

21 OCT 2019

EXAMINATION – OCTOBER 2019
BCOM (HONS) SEM 3
ELEMENTS OF DIRECT TAXES-I
SUBJECT CODE -22212

TIME: 2.5hrs

MARKS: 70

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|-----------------|---|-----------|---|---------|----|---|---------|----|---|---------|----|--|--------|----|--|-------|----|--|---------|----|--|--------|----|--|--------|----|---|--------|-----------|
| 1(A) | Shri Magan furnishes the following particulars of his income for the financial year 2019-20: <table><tr><td>1.</td><td>Income from agricultural land situated outside India, received there, later on remitted to India.</td><td>2425000</td></tr><tr><td>2.</td><td>Rent from house property situated outside India, deposited in foreign bank.</td><td>1360000</td></tr><tr><td>3.</td><td>Profit of a foreign business, which is controlled from India (Rs.2000000 is received for the first time in India)</td><td>4000000</td></tr><tr><td>4.</td><td>Interest on foreign securities (of which $\frac{1}{4}$ has become due but not yet received) ; balance of interest is directly received in India.</td><td>128000</td></tr><tr><td>5.</td><td>Dividend on shares of Indian Companies, received directly outside India.</td><td>42000</td></tr><tr><td>6.</td><td>Profit from an Indian business (in Mumbai) which is managed from abroad.</td><td>1539000</td></tr><tr><td>7.</td><td>Profit on sale of a plot of land situated in India (which was acquired for construction of residential house); Entire sale proceeds (Rs.500000) received outside India.</td><td>300000</td></tr><tr><td>8.</td><td>Pension from a former Indian employer, received outside India.</td><td>450000</td></tr><tr><td>9.</td><td>Income received outside India during 2018-19 is brought to India during the current year.</td><td>250000</td></tr></table> <p>Find out his gross total gross income for the assessment year 2020-21:</p> <ol style="list-style-type: none">1. If he is an ordinary resident.2. If he is resident but not ordinarily resident.3. If he Non-Resident. | 1. | Income from agricultural land situated outside India, received there, later on remitted to India. | 2425000 | 2. | Rent from house property situated outside India, deposited in foreign bank. | 1360000 | 3. | Profit of a foreign business, which is controlled from India (Rs.2000000 is received for the first time in India) | 4000000 | 4. | Interest on foreign securities (of which $\frac{1}{4}$ has become due but not yet received) ; balance of interest is directly received in India. | 128000 | 5. | Dividend on shares of Indian Companies, received directly outside India. | 42000 | 6. | Profit from an Indian business (in Mumbai) which is managed from abroad. | 1539000 | 7. | Profit on sale of a plot of land situated in India (which was acquired for construction of residential house); Entire sale proceeds (Rs.500000) received outside India. | 300000 | 8. | Pension from a former Indian employer, received outside India. | 450000 | 9. | Income received outside India during 2018-19 is brought to India during the current year. | 250000 | 14 |
| 1. | Income from agricultural land situated outside India, received there, later on remitted to India. | 2425000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Rent from house property situated outside India, deposited in foreign bank. | 1360000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Profit of a foreign business, which is controlled from India (Rs.2000000 is received for the first time in India) | 4000000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. | Interest on foreign securities (of which $\frac{1}{4}$ has become due but not yet received) ; balance of interest is directly received in India. | 128000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | Dividend on shares of Indian Companies, received directly outside India. | 42000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. | Profit from an Indian business (in Mumbai) which is managed from abroad. | 1539000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. | Profit on sale of a plot of land situated in India (which was acquired for construction of residential house); Entire sale proceeds (Rs.500000) received outside India. | 300000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. | Pension from a former Indian employer, received outside India. | 450000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. | Income received outside India during 2018-19 is brought to India during the current year. | 250000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | OR | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1(A)(I) | Write a note on Merits and Demerits of Direct Taxes. | 07 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1(A)(II) | Discuss Methods of Assessing Income-tax. | 07 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1(B) | Answer the following in brief: (Any Four) <ol style="list-style-type: none">1. When did India's 1st Income-tax Act come into being? a. 1860 b. 1910 c. 1922 d. 18802. What is regarded as the first authoritative tax on public finance? a. Manu Smriti b. Arthashastra c. Raghuvansh d. Upanishad3. Which of the following is treated as direct tax? a. Service tax b. Excise duty c. Income tax d. Custom duty4. What is the rate of health and higher education cess?5. Is income from smuggling is taxable?6. List any two income treated as Agriculture Income. | 04 | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| 2(A) | <p>On 1-10-14, Mr. Gagan joined as manager in HSPL Ltd. in his salary scale of Rs.12500-500-14000-1000-25000. You have to find out his taxable income from the salary for the F.Y.2018-19 from the following details given to you.</p> <ol style="list-style-type: none"> 40% of basic pay is received as dearness allowance (50% of which is to be considered for the calculation of provident fund contribution) Rs.800 per month is paid as entertainment allowance. Education allowance given is Rs.1200 per child per month for two children. The company has paid Rs.18000 as gas, electricity and water charges of which 2/3 is for personal use. A residential bungalow in surat (population of more than 10 lakhs but not more than 25 lakhs) is provided by the company (municipal value is Rs.40000). The company has also paid salary of watchman and gardener @2200 and Rs.1200 per month. The company has paid his life insurance premium of Rs.10300 and has also deposited Rs.32000 in his public provident fund. He contributes to recognised provident fund at 15% of the basic salary+50% dearness allowance. The company's contribution is @ 12% of such salary. Rs.200 per month is deducted as professional tax from his salary. The company has paid his hotel and club bill of Rs.42000. Rs.9500 as compensation for injury during office hours is also paid by the company. | 14 |
| | OR | |
| 2(A)(I) | Explain the provisions of Perquisites under Tax Act. | 07 |
| 2(A)(II) | Define salary. What are the incomes included under the head 'salaries'? | 07 |
| 2(B) | <p>Answer the following in brief: (Any Four)</p> <ol style="list-style-type: none"> Employer's contribution to a recognised provident fund*in excess ofper cent of salary is included in the salary income of the employee. Free lunch provided to employees by the employer is ... Gratuity received by a non-government employee is exempted from tax up to a maximum of Who is Specified Employee for the purpose of taxability of Salary Income? What are various heads of Income? Define Perquisites. | 04 |
| 3(A) | <p>Mr. Chhagan owns following house properties. Compute his taxable income under the head of 'Income From House Property' for the Assessment Year 2019-20</p> <p>Use of Property House House House</p> | 14 |

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|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------|-------|----------|---------|------------------|---------|------------------|--------|--------------------|-------|-------------------|-------|---|-------|---|---|----------------------|-------|------|------|--|--------|---|---|--|-------|------|------|--|------|------|------|---------------------------------------|---------|---------|---------|-----------------------|----------|---|---|------------------------|------|--|--|-------------------------------|------|--|--|--------------|--------|--|--|--|----------------|--|----------------|-----------|
| | <table><tr><td></td><td>No.1 Let- Out (Rs.)</td><td>No.2 Self Occupied (Rs.)</td><td>No.3 Self Occupied (Rs.)</td></tr><tr><td>Municipal Valuation</td><td>30000</td><td>20000</td><td>36000</td></tr><tr><td>Annual fair rent</td><td>24000</td><td>21000</td><td>32000</td></tr><tr><td>Standard Rent</td><td>25000</td><td>-</td><td>-</td></tr><tr><td>Monthly rent receivable with amenities</td><td>2500</td><td>-</td><td>-</td></tr><tr><td>Municipal tax (paid)</td><td>2000</td><td>1000</td><td>2000</td></tr><tr><td>Value of tenant's amenities provided by the land-lord (included in rent)</td><td>1000</td><td>-</td><td>-</td></tr><tr><td>Interest on loan taken for the construction</td><td>16000</td><td>7000</td><td>4000</td></tr><tr><td>Total capitalised interest during construction period</td><td>5000</td><td>2500</td><td>5000</td></tr><tr><td>Year of completion of construction</td><td>2016-17</td><td>2014-15</td><td>2015-16</td></tr><tr><td>Vacancy period</td><td>3 months</td><td>-</td><td>-</td></tr></table> | | No.1 Let- Out (Rs.) | No.2 Self Occupied (Rs.) | No.3 Self Occupied (Rs.) | Municipal Valuation | 30000 | 20000 | 36000 | Annual fair rent | 24000 | 21000 | 32000 | Standard Rent | 25000 | - | - | Monthly rent receivable with amenities | 2500 | - | - | Municipal tax (paid) | 2000 | 1000 | 2000 | Value of tenant's amenities provided by the land-lord (included in rent) | 1000 | - | - | Interest on loan taken for the construction | 16000 | 7000 | 4000 | Total capitalised interest during construction period | 5000 | 2500 | 5000 | Year of completion of construction | 2016-17 | 2014-15 | 2015-16 | Vacancy period | 3 months | - | - | | | | | | | | | | | | | | | | | |
| | No.1 Let- Out (Rs.) | No.2 Self Occupied (Rs.) | No.3 Self Occupied (Rs.) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Municipal Valuation | 30000 | 20000 | 36000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual fair rent | 24000 | 21000 | 32000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Standard Rent | 25000 | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Monthly rent receivable with amenities | 2500 | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Municipal tax (paid) | 2000 | 1000 | 2000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Value of tenant's amenities provided by the land-lord (included in rent) | 1000 | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest on loan taken for the construction | 16000 | 7000 | 4000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total capitalised interest during construction period | 5000 | 2500 | 5000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year of completion of construction | 2016-17 | 2014-15 | 2015-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vacancy period | 3 months | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | OR | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3(A)(I) | Write the provisions regarding clubbing of income. | 07 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3(A)(II) | Write a note on Grossing up of Interest | 07 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3(B) | Answer the following in brief: (Any three) 1. What are less-tax securities? 2. What is casual income? 3. What is Gross Annual value? 4. What is Standard Rent? 5. What is Unrealised Rent? | 03 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4(A) | <p>Following is the Profit and Loss Account of business of Mr.Fagan for the financial year 2019-20:</p> <table><tr><td>Particulars</td><td>Rs.</td><td>Particulars</td><td>Rs.</td></tr><tr><td>To opening Stock</td><td>52000</td><td>By sales</td><td>4735500</td></tr><tr><td>“ Purchases</td><td>4004375</td><td>By Closing Stock</td><td>105000</td></tr><tr><td>“ Salaries & wages</td><td>87500</td><td>By Share Dividend</td><td>40000</td></tr><tr><td>“ Rent & rates</td><td>63500</td><td></td><td></td></tr><tr><td>“ Commission</td><td>10750</td><td></td><td></td></tr><tr><td>“ Household Expense</td><td>350000</td><td></td><td></td></tr><tr><td>“ Income-tax</td><td>28050</td><td></td><td></td></tr><tr><td>“ Advertisement</td><td>2500</td><td></td><td></td></tr><tr><td>“ postage & telegram</td><td>2000</td><td></td><td></td></tr><tr><td>“ Interest on Capital</td><td>42000</td><td></td><td></td></tr><tr><td>“ reserve for bad debt</td><td>1700</td><td></td><td></td></tr><tr><td>“depreciation on Furniture</td><td>9000</td><td></td><td></td></tr><tr><td>“ Net profit</td><td>225125</td><td></td><td></td></tr><tr><td></td><td>4880500</td><td></td><td>4880500</td></tr></table> <p>Additional Information :</p> | Particulars | Rs. | Particulars | Rs. | To opening Stock | 52000 | By sales | 4735500 | “ Purchases | 4004375 | By Closing Stock | 105000 | “ Salaries & wages | 87500 | By Share Dividend | 40000 | “ Rent & rates | 63500 | | | “ Commission | 10750 | | | “ Household Expense | 350000 | | | “ Income-tax | 28050 | | | “ Advertisement | 2500 | | | “ postage & telegram | 2000 | | | “ Interest on Capital | 42000 | | | “ reserve for bad debt | 1700 | | | “depreciation on Furniture | 9000 | | | “ Net profit | 225125 | | | | 4880500 | | 4880500 | 14 |
| Particulars | Rs. | Particulars | Rs. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To opening Stock | 52000 | By sales | 4735500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Purchases | 4004375 | By Closing Stock | 105000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Salaries & wages | 87500 | By Share Dividend | 40000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Rent & rates | 63500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Commission | 10750 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Household Expense | 350000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Income-tax | 28050 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Advertisement | 2500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ postage & telegram | 2000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Interest on Capital | 42000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ reserve for bad debt | 1700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “depreciation on Furniture | 9000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| “ Net profit | 225125 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 4880500 | | 4880500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <ol style="list-style-type: none"> 1. Closing stock and opening stock have consistently been valued at 20% below cost. 2. Depreciation on furniture, as per income-tax provisions is Rs.8600. 3. Amount of sales includes a sum of Rs.20625 representing the value of goods withdrawn for personal use; These goods were purchased at cost of Rs.13925 and its market value on the date of withdrawal was Rs.22620. 4. Household expenses include a contribution of Rs.10000 towards public provident fund. <p>You are required to prepare a statement showing the taxable business income of Shri Fagan for the assessment year 2020-21.</p> | |
| | OR | |
| 4(A)(I) | Write a note on long term and short term capital gain. | 07 |
| 4(A)(II) | Explain provisions of Sec.54 and Sec.54EC in connection to capital gain. | 07 |
| 4(B) | <p>Answer the following in brief: (Any Three)</p> <ol style="list-style-type: none"> 1. Stock in trade and Vehicle for personal use are Capital Assets or not? 2. What is cost of Improvement? 3. Deduction Under Section 80D is for 4. Deduction Under Section 80E is for..... 5. Deduction Under section 80U is for | 03 |