

**TDP (Honours) 5th Semester Exam., 2024
(held in 2025)**

**DIRECT TAXATION
(Honours)**

FIFTH PAPER

Full Marks : 80

Time : 3 hours

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

Answer eight questions, taking two from each Unit

UNIT—I

**1. (a) Define 'Assessment Year' as per the
Income-tax Act, 1961.**

**(b) How is tax calculated when the total
income is composed of both agricultural
and non-agricultural incomes?**

**(c) What are the key principles of effective
tax planning? 2+4+4=10**

2. (a) Who is an assessee as per the Income-tax Act, 1961?

(b) Mr. Mohan, an Indian citizen, left India on 25.04.2020 for the first time. From 25.04.2020 to 31.03.2023, every year he visited India but stayed only 89 days in each of the Financial Year, 2020-21 and 2021-22 and stayed for 149 days during 2022-23. During 01.04.2023 to 30.06.2023, he did not visit India. On 01.07.2023, he came to India and started living permanently.

Discuss the residential status of Mr. Mohan for the Assessment Year, 2024-25.

(c) From the given information below, compute total agricultural income and non-agricultural income of Miss Riya :

(i) Income from selling out agricultural land which is used to setting up a factory ₹ 30,000

(ii) Dividend received from agricultural company ₹ 10,000

(iii) Income from sale of sugar ₹ 5,00,000 (processed from sugar-cane grow in own land and whose market value was ₹ 1,50,000)

- (iv) Income from breeding livestock
₹ 10,000
- (v) Income from growing and
manufacture of coffee ₹ 10,000
- (vi) Compensation received from
insurance company for damage of
green tea leaves due to hailstorm
₹ 30,000 $2+5+3=10$

3. (a) How is 'residential status' of an individual determined under the Income-tax Act, 1961?
- (b) What are exempted incomes? Give examples. $8+2=10$

UNIT—II

4. (a) What is the difference between 'allowances' and 'perquisites' as per the Income-tax Act, 1961?
- (b) How is House Rent Allowance (HRA) calculated for tax exemption?
- (c) What are the rules regarding the taxation of employer's contribution to Provident Fund?
- (d) How is unrealized rent and arrears of rent treated for tax purpose? $2+3+2+3=10$

5. Mr. Sen is the owner of three houses in Kolkata, particulars of which are as follows :

| | House-1 (Tenant's business) | House-2 (Tenant's residence) | House-3 (Own residence) |
|--|-----------------------------------|------------------------------------|-------------------------------|
| Standard rent under the Rent Control Act (₹) | 46,000 | 41,000 | 56,500 |
| Municipal valuation (₹) | 41,000 | 51,000 | 50,000 |
| Fair rent (₹) | 48,000 | 58,000 | 55,000 |
| Annual rent (₹) | 48,000 | 60,000 | 0 |
| Municipal tax (15%) | borne by owner | borne by the tenant | borne by owner |
| Vacancy period | 2 months | | |
| Unrealized rent (₹) | 4,000 | 5,000 | 0 |
| Insurance premium (₹) | 4,100 | 4,400 | 0 |
| Ground rent (₹) | 800 | 0 | 3,000 |
| Repairs (₹) | 0 | 0 | 2,000 |

He borrows ₹70,000 and ₹50,000 @ 20% p.a. for construction of houses on 01.06.2014 and 01.07.2016 for House-1 and House-2 respectively. He repaid the loan for House-1 on 30th May, 2019 but it remained unpaid for House-2 till the end of the previous year. Interest on loan for House-3 is ₹4,500. Construction of the houses was completed on 01.05.2018.

Determine his taxable income from House Property for the Assessment Year, 2024-25.

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6. Mr. Banerjee furnishes the following particulars of his income for the Assessment Year, 2024-25 :

Basic salary received—₹ 6,20,000

Arrears of salary—₹ 1,90,000

DA—30% of basic pay

Employer's contribution to RPF—₹ 38,000

Employee's contribution to RPF—₹ 20,000

Interest credited to Provident Fund during the year @ 12.5% amounting ₹ 10,800

Lunch allowance—₹ 9,000 p.a.

He is provided with a rent-free furnished accommodation in Kolkata for which the company pays ₹ 23,000 p.m.

Professional tax paid by the employer—₹ 2,500

He received reimbursement of school fee for two children—₹ 15,000 p.a.

A motorcar of engine capacity of 1.6 litres was provided for both the purposes for office and private use where all the expenses of the car including driver's salary are borne by the employer

Personal gas and electricity bill paid by the employer—₹ 2,000

He deposited ₹ 50,000 in National Savings Certificate

He saved as Life Insurance Premium ₹ 1,10,000 in LIC

Compute the taxable income of Mr. Banerjee for the Previous Year, 2023-24.

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(Turn Over)

UNIT—III

7. (a) Explain the concept of 'deemed profits'.
- (b) What are the permissible deductions allowed under Sections 30 to 37 of the Income-tax Act, 1961 for calculating business or professional income?
- (c) What are the conditions for claiming deductions for bad debts? $2+4+4=10$

8. The following is the Profit & Loss A/c of the Raj Oil Mills for the Financial Year, 2023-24. Compute its business income on the basis of additional information : 10

Profit & Loss A/c
for the year ended 31st March, 2024

| <i>Particulars</i> | <i>₹</i> | <i>Particulars</i> | <i>₹</i> |
|--------------------|-----------------|--------------------|-----------------|
| Salary | 15,000 | Gross Profit | 80,000 |
| General Expenses | 7,000 | Profit on Sale | 15,000 |
| Bad Debts | 1,000 | Recovery of | |
| Advertisement | 3,700 | Bad Debts | 5,000 |
| Insurance Premium | 1,500 | Interest on Govt. | |
| Depreciation | 5,000 | Securities | 3,500 |
| Reserve for | | Dividend | 3,500 |
| Bad Debts | 3,000 | Commission on | |
| Donation | 2,500 | Sales | 5,000 |
| Car Expenses | 2,000 | | |
| Net Profit | 71,300 | | |
| | <u>1,12,000</u> | | <u>1,12,000</u> |

Additional Information :

- (i) General expenses include (1) ₹ 2,500 as compensation paid to an accountant who had to be removed from service in the Interest of business and (2) ₹ 3,300 as contribution paid to the Govt. for laying electric cables for the company's plant
 - (ii) Depreciation as regards to the relevant blocks of assets under the Income-tax Act was ₹ 3,500
 - (iii) In the Assessment Year, 2020-21, the Assessing Officer had refused to allow deduction for the Bad Debts of ₹ 5,000 now recovered
 - (iv) Car expenses include ₹ 500 attributable to use of car for personal work
9. (a) How is Short-term Capital Gain (STCG) taxed differently from Long-term Capital Gain (LTCG) under the Income-tax Act, 1961?
- (b) What is the meaning of 'Cost of Acquisition' and how does it impact the calculation of Capital Gains under Section 48?

(Turn Over)

- (c) How are Capital Gains on the sale of agricultural land treated under the Income-tax Act, 1961, and what exemptions are available? $3+3+4=10$

UNIT—IV

10. (a) State the sources of income which are taxable under the head 'Income from Other Sources' along with exemption limit for each of the sources if any.

(b) Distinguish between Inter-head and Inter-source adjustments.

- (c) Mention the exceptions to inter-source adjustments while set-off and carry forward of losses. $4+3+3=10$

11. Mr. Rahul, General Manager of a Limited Company in Kolkata, retired from service on 31st December, 2024 after 30 years of service, submits the following particulars of income :

Salary—₹80,000 p.m.; House rent allowance—₹5,000; Medical expenses reimbursed by the company during the previous year—₹1,50,000. Treatment was taken in a hospital of the company. Leave

(9)

travel assistance for going to his hometown at Agartala on leave reimbursed by the company ₹ 56,000. A car of 18 hp is provided by the company for official and personal uses, and all expenses of its running and maintenance including salary of driver are borne by the company.

He contributes 20% of his salary to RPF to which company contributes 14%.

He received ₹ 7,60,000 as gratuity and ₹ 9,60,000 for encashment of 12 months' earned leave not availed by him as p.m. since 1st January, 2024. He invested ₹ 50,000 in National Savings Certificate (VIII Issue) and ₹ 1,00,000 in NPS. He paid ₹ 40,000 towards Life Insurance Premium on a policy for a sum assured for ₹ 10,00,000. His other incomes were : Dividend from Indian Company (Gross)—₹ 30,000, Interest on Debentures—₹ 50,000. He donated ₹ 60,000 to the Prime Minister's National Relief Fund.

Compute the total income of Mr. Rahul for the Assessment Year, 2024-25.

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12. (a) How do deductions differ from exemptions in the context of income tax?

(Turn Over)

(b) State the conditions necessary and deductions limits for the following Sections under the Income-tax Act, 1961 :

(i) 80D

(ii) 80E

2+(4+4)=10

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