G - Donation to approved temple Rs 22,000	
	Rs 22,000 × 50% = 11,000	31,000
	Total Income →	6,43,000

Solution No-2:-

Computation of Total Income of H.V.F. for the A.Y. 2019-20.		Amount
S.No.	Particulars	
I)	Net profit as per P&L A/c. ————	7,50,000
II)	Add:- Disallowable Expenses:-	
	1) Irrecoverable loan given to a Relative — Rs = 30,000	
	2) Celebrating the birth day of a baby ———— Rs = 10,000	40,000
		7,90,000
III)	Less:- Allowable Depreciation ————	NIL
		7,90,000
IV)	Less:- Income not chargeable under this head ————	NIL
	Income from Business →	7,90,000

V)	Add:- Income from other sources	Income from Business	7,90,000
	① Let out house monthly rent $4000 \times 12 = 48,000$		
	Less:- municipal taxes paid 3,000		
	Less:- Ded $\frac{1}{2}\%$ Annual values $\rightarrow 45,000$		
	std ded at 30% of Annual values $\rightarrow 13,500$		
	$45,000 \times 30\% = 13,500$		
	Income from house property	$\rightarrow 31,500$	31,500
	② Agricultural income in Bellary		Exempt
	③ other sources		
	Fixed deposits in some banks, interest earned		18,500
	Gross total Income	\rightarrow	8,40,000
VI)	Less:- Deduction $\frac{1}{2}\%$ 80		
	① Ded $\frac{1}{2}\%$ 80C - Subscription to NSC VIII th issued Rs = 20,000		
	② Ded $\frac{1}{2}\%$ 80C - Donation to the prime minister's national relief funds = 10,000		
		30,000	30,000
	Taxable Income / Total Income	\rightarrow	8,10,000

Solution no-3:-

Computation of Total Income of H.V.F. for the A.Y. 2019-2020

S.No.	particulars	Amount
	Profits from family business	50,000
V)	Add:- Income from other sources.	
	① Rent from house property let out $\rightarrow 32,000$	
	Less:- Municipal tax paid $\rightarrow 2,000$	
	Annual values $\rightarrow 30,000$	
	Less:- Deduction $\frac{1}{2}\%$ 80	
	std ded at 30% of Annual values $\rightarrow 9,000$	
	$30,000 \times 30\% = 9,000$	
	Income from house property $\rightarrow 21,000$	21,000
	② Long term capital gain on sale of shares $\rightarrow 10,000$	
	Long term capital gain on sale of Building $\rightarrow 25,000$	
	③ Director's fees by Karita $\rightarrow 5,000$	
	Dividend from Indian company	Exempt
		61,000
		1,11,000
VI)	Less:- Deduction $\frac{1}{2}\%$ 80	
	① Ded $\frac{1}{2}\%$ 80C - a) LFC premium on sons and daughters of family members Rs 6,000	
	b) NSC (VIII issue) purchased in the name of the family Rs 5,000	
	② Ded $\frac{1}{2}\%$ 80C - Donations paid to approved institution Rs $\rightarrow 5,000 \times 50\%$	
		2,500
		13,500
	Taxable Income / Total Income	$\rightarrow 97,500$

Solution No-4:-

Computation of Total Income of H.V.F. for the A.Y. 2019-20

S.No.	particulars	Amount
	Profits from Business Rs	84,780
V)	Add:- Income from other sources.	
	① Capital gain + Long term sold Building	1,18,300
	Less:- Indexed cost of acquisition $42,700 \times \frac{192}{100} = 82,224$	95,200
		23,100

Long term capital gain 31.9.20	31.9.20	
Less: franchises 12,200 x 27.2%	27.2%	
Director fees received		4,700
Dividend from Co-operative Society		2,000
		8,000
Gross total income		1,22,580
Less: Deduction u/s 80		
① Ded u/s 80G - Donations to approved institutions $6,000 \times 50\%$		3,000
Taxable Income / Total Income		1,25,580

Solution NO-5 :-

Computation of Taxable Income of HUF. for the A.Y. 2019-2020.

S.No.	particulars	Amount
	Family business income Rs.	35,000
V) Add:- Income from other sources.		
① Ancestral house	12,000	
Less: municipal tax paid	3,000	
Annual value	9,000	
Less: Ded u/s 24.		
Std Ded at 30% of A.V. $9,000 \times 30\%$	2,700	
Income from house property	6,300	6,300
② House municipal value	7,200	
Less: municipal tax paid	1,200	
Annual value	6,000	
Less: Ded u/s 24.		
Std Ded at 30% of A. value, $6,000 \times 30\%$	1,800	
Income from house property	4,200	4,200
③ other sources		
① Gross interest family fund	3,000	
② Gross interest in the name of all coparceners	2,900	
Gross total income		51,400
Less: Deduction u/s 80C to 80U.		NIL
Taxable Income / Total income		51,400

Solution NO-6 :-

Computation of Taxable Income of HUF. for the A.Y. 2019-2020

S.No.	particulars	Amount
	Profit from business (80,000 - 15,000)	65,000
II) Add:- Income from other sources.		
① property let out has rental annual value - 18,000		
Less: municipal tax paid	1,800	
Annual value	16,200	
Less: Ded u/s 24.		
Std Ded at 30% of A. value - $16,200 \times 30\%$	4,860	
Income from house property	11,340	11,340
② Long term capital gain		
① Transfer of Building	20,000	
② Transfer of shares	10,000	
③ other sources		
① Director fees 500 pm x 12	6,000	
② Dividend from domestic company - exempt		
Gross total income		1,12,340
Less: Deduction u/s 80C to 80U.		
① Ded u/s 80C		
① LTC u/s of two daughters	10,000	
② LTC u/s of Father	5,000	
③ Ded u/s 80G		
① Donation paid to Approved Institution	5,000	
Less: 10,000 x 50% = 5,000		
Net 5,000		20,000
Net 1,12,340 x 10% = 11,234		
Taxable Income / Total income		92,340

Solution No-7:-

Computation of Total Income of H.V.F. for the A.Y. 2019-2020.

S.NO.	Particulars	Amount
I)	Profit from Business (60,000 - 6,000) <small>Net Profit</small>	54,000
II)	Add:- Income from other Sources:-	
	(a) Long term Capital gain	
	(b) Interest on Govt Securities	20,000
	(c) Interest received on debentures of X Ltd (listed)	2,000
	$15000 \times 100 \div 30 = 5,000$	5,000
	Gross total Income	87,000
VI)	Less:- Deduction u/s 80C	
	(i) Life insurance premium paid	8,000
	Total Income	79,000

Solution No. 8:-

Computation of Total Income of H.V.F. for the A.Y. 2019-2020.

S.NO.	Particulars	Amount
I)	Net profit or net p/b A/c	47,000
II)	Add:- Dis allowable Expenses-	
	(a) Loss of Speculation business	3,000
	(b) Irrecoverable loan given to a relative of the partner	5,000
		8,000
III)	Less:- Allowable depreciation	55,000
		NIL
IV)	Less:- Income not charge under this head	55,000
		NIL
	Income from business	55,000
V)	Add:- Income from other Sources	
	(a) Second house let out B	6,000
	<small>Less:- municipal tax paid</small>	1,000
	Annual value	5,000
	Less:- Ded u/s 24	
	Std Ded at 30% of A. value $5000 \times 30\% = 1,500$	1,500
	Income from house property	3,500
	(b) other Sources:- (a) Dividend from Indian Company	8,000
	(b) Interest on Fixed deposits with Bank	2,000
	(c) Interest on debenture of Y Ltd (listed) <small>Source at 10% $30000 \times 10 \div 100 = 3,000$</small>	10,000
	Gross total Income	70,500
VI)	Less:- Deduction u/s 80	
	(a) Ded u/s 80C - Life insurance paid B	8,000
	(b) Ded u/s 80G - Donations to National Defence Fund	2,000
	Donation to Karnataka Govt - promotion Emily	8,000
	Total Income	52,500

Solution No-9:-

Computation of Total Income of H.V.F. for the A.Y. 2019-2020

S.NO.	Particulars	Amount
I)	Profits from Business	60,000
II)	Add:- Income from other Sources	
	(a) Annual rental value of the let out property	12,000
	<small>Less:- municipal tax paid</small>	600
	Annual value	11,400
	Less:- Deduction u/s 24	
	Std Ded at 30% of Annual value $11400 \times 30\% = 3,420$	3,420
	Income from house property	7,980
	(b) Long term Capital gain - open site sold	50,800
	<small>Less:- index cost of Acquisition $30000 \times 272 \div 100 = 81,600$</small>	10,000
	(c) other Sources:- (a) Directors fees received	6,000
	(b) Dividend from Indian company	8,000
	Gross total Income	83,980

VI) Less:- Deduction U/s 80 G. Donations to A.R.B. College (Approved) $2000 \times 80\%$		Gross total income \rightarrow 83,980 $11,000$ Taxable income/Total income \rightarrow 79,980
Solution No-10:- Computation of Total Income of H.U.F. for A.Y. 2019-2020.		
S.No.	Particulars	Amount
	profit from a family business	50,000
V)	Add:- Income from other sources	
	① Annual rental house property let out \rightarrow 30,000	
	Less:- Municipal tax paid 10% of annual rent \rightarrow 3,000	
	$30,000 \times 10\% = 3,000$	
	Annual value \rightarrow 27,000	
	Less:- Deduction U/s 24	
	std ded at 30% of A value is val $27,000 \times 30\% = 8,100$	
	Income from house property \rightarrow 18,900	18,900
	② other sources:- ① Director's fees \rightarrow 5,000	
	② Dividend on shares of foreign co \rightarrow 4,500	
		28,400
	Gross total income \rightarrow 78,400	
VI)	Less:- Deduction U/s 80 G.	
	Donation paid to Approved Temple $10,000 \times 50\% =$	5,000
	Taxable income/Total income \rightarrow 73,400	
Solution No-11:- Computation of Total Income of H.U.F. for A.Y. 2019-2020.		
S.No.	Particular	Amount
	profit from Business	2,52,000
V)	Add:- Income from other sources	
	① Annual rental value property let out \rightarrow 48,000	
	Less:- Municipal tax paid Rs \rightarrow 2,400	
	Annual value \rightarrow 45,600	
	Less:- Deduction U/s 24	
	std ded at 30% of Annual value $45,600 \times 30\% = 13,680$	
	Income from house property \rightarrow 31,920	31,920
	② Long term capital gain - sale of Building \rightarrow 19,880	
	short term capital gain - Investment \rightarrow 10,000	
	③ other sources:- Dividend from Co-operative Society \rightarrow 4,500	
		66,300
	Gross total income \rightarrow 3,18,300	
VI)	Less:- Deduction U/s 80 G.	
	Donation to an approved charitable institution \rightarrow 9,000	
	$18,000 \times 50\%$	9,000
	Taxable income/Total income \rightarrow 3,09,300	
Solution No-12:- Computation of Total Income of H.U.F. for A.Y. 2019-2020.		
S.No.	Particulars	Amount
	profit from business $(60,000 - 8,000) =$ 52,000	52,000
IV)	Add:- Income from other sources	
	① Long term capital gain from sales of shares \rightarrow 2,000	
	② other sources ① Interest on Govt Securities \rightarrow 7,000	
	② Interest on Debentures of Govt Co (std) $360 \times \frac{100}{90} = 4,000$	
		(11,000)
		13,000
	Gross total income \rightarrow 63,000	
VI)	Less:- Deduction U/s 80 C	
	① LIC premium paid member of the family \rightarrow 5,000	
	Taxable income/Total income \rightarrow 58,000	