

2021

(July)

COMMERCE

(Honours)

(Direct Tax Laws and Practice)

(FC-603)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Mr. X was appointed in a private company on 1st January, 2013 on a scale of ₹ 9,000-200-11,600-300-13,000. Following are the particulars of his income and outgoing relating to salary for previous year, 2018-19 :

- (i) Basic salary—as per scale
(ii) Dearness allowance—100% of first ₹ 2,000 of pay and 50% of balance subject to a maximum of ₹ 6,050 per month

- (iii) Medical allowance—₹ 800 p.m.; expenses incurred for medical treatment of his wife ₹ 7,000
(iv) Entertainment allowance—₹ 1,400 p.m.; expenses incurred for the same ₹ 8,000
(v) Bonus ₹ 25,000 as per contract and ₹ 23,000 as gratuitous
(vi) Gas and Electricity facility provided by the employer of which market value is ₹ 6,000
(vii) Car (8 HP) facility with a driver provided both for official as well as private purpose free of cost
(viii) He is provided with rent-free furnished accommodation at Kolkata for which employer pays a rent of ₹ 5,000 p.m. The employer has also provided with furniture costing ₹ 20,000. A gardener was also provided by the employer at a monthly remuneration of ₹ 900
(ix) Education facility provided by the employer for three children, the cost for each child being ₹ 1,500 p.a.
(x) Mr. X and his employer both pay equal amount of ₹ 1,200 to recognized provident fund
(xi) Interest on such fund @ 15% is ₹ 30,000

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- (xii) Gift of a wrist watch received from employer ₹ 5,800
(xiii) Professional tax paid by the employer on behalf of the employee is ₹ 220
(xiv) Income tax paid by the employer on behalf of the employee is ₹ 4,000
(xv) Wages for domestic servant paid by the employer are Sweeper—₹ 600 p.m. and Watchman—₹ 1,000 p.m.
(xvi) A washing machine is sold to Mr. X by the employer on September 18, 2018 for ₹ 8,700 (purchased by the employer on February 5, 2012 for ₹ 25,000)
(xvii) He earned a bank interest of ₹ 18,200, dividend from an Indian company of ₹ 27,200, interest from NSC (VIII issue) ₹ 18,600 (including 6th year interest of ₹ 3,600)
(xviii) He pays Life Insurance Premium on his own life ₹ 12,000 (policy value ₹ 50,000), medical insurance premium of ₹ 18,000 on the health of his own and his wife and makes a donation of ₹ 16,000 to National Defence Fund
(xix) He also makes a donation of a TV set costing ₹ 45,000 to approved charitable institution

Compute taxable income of Mr. X for the relevant assessment year. 15

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(4)

Or

Mr. R is the owner of three house properties in Mumbai in the same locality. Following are the particulars regarding the house properties for the financial year ending on March 31, 2019 :

	1st House	2nd House	3rd House
Construction started on	01.09.2002	31.12.1997	01.09.2011
Construction completed on	31.01.2004	31.10.2001	31.03.2014
How used	Tenant's business	Tenant's residence	Own residence
Gross Municipal value	₹ 20,000	₹ 24,000	₹ 33,000
Rent received	₹ 18,000	₹ 19,200	Nil
Municipal tax	₹ 1,600	₹ 1,920	₹ 2,800
Interest on loan by mortgaging House No. 1 (funds used for construction of House No. 3)	₹ 3,200		
Vacancy period	2 months	Nil	2 months

Additional Information :

- (i) Mr. R could not occupy House No. 3 for two months as he had to stay away along with his family for his business purpose
(ii) During the assessment year Mr. R's income from the head 'Profits and Gains of Business and Profession' amounted to ₹ 1,00,000

Compute income from house property of Mr. R for the Assessment Year, 2019-20. 15

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(5)

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, 2019-20 : 15

Profit & Loss A/c
for the year ended March 31, 2019

Dr.	Particulars	₹	Particulars	₹	Cr.
To Opening Stock	44,000		By Sales	20,00,000	
" Purchases	16,00,000		" Closing Stock	1,80,000	
" Wages	67,000				
" Gross Profit	3,69,000				
	<u>21,80,000</u>			<u>21,80,000</u>	
To Business Expenses	1,70,000		By Gross Profit	3,69,000	
" Bad Debt	5,000		" Dividend from Unit Trust of India	20,000	
" Provision for Bad Debts	10,000		" Discount Received	12,000	
" Interest on Bank Loan	12,000		" Dividend from Godrej Ltd. (an Indian Company)	10,000	
" Repairs to Furniture	10,000		" Winning from horse race	20,000	
" Purchases of Furniture	17,000				
" Fire Insurance Premium	3,000				
" Life Insurance Premium	1,000				
" Income Tax	8,000				
" Donation to approved institution u/s 80G(5)	12,000				
" Fines	6,000				

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(6)

Dr.	₹	Cr.	₹
To Donation to Prime Minister's Relief Fund	4,000		
" Interest on Capital	12,000		
" Depreciation	8,000		
" Net Profit	1,53,000		
	<u>4,31,000</u>		<u>4,31,000</u>

Other Information :

- (i) Life Insurance Premium relates to S's own life (policy value ₹ 25,000)
(ii) 70% of Bad Debt is allowable
(iii) Depreciation as per IT Rules work out to ₹ 7,000
(iv) In arriving at Gross Profit, the opening stock and closing stock have been valued at ₹ 1,44,000 and ₹ 1,80,000 respectively both 10% below cost
(v) Business expenses include wages of his domestic servant @ ₹ 1,000 p.m.
(vi) During the year S took away goods for his personal use costing ₹ 12,000 by crediting the sales account with ₹ 15,000, although the market price of the goods were ₹ 16,000 at that time

Or

What do you mean by capital gain? Distinguish between short-term and long-term capital gain. State the various deductions available from capital gain as per Income-tax Act. 3+3+9=15

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(Continued)

(7)

3. (a) Mention any five cases where income of other persons are included in assessee's total income. 5
(b) List out the deductions that are allowed from gross total income under Section 80(C) of the Income-tax Act, 1961. 10

Or

Write short notes on any three of the following : 5×3=15

- (a) Set-off of loss under the head 'capital gain'
(b) Section 80D
(c) Carry forward of business loss
(d) Section 80TTA
(e) Carry forward of gambling loss
(f) Section 80QQB

4. A, B and C are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Profit & Loss A/c of the firm for the year ended 31st March, 2019 discloses a net loss of ₹ 1,12,000. The following items have been debited in the accounts :

- (i) Salaries of A, B and C were ₹ 1,46,000, ₹ 1,00,000 and ₹ 1,00,000 respectively

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(8)

- (ii) Commission to A—₹ 4,000
(iii) Interest on partners' capital @ 20% per annum—₹ 20,000, ₹ 16,000 and ₹ 12,000 respectively
(iv) Salaries paid to the adult son of A for services rendered by him in this firm—₹ 48,000

Compute the income of the firm for the Assessment Year, 2019-20 and also allocate the firm's income among the partners assessable to tax in their hand. 15

Or

Explain in brief 'tax planning' with respect to income from (a) salary and (b) house property. 7½+7½=15

5. State the statutory rules regarding imposition of penalties on the assessee as provided in the Income-tax Act. 15

Or

What is an appeal? Who are the appellate authorities under the Income-tax Act? What are the appealable orders before the Commissioner (Appeals)? 2+4+9=15

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