

M.Com. DEGREE (C.S.S.) EXAMINATION, JANUARY 2017**Third Semester****Faculty of Commerce****DT 03C 12—DIRECT TAXES—LAW AND PRACTICE**

(2012 Admission onwards)

Time : Three Hours

Maximum Weight : 30

Section A*Answer any five questions.**Weight 1 each.*

1. State any *five* items which are exempt from charge of income tax.
2. Mr. Damodar earns the following incomes during the financial year 2013-14 :

(1) Profit earned from business in Paris which is controlled from India, half of the profits being received in India	— Rs. 1,60,000
(2) Pension from former employer in India, received in U.S.A	— Rs. 32,000
(3) Income from agriculture in Pakistan and brought to India	— Rs. 40,000
(4) Income from property in U.K. and received there	— Rs. 32,000
(5) Past untaxed foreign income brought into India during the previous year	— Rs. 40,000
(6) Gift in foreign currency from a relative received in India	— Rs. 80,000

Determine the Gross Total Income of Mr. Damodar for the A.Y. 2014-15, if he is :

- (a) Resident.
 - (b) Not ordinarily resident and
 - (c) Non-resident.
3. Discuss the tax treatment of medical benefits provided by the employer to employee.
 4. From the following information of Mr. Vijay, compute the annual value of the let out portion of the house for the assessment year 2014-15 :
Municipal value Rs. 20,000, Municipal Tax paid Rs. 4,000. House is being used for self residential purposes but let out one-fourth (1/4) portion at Rs. 400 per month with effect from 1st January, 2014.
 5. Define Agricultural income and the present treatment of agricultural income.
 6. What are the provisions regarding carry forward and set off of unabsorbed depreciation ?

Turn over

7. From the following information compute depreciation allowable for the Assessment year 2014-15 :

	Rs.
W.D.V of furniture on 1-4-2013	1,10,000
Furniture purchased in June, 2013	— 15,000
Furniture purchased in January, 2014	— 20,000
Part of furniture sold in February, 2014	— 3,000
Rate of depreciation 10%	

8. Give five examples of incomes chargeable to tax under the head 'Income from other sources'.

(5 × 1 = 5)

Section B

Answer any five questions.
Weight 2 each.

9. From the following particulars of income and losses calculate the gross income of an individual after set-off losses for the current A.Y.

	Rs.
Income from house property A	... 50,000
Loss from house property B	... 80,000
Income from interest on securities	... 2,00,000
Loss from a cycle business	... 2,00,000
Profit from speculation business	... 2,00,000
Gain from short term capital asset	... 2,50,000
Long-term capital loss	... 60,000
Long-term capital gains	... 2,10,000

10. Discuss briefly the scope of total income of a person who is resident in India and in what way does the liability differ from 'not ordinarily resident'.
11. Mr. Varun had the following incomes during the assessment year 2014-15 :

Interest on Bank deposits	... Rs. 4,000
Income from units of a Mutual Fund	... Rs. 5,000
Interest on Govt. Security	... Rs. 8,000
Winnings from lottery	... Rs. 10,000
Winnings from horse race	... Rs. 5,000

He claimed the following deductions :

Collection charges of interest on Govt. Security by Bank	... Rs. 100
Expenses for buying lottery tickets	... Rs. 1,000

Compute 'Income from Other Sources' of Mr. Varun for assessment year 2014-15.

12. What are the provisions regarding set-off of the following losses :

- (i) Long-term capital gains.
- (ii) Speculation losses.
- (iii) Short-term capital losses.
- (iv) Losses of lottery and card games.

13. Following details are available in respect of income of Mrs. Malini for the year 2013-14 :

	Rs.
(a) Long-term capital gains (indexed) ...	5,30,000
(b) Interest on Bank time deposits ...	10,000
(c) Dividend from Co-operative society ...	5,000
(d) Life Insurance premium paid ...	10,000
(e) Contribution to Public Provident Fund ...	10,000

Calculate tax payable by Mrs. Malini for the assessment year 2014-15.

14. Profit and Loss account of M/s Bhavana Traders shows a net profit of Rs. 1,00,000 after debiting the amount withdrawn for personal expenses Rs. 10,000, Life Insurance Premium Rs. 15,000, Income tax Rs. 22,000, expenses relating to income tax proceeding Rs. 15,000 and municipal tax relating to the self occupied property Rs. 1,400. Compute his taxable income under the head 'Profit from business'.
15. Arun purchases 2,000 equity shares in Abi Ltd. at the rate of Rs. 20 per share On June 15, 1980. He gets 1,000 bonus shares (by virtue of his holding of 2,000 shares) on March 3, 1981. Fair market value of shares of A Ltd on 1-4-1981 is Rs. 25 On June 20, 2013, he transfers 1,000 original shares at Rs. 500 per share (Brokerage Rs. 2,500) On September 15, 2013 he transfers 500 bonus shares at Rs. 500 per share (brokerage Rs. 750) Compute the Capital gains.
16. From the following particulars furnished by Mr. Dilip, who is the Karta of a Hindu Undivided Family for the previous year ending 31.3.2014, compute the income for the assessment year 2014-15 :

	Rs.
(a) Profits from Business (after charging Rs.1,20,000 salary to Karta) ...	4,00,000
(b) Salary received by Mr. Anand from a company ...	2,60,000
(c) Directors fees received by Karta (He became director by his personal capacity) ...	10,000
(d) Rental value of the property let out ...	50,000
(e) Municipal Taxes paid ...	5,000
(f) Professional income of Mr. Rajesh, who is another member from Legal Profession ...	2, 80,000
(g) Agricultural income of the family ...	10,000
(h) Interest on Savings Bank A/c ...	9,000
(i) Karta donated Rs. 4,000 to approved local college.	
(j) Lottery income of Rs. 24,500 (net) (of the family)	
(k) Mr. Anand lost Rs. 20,000 in horse race.	

(5 × 2 = 10)

Turn over

Section C

Answer any three questions.

Weight 5 each.

17. Shri Rajeev furnished the following particulars of his income for the financial year 2013-14.

	Rs.
(a) Salary	... 15,000 p.m
(b) Dearness Allowance	... 1,250 p.m
(c) Entertainment Allowance	... 1,000 p.m
(d) Employer's and employee's contribution to recognised Provident fund Rs. 24,000 each.	
(e) Interest from provident fund at 9.5% p.a.	... 19,000
(f) City Compensatory Allowance	... 200 p.m
(g) Medical Allowance	... 10,000

He has been provided with the facility of an unfurnished house by the employer in a town (population less than 10 lakh) for which the employer charges Rs. 500 p.m. The fair rent of the house is Rs. 30,000 per annum. The house is owned by the employer. The employer has employed a sweeper at Rs. 200 p.m. and a servant at Rs. 750 p.m. Compute the taxable income under the head 'Salary' for the assessment 2014-15 Year 2014-15.

18. Shri R. Santhosh is a Chartered Accountant. He has prepared the following Income and expenditure account for the year ending 31st March, 2014 :

Income and Expenditure Account

Expenditure	Amount	Income	Amount
Office expenses	10,000	Audit fees	70,500
Employee's salary	5,000	Gift from Father-in-law	5,050
Books (other than annual Publications)	500	Dividends	8,000
Personal expenses	17,000	Profit on sale of an asset	6,450
Donation to N.D.F.	500	Tax consultancy fees	50,000
Interest	700		
Income tax	13,300		
Car expenses	2,000		
Net Surplus	91,000		
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	1,40,000		1,40,000

You are required to compute his professional income for the assessment year 2014-15 considering the following points :

- (a) The car is used equally in official and personal purposes and the depreciation allowed for official work is Rs. 500.
- (b) Rs. 1,000 domestic servant salary is included in employee's salary.
- (c) Loan has been taken to purchase office building.
- (d) Mr. Santhosh is owner of a building. Its written down value is Rs. 80,000 on 1st April, 2013. The building is used for Mr. Santhosh's office. Besides this furniture cost is Rs. 30,000. Its W.D.V. on 1st April, 2013 is Rs. 20,000.

Allowed depreciation at 10% on building and at 10% on furniture under Income Tax Act.

19. Briefly explain the provisions for deductions from Gross Total Income under Chapter VI A of the Income Tax Act.
20. An assessee owns three house properties of which he uses one (No. III) for his residence. The following are the particulars in respect of the properties for the year ended 31st March, 2014 :

Particulars	I	II	III
Standard Rent	13,000	3,600	-----
Municipal Value	12,000	4,000	10,000
Rent received	12,000	4,800	-----
Municipal Tax paid	2,000	500	500
House used	Let out for business	Let out for residence	Self- occupied
Repairs	600	200	-----
Interest on mortgage	-----	500	-----
	I	II	III
Ground rent	50	30	-----
Fire insurance premium	70	-----	-----
Vacancy period	4 months	-----	-----
Collection charges	850	50	-----

The assessee's income from other sources is Rs. 3,20,000. Compute the total income of the assessee assuming that the loan has not been used for the house property.

21. Mr. Amal (an employee of H.U.F.), gives the following particulars of his income earned from employment during the year ended 31st March, 2014 :
- | | | |
|--------------------------------------------------------------------------|---|--------------|
| (a) Basic salary after deducting own contribution to a R.P.F. Rs. 18,000 | — | Rs. 1,22,000 |
| (b) Employer's contribution to provident fund | — | Rs. 18,000 |
| (c) Interest on accumulated balance of provident fund at 9.5% p.a | — | Rs. 13,600 |
| (d) Entertainment allowance | — | Rs. 7,200. |

Turn over

Mr. A was given throughout the year free use of a large car both for the purposes of employment and for private purposes (all expenses borne by the employer). Particulars of other incomes of Mr. A for the same period are as under.

Interest on Govt. Securities	...	Rs. 3,500
Rent from house property	...	Rs. 12,000
Long-term capital gain	...	Rs. 9,600
Income of units of Mutual fund (gross)	...	Rs. 5,000
Other dividends from Indian companies	...	Rs. 600

Mr. A also furnished the following informations :

Deposit in Public Provident Fund Rs. 10,000.

Expenditure on medical insurance premia paid by cheque to G.I.C. of India Rs. 16,000.

Compute Mr. Amal's Total Income.

22. Mr. Singh, a resident in India submits the following particulars of his income For the assessment year 2014-15 :

	Rs.
(1) Income from house let out (computed)	... 9,500
(2) Profit from radio business	... 19,600
(3) Interest from firm	... 1,800
(4) Speculation income	... 1,900
(5) Short-term Capital gains	... 3,200
(6) Long-term Capital gains	... 1,400

The following items have been brought forward from the preceding assessment year 2013-14 :

(a) Loss from radio business	... 4,600
(b) Unabsorbed depreciation	... 1,000
(c) Speculation loss	... 3,200
(d) Short-term capital loss for the year 2009-10	... 4,100
(e) Long-term capital loss for the year 2010-11	... 3,950
(f) B/fd loss from House property	... 3,000

You are required to compute his Gross total income and deal with the carry-forward of losses.

(3 × 5 = 15)