

M.Com. DEGREE (C.S.S.) EXAMINATION, JANUARY 2016**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 the *five* perquisites which are taxable in all cases.
2. Particulars of income of Shri Athul who is resident but not ordinarily resident for the Assessment Year 2014-15 are given below :
 - (a) Profit from business in U.S.A. received in India—Rs. 1,00,000.
 - (b) Share of profit from a firm in India—Rs. 50,000.
 - (c) Income from house property in U.S.A. deposited there—Rs. 60,000.
 - (d) Income from agriculture in Sri Lanka received in India—Rs. 40,000.
 - (e) Past untaxed foreign income brought to India during 2012-13—Rs. 1,20,000.
 - (f) Profit from business in U.K. which is controlled from India but deposited in a Bank Account in U.K.—Rs. 70,000.

Calculate Gross Total Income of Shri Athul.

3. Define Annual Value. How is it determined ?
4. Mr. Satheesh is a Government Employee. His salary details for the P.Y. 2013-14 are as follows :
 - (a) Salary at Rs. 16,500 p.m.
 - (b) D.A. at Rs. 6,000 p.m.
 - (c) Entertainment allowance at Rs. 1,500 p.m.

Compute his net income from salary for the A.Y. 2014-15.

5. Discuss the provisions relating to deduction in respect of expenditure on scientific research.
6. What is a Bond-washing Transaction ?

Turn over

7. An assessee Anil had purchased 500 shares (of total face value of Rs. 5,000) for Rs. 7,000 in May 1986. He received 100 bonus shares of the value of Rs. 10 each from the same company in May, 2013. He sold the original 500 shares on 1-6-2013 for Rs. 50,000. For the assessment year 2014-15, calculate capital gains of Mr. Anil.

The cost inflation indices are : 1986-87—140, 2013—14-939.

8. What is Converted property ? How would you treat income from such converted property ?

(5 × 1 = 5)

Section B

Answer any five questions.

Weight 2 each.

9. Compute tax liability of Mr. Ram who has agricultural income of Rs. 90,000 and non-agricultural income of Rs. 7,60,000.
10. How would you determine the residential status of an Individual and H.U.F. ?
11. From the following particulars submitted by Sri. Ganesh, compute his income from other sources for the Assessment Year 2014-15 :—
- He was a director in a company from which he received—Rs. 13,000 as Director's fees.
 - Interest received on deposits with a Co-operative Bank—Rs. 2,000.
 - Dividends received from a foreign company—Rs. 6,000.
 - Received winnings from lottery—Rs. 28,000.
 - Income from agriculture in England—Rs. 78,000.
 - Honorarium for delivering lectures in a registered society—Rs. 1,200.
12. What are the circumstances in which the income of one person will be taxed as the income of another person ?
13. Master Vijay (Age 16 years) has the following incomes during 2013-14 :
- Interest on bank fixed deposits—Rs. 75,000.
 - Interest on Government Securities—Rs. 80,000.
 - Interest on debentures—Rs. 40,000.
 - Income by acting in a film—Rs. 2,00,000.
 - Income by a singing concert held by him—Rs. 50,000.

His father's total income—Rs. 2,09,000.

His mother's total income—Rs. 2,09,100.

Decide about the person in whose hands the above incomes shall be taxable and the amount of income to be taxed.

14. Shri Murali is the owner of a house, the municipal value of which is Rs. 24,000 for the previous year 2013-14. Municipal taxes charged on the house was Rs. 2,000 of which the assessee paid only Rs. 1,000 in 2013-14. He had used the house for self occupation, but as he was away, he let it out for a rent of Rs. 2,000 per month from 1.12.2013. He incurred the following expenses, during 2013-14.

Insurance premia relating to house property—Rs. 1,000.

Interest on loan taken for repair of house property—Rs. 3,000.

The tenant did not pay him rent of one month. Conditions for deduction of unrealised rent are satisfied.

Compute income from house property.

15. 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 %.

16. The following details of income for financial year 2013-14 have been supplied by Shri Rohit who is Karta of Hindu Undivided family :

	Rs.
(a) Profit from family business (Net)	3,04,000
(b) Salary received by a member of family for looking after the family business	1,20,000
(c) Remuneration received by Karta for working as Secretary in a company	5,30,000
(d) Municipal value of ancestral house let out	34,000
(e) Local taxes of house paid	4,000
(f) Dividend from an Indian company (gross)	8,000
(g) Long-term capital gain	39,000
(h) Profit of a firm	28,000
(i) Donation to recognised education institution in cash	10,000
(j) Life Insurance Premium paid	6,000

Compute the gross total income and total income for the family for the assessment year 2014-15.

(5 × 2 = 10)

Turn over

Section C

Answer any three questions.

Weight 5 each.

17. Briefly explain the provisions for deduction from Gross Total Income under Chapter VI-A of the Income Tax Act.
18. Mr. Unni has furnished the following details with regard to his salary income for the year ended 31st March, 2014 :
- Salary at Rs. 6,000 per month.
 - Bonus at six months' Salary.
 - Travelling allowance for tour at Rs. 300 per month.
 - Entertainment allowance of Rs. 250 per month.
 - Commission equal to four month's pay.
 - He is also provided with free furnished quarter in a city (population 15 lakh) valued at Rs. 3,000 p.m. and furniture and fittings of the value of Rs. 10,000. He is also provided with free lunch at the company valued at Rs. 60 per meal for 300 working days.
 - He claims :
 - Electricity and water charges incurred by him for his residence Rs. 1,600 per annum.
 - Entertainment and travelling allowance in full.
 - His contribution to company's Recognised P.F. is at Rs.1,000 per month and employer contributes an equal sum. The interest credited to the Provident Fund Account is Rs. 12,000 at 9.5 %. Compute his taxable salary.
19. The following is the Profit and Loss Account of Mr. Manu for the year ended on 31st March, 2014. Compute his taxable income from business for that year :-

	Rs.		Rs.
Opening stock	15,000	Sales	2,80,000
Purchases	1,40,000	Closing stock	20,000
Wages	20,000	Gift from father	10,000
Rent	46,000	Sale of Car	17,000
Repairs of Car	3,000	Income tax Refund	3,000
Medical expenses	3,000		
General expenses	10,000		
Depreciation of car	4,000		
Profit for the year	89,000		
	<hr/>		<hr/>
	3,30,000		3,30,000
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Following further information is given :

- (1) Mr. Manu carries on his business from a rented premises half of which is used as his residence.
- (2) Mr. Manu bought a car during the year for Rs. 20,000. He charged 20 % depreciation on the value of the car. The car was sold during the year for Rs. 17,000. The use of the car was $\frac{3}{4}$ th for the business and $\frac{1}{4}$ th for personal use.
- (3) Medical expenses were incurred during the sickness of Mr. Manu for his treatment.
- (4) Wages include Rs. 250 per month on account of Mr. Manu's driver for 10 months.

20. The following are the particulars of income of Smt. Manorama Devi :

- (1) She is getting a salary of Rs. 15,000 p.m. Her employer had provided her with an unfurnished accommodation in Delhi at Rs. 6,000 per annum, the fair rent of which is Rs. 30,000 per annum.
- (2) Her investments were :
 - (a) 10 % Rajasthan Government Loan Rs. 50,000.
 - (b) 10 % Government Bonds Rs. 24,000.
 - (c) Rs. 60,000 in 10 % Fixed Deposit Account in a Bank for 5 years.
- (3) She owns a house which had been let at Rs. 2,000 p.m. but its fair rent is Rs. 2,250 p.m. Municipal Taxes of Rs. 3,000 were paid by her. She spent Rs. 100 on collection of rent and paid Rs. 3,000 as interest on loan taken for renewing the house.
- (4) She earned a profit of Rs. 10,000 from speculation business.
- (5) She received Rs. 900 as interest on Capital Investment Bonds.

Smt. Manorama Devi claims that last year's carried forward speculation loss of Rs. 4,000 be allowed to be set-off this year.

Compute Smt. Manorama Devi's total income for the A.Y. 2014-15.

21. Shri Dinesh Kumar is owner of three houses :

Particulars		House A	House B	House C
Annual fair rent	...	18,000	15,000	12,000
Municipal valuation	...	15,000	20,000	10,000
Let out (per month)	...	2,000	1,500	1,250
Use by tenant	...	residential	office	Residential
Construction started	...	30.5.2008	1.1.2008	2.3.2005
Construction completed	...	1.4.2011	1.6.2011	31.3.2006
Repair expenses	...	1,000	—	4,000
Collection charges	...	2,000	500	—

Turn over

Interest on loan :

(1) For construction	...	10,000	_____	_____
(2) For marriage of daughter	...	_____	6,000	_____
(3) For repair	...	_____	_____	1,000

Municipal tax is 10 % of Municipal valuation. Municipal tax of house A was paid by owner but Municipal tax of house B was not paid up to 31st March 2014. Municipal tax of house C was paid by the tenant. The third house was remained vacant for 4 months.

Compute income from house property for the A .Y. 2014-2015.

22. On marriage anniversary of Mr. Ramesh on 8.7.2013, relatives and family friends made the following gifts to the couple :

- (1) Cousin of Mr. Ramesh gifted a diamond ring to Mrs. Ramesh valued at Rs. 55,000.
- (2) Cousin of Mrs. Ramesh gifted—Rs. 31,000 to her.
- (3) Maternal uncle of Mr. Ramesh gifted—Rs. 51,000 to Mrs. Ramesh.
- (4) Father-in-law and mother-in-law of Mr. Ramesh gifted—Rs. 50,000 each to him.
- (5) Father and mother of Mr. Ramesh gifted—Rs. 1,00,000 each to Mrs. Ramesh.
- (6) Mr. A, a family friend gifted Mrs. Ramesh—Rs. 21,000.
- (7) Mr. B, a family friend gifted Mr. Ramesh—Rs. 31,000.
- (8) Sister-in-law (sister of Mrs. Ramesh) gifted—Rs. 31,000 to Mr. Ramesh.
- (9) Sister-in-law (Brother's wife of Mr. Ramesh) gifted—Rs. 50,000 to Mrs. Ramesh.
- (10) Son of Mr. Ramesh and Mrs. Ramesh gifted—Rs. 31,000 to his mother. Explain which gifts are liable to be included in the income of Mr. Ramesh and Mrs. Ramesh.

(3 × 5 = 15)