

6/H-76 (xv) (a) (Syllabus-2015)

2 0 1 8

(April)

COMMERCE

(Honours)

(Direct Tax Laws and Practice)

(BC-603)

Marks : 75

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) Mr. M is appointed by a private company in Delhi on salary of ₹ 33,000 per month. He is also entitled to dearness allowance at the rate of 48% of basic salary out of which 10% forms part of salary for calculating pension and gratuity. Besides, he gets club allowance of ₹ 900 per month which is increased to ₹ 1,500 per month from January 1, 2017. Further he gets house

(2)

rent allowance at the rate of ₹ 6,000 per month (rent paid is ₹ 9,000 per month at Delhi). The company also provided him sweeper, watchman, cook and gardener (salary paid by the employer at the rate of ₹ 1,200 per month per person). He has been provided a car (1000 cc) to be used for both official and private purpose. The total expenditure incurred by the company is ₹ 42,000 (approximately 5% of the expenditure is attributable towards personal use of car). The company and Mr. M contributes 14% of salary towards recognized provident fund. However, with effect from November 1, 2016, he makes an additional contribution of ₹ 15,000 per month.

Calculate the income from salary of Mr. M for the Assessment Year, 2017-18. 12

(b) Who is regarded as an Assessee under Section 2(7) of the Income-tax Act, 1961? 3

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(Continued)

(3)

Or

(a) Mr. M is the owner of two house properties in Mumbai. The first house is occupied for his residential purpose and the second house consisting of two flats of equal sizes is let out to two tenants @ ₹ 3,500 p.m. each for residential purposes. He furnished the following particulars in respect of these houses for the financial year ending on March 31, 2017 :

	1st House	2nd House
Construction started on	01.09.2009	31.12.2009
Construction completed on	30.06.2012	30.10.2012
Municipal tax @ 10%	₹ 4,500	₹ 5,400
Insurance premium	₹ 500	₹ 600
Vacancy period	Nil	3 months

Mr. M borrowed ₹ 45,000 for the construction of the 1st house @ 12% p.a. on 01.09.2009. He also borrowed ₹ 60,000 for the construction of the 2nd house @ 15% p.a. on 01.01.2010. He paid interest on loan

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regularly but the loan remained unpaid for the last quarter ended 31.03.2017. For the financial year 2016-17, Mr. M's income from business was ₹ 45,000 and interest on bank deposit was ₹ 4,500.

Compute Mr. M's Gross Total Income for the relevant Assessment Year. 12

(b) Who are included in 'person' under Section 2(31) of the Income-tax Act, 1961? 3

2. The Profit & Loss A/c and other relevant information in relation to the business of S is given below. You are required to compute total income for the Assessment Year, 2017-18 : 15

*Profit & Loss A/c
for the year ended March 31, 2017*

Dr. Particulars	₹	Particulars	₹
To Business Expenses	85,000	By Gross Profit	1,84,800
" Bad Debt	2,600	" Dividend from Unit Trust of India	10,000
" Provision for Bad Debts	5,200	" Discount Received	6,000
" Interest on Bank Loan	6,200	" Dividend from Godrej Ltd. (an Indian Company)	5,000

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(Continued)

(5)

Dr.	Particulars	₹	Particulars	₹	Cr.
To	Repairs to Furniture	5,000	By	Winning from horse race	10,000
"	Purchases of Furniture	8,500			
"	Fire Insurance Premium	1,700			
"	Life Insurance Premium	600			
"	Income Tax	4,000			
"	Donation to approved institution u/s 80G(5)	6,000			
"	Fines	3,000			
"	Donation to Prime Minister's Relief Fund	2,000			
"	Interest on Capital	6,000			
"	Depreciation	4,000			
"	Net Profit	76,000			
		<u>2,15,800</u>			<u>2,15,800</u>

Other Information :

- (i) Life Insurance premium relates to S's own life (policy value ₹ 25,000)
- (ii) 60% of Bad Debt is allowable
- (iii) Depreciation as per IT Rules work out to ₹ 3,500

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- (iv) In arriving at Gross Profit, the opening stock and closing stock have been valued at ₹72,000 and ₹90,000 respectively both 10% below cost
- (v) Business expenses include wages of his domestic servant @ ₹500 p.m.
- (vi) During the year S took away goods for his personal use costing ₹6,000 by crediting the sales account with ₹7,500, although the market price of the goods were ₹8,000 at the time

Or

- (a) Arun Ltd. transfers the following long-term capital assets during the previous year, 2016-17 :

	Plot of land	Diamond	Non-listed shares	Agricultural in rural area	
				in Bhutan	in India
Date of transfer	10.01.17	20.12.16	06.03.17	22.03.17	31.03.17
Sales consideration (in ₹)	12,00,000	15,00,000	8,00,000	8,50,000	21,50,000
Indexed cost of acquisition (in ₹)	8,96,000	10,90,000	6,10,000	1,90,000	5,10,000

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(Continued)

(7)

The assessee does not own any residential house property. On June 29, 2017, the assessee acquires the following assets :

- (i) Residential house property for ₹15,00,000 in a village in Assam for claiming exemption under Section 54F
- (ii) Bonds of NHAI of ₹15,75,000 for claiming exemption under Section 54EC

Find out the income chargeable to tax under the head 'capital gain' for the Assessment Year, 2017-18.

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- (b) What is included in and excluded from Capital Asset as defined under Section 2(14) of the Income-tax Act, 1961?

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3. Mr. K, a resident individual, submits the following information for the Assessment Year, 2017-18 :

Business I (discontinued on April 15, 2016) :

- Loss of the period April 1, 2016 to April 15, 2016 = (-) ₹2,00,000
- Brought forward loss of the previous year 2015-16 = (-) ₹60,000

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Business II (not in existence during 2016-17) :

- Brought forward loss of the previous year, 2015-16 = (-) ₹ 3,00,000

Business III :

- Loss of the previous year, 2016-17 = (-) ₹ 4,10,000
- Brought forward loss of the previous year, 2015-16 = (-) ₹ 90,000

Business IV :

- Profit of the previous year, 2016-17 = ₹ 1,90,000

Other incomes/losses :

- Interest on securities held as stock-in-trade = ₹ 6,00,000
- Interest on debentures held as investments = ₹ 9,00,000
- Dividend (deemed as dividend u/s 2(22)(e) on August 23, 2016 on shares held as stock-in-trade = ₹ 2,50,000
- Long-term capital loss in respect of shares = (-) ₹ 80,000

Determine the net income of Mr. K for the Assessment Year, 2017-18 and also calculate the amount of loss which can or cannot be carried forward.

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(9)

Or

- (a) Mr. X gifts ₹ 10,00,000 to Mrs. X, she deposits the same in a bank @ 8% p.a. Y is the minor child of Mr. X and Mrs. X. Y has a bank deposit of ₹ 70,000 (rate of interest 8.25% p.a.) which was gifted to him by his grandfather. Other income of Mr. X and Mrs. X is as follows :

Mr. X = ₹ 3,50,000 [salary ₹ 2,60,000; bank interest ₹ 90,000]

Mrs. X = ₹ 2,60,000 [interest on company deposits]

Mrs. X deposits ₹ 10,000 in Public Provident Fund and Mr. X contributes to recognized provident fund ₹ 1,20,000

Compute the income chargeable to tax for the Assessment Year, 2017-18. 8

- (b) Write a note on deduction in respect of contribution to NPS under Section 80CCD of the Income-tax Act, 1961. 7

(Turn Over).

4. Mrs. Das, a part-time lecturer at Kolkata, furnishes the following particulars for the Assessment Year, 2017-18 :

	₹
Basic salary (per month)	40,000
Dearness pay (per month)	2,000
Wardenship allowance (per month)	2,600
Special allowance (per month)	200
Examinership remuneration from Calcutta University	84,000
Royalty on book for university students	1,92,000
Income from house property	2,10,000
Long-term capital gain	2,15,000
Short-term capital gain	1,10,000
Interest on Government securities	48,000
Bank interest	20,000
Income from tuitions	1,16,000
Contribution of Mrs. Das to Statutory Provident Fund	46,000
Contribution to Public Provident Fund	41,000
Expenditure on Mediclaim insurance premium of dependent grandmother who is resident (age 67 years)	26,000
Donation to government for the purpose of promoting family planning	1,24,000

Determine the net income and tax liability of Mrs. Das for the Assessment Year, 2017-18. 15

Or

- (a) What is 'Tax Evasion'? How does it differ from 'Tax Planning'? 2+3=5
- (b) Discuss the provisions available in Income-tax Act, 1961 for tax planning of income from house property. 10

5. State the statutory rules regarding penalties and prosecutions as provided in the Income-tax Act, 1961. 15

Or

State the function of various Income-tax authorities in India. 15
