**Q1. Mrs Mangla owns a house. It is given on rent to a post office. Municipal value of the property is Rs 230,000. Fair rent is 240,000 and standard rent is Rs 234,000. Municipal taxes paid by Mrs Mangla is Rs 50000 on March 15,2015 and Rs 55000 on May15,2015. On May 1, 2015, rent is increased from Rs 15,000 to 20,000 per month with retrospective effect from April 1,2014 Arrears of rent of 2014-15 are paid on May 1, 2015. Find out the income chargeable to tax for the assessment year 2015-16 and 2016-17.**

**Ans.**

Municipal Value = 230,000

Fair rent = 240,000

Standard rent = 234,000

Municipal Tax = 50,000 -------> March 15, 2015

Municipal Tax = 55,000 -------> May 15, 2015

On may 1, 2015

Rent increased ---> 15,000 to 20,000

Retrospective effect from April, 2014

Arrears of Rent 2014-15 are paid on May 1, 2015.

So, Under Section 23 PART-I

Municipal Value = 230,000 } -----> 240,000

Fair rent = 240,000 }

Fair value = 240,000 } -----> 234,000

standard rent = 234,000 }

standard rent = 234,000 } -----> 234,000

Actual rent = standard rent }

So, Gross Annual Value = 234,000

Net annual value = GAV - Municipal tax => 234,000 - 50,000 => 184,000

Under section 24(A)

Discount = 30 % hence income chargeable to tax is 184,000. (For 2015-16).

Now,

Actual value => 15000\*12 => 180,000

Arrear value => 5000\*12 => 60,000

So,

GAV = 20,000\*12 + (Arrear value\*70%) => 240,000 + 42,000 => 282,000

GAV = 282,000 --------> According to Section 25-B

Net annual value = GAV - Municipal tax => 282,000 - 55,000 => 227,000

Under section 24(A)

Discount = 30 % hence income chargeable to tax is 227,000. (For 2016-17).

**Q2. Mr Amaar purchased a land for 50 lacs and a building for 48 Lac for business purpose. He wants to claim depreciation on both. As a tax consultant advise him and also explain the conditions he should satisfy to claim depreciation.**

**Ans.**

As a tax consultant my primary duty will be to gather the following information:

1. Is the Land and building own by Mr. Amaar itself.?
2. Is the building ready for business.?
3. Since when the building is in use.?

According to information received following are the parameters that Mr. Amaar has to follow:

* Land and Building must be owned by assessee.   
  An assessee is a person by whom tax or any other sum of money is payable under the Income Tax Act,1961.
* The building must be ready for conducting business activities, before claiming the depreciation.
* If the building is used for less than 180 days then only 50% of the total amount of depreciation will be provided.
* Depreciation on land is not applicable under law.

**Q3. a)**

**ZARA International is a Spanish clothing and accessories retailer based in Arteixo. The company established one of its subsidiary company in India to sell the clothes and accessories of the non - resident parent company. Can these**

**intimate connections between these two can be termed as business connection?**

**Elaborate and illustrate with regard to the same.**

**Ans.**

Yes, the intimate connections between these two can be termed as business connection. According to business connection there are following situations:

1. A person has and habitual exercises in India, an authority to conclude contracts on behalf of non-resident.
2. A person does not have the authority of concluding contracts, but habitually maintains in India a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the non-resident.
3. A person habitually secures order in India, mainly or wholly for the non-resident.

According to section 9(1)(i):

* An asset or capital asset(being any share or any interest in a company or entity registered outside india) shall be deemed to be situated in India if the share or interest derives, directly or indirectly its value substantially from the assets located in India.

**b)**

**Securities Transaction Tax (STT) is levied on every purchase or sale of securities to stop tax avoidance of capital gains. Do all types of securities/transactions falls in the scope of STT. Discuss the same with the current rates of STT.**

**Ans.**

The rate of tax that is deducted is determined by the central government, and it varies with different types of transactions and securities. STT is deducted at source by the broker or AMC, at the time of the transaction itself, the net result is that it pushes up the cost of the transaction done.

According to the Securities Contracts (Regulation) Act, 1956, STT would be applicable on following securities:

* Shares, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate
* Derivatives
* Units or any other instrument issued by any collective investment scheme to the investors in such schemes
* Security receipt as defined in section 2(zg) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
* Government securities of equity nature
* Rights or interest in securities
* Equity-oriented mutual funds
* STT is not applicable for any off-market transaction.