

TDP (Honours) 5th Semester Exam., 2020

(Held in 2021)

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. What do you mean by direct and indirect taxes? Give any two examples of direct and indirect taxes in India. What are the sources of Income-tax Law in India? Write any two objectives and importance of Tax Planning.**

2+2+2+2+2=10

- 2. (a) Who is known as a resident on the basis of residential status? Who is resident but not ordinarily resident?**

- (b) State what will be the residential status under the Income-tax Act, 1961 of the following person for the previous year, 2018-19 giving reasons for your answer :

Mr. Haradhan came to India from England on 13th June, 2012. He stayed in India without break for 3 years and left for Germany on 1st August, 2015. He returned to India on 1st April, 2016 and remained in India till 31st July, 2017. On 1st August, 2017 he went to USA where he was employed in a Merchantile firm at a salary equivalent to ₹ 4 lacks per month. He was transferred to and joined the Indian branch of the same firm on 1st January, 2019 on the same salary and remained in India till 31st March, 2019. 4+6=10

3. (a) What do you mean by partly agricultural income? Give two examples of partly agricultural income.

- (b) State with reason whether the following are agricultural incomes or not :

- (i) A owns a tea garden in Darjeeling and earns ₹ 50,000 by selling tea manufactured from the green leaves produced in the garden

(ii) B of Kolkata earns an income of ₹ 12,000 from agricultural land owned by him and situated in Bangladesh

(iii) C is employed in an agricultural firm and entrusted with tilling of land, his remuneration being 50% of net profits earned by the firm

4+6=10

UNIT—II

4. What do you mean by Leave Salary? Give two examples of Taxable Perquisites and Tax-free Perquisites. Distinguish between allowances and perquisites.

2+4+4=10

5. Mr. Anuj, a teacher of an educational institution, furnishes the following particulars of his income during the previous year, 2018-19 :

Basic salary @ ₹ 30,000 p.a.

Dearness allowance—40% of basic salary

Medical allowance @ ₹ 400 p.m.

House rent allowance @ 15% of basic salary

Part time salary @ ₹ 5,000 p.m.

Examiner's remuneration from

the university—₹ 12,500

Life insurance premium paid for policies taken before 01.04.2012 :

On own life (policy value ₹ 1,00,000)—₹ 20,000

On sister's life (policy value ₹ 1,00,000)—₹ 10,000

Purchase of notified mutual funds—₹ 50,000

Mr. Anuj pays house rent in Kolkata @ ₹ 3,000 p.m.

Compute the total income and the amount of deduction u/s 80C of Mr. Anuj. 10

6. Mr. Singh is the owner of two houses at Kolkata, out of which House-I is let out for residential purpose and House-II is let out for business purpose. The municipality tax of the house let out for residential purpose is paid by owner and the let out for business purpose is paid by tenant. Other information and particulars of the houses are given below :

	House-I	House-II
Municipal value (in ₹)	80,000	50,000
Rent received (in ₹)	55,000	65,000
Standard rent as per		
Rent Control Act (in ₹)	70,000	—
Municipal tax	12%	12%
Fire insurance premium paid (in ₹)	2,000	1,500
Repair expenses (in ₹)	5,000	4,000
Ground rent (due) (in ₹)	500	700
Interest on loan taken for		
construction of house (in ₹)	7,500	5,500
Vacancy period (in month)	2	—

Calculate the income from house property of Mr. Singh for the Assessment Year, 2019-20. 10

UNIT—III

7. The following is the Profit & Loss A/c of Mr. Das for the year ended 31st March, 2020. Compute taxable income from business for the relevant Assessment Year : 10

	₹		₹
Opening Stock	28,000	Sales	3,45,000
Purchase	2,37,500	Bank Interest	32,100
Wages	17,500	Closing Stock	4,000
Drawings	7,600		
Rent	6,000		
Salaries	12,500		
Bad Debts	2,850		
Provision for Bad Debts	3,650		
General Expenses	2,150		
Audit Fees	2,500		
Income Tax	3,900		
Interest on Capital	3,100		
Depreciation	6,250		
Net Profit	47,600		
	<u>3,81,100</u>		<u>3,81,100</u>

Additional Information :

- (i) Depreciation as per income tax rules amounts to ₹ 6,500
- (ii) 75% of bad debts are allowable as per income tax rules
- (iii) Opening stock and closing stock are undervalued by 10%

(iv) Wages include wages of domestic servant ₹ 300 p.m.

(v) Wages also include labour charges of ₹ 500 incurred in installation of a new machine during the year which costs ₹ 60,000

(vi) Bad debts include ₹ 1,000 due from one customer who is solvent and no legal step has been taken yet to recover the amount

8. (a) Explain in brief about the transactions which are not considered as transfer.

(b) Ram bought a house in 1999 for ₹ 10,00,000. He renovated the house in November 2004 for ₹ 2,00,000. In November 2009 he got the roof of the house changed at a cost of ₹ 3,00,000. The said house was sold by Ram in April 2019 for ₹ 62,00,000.

Ascertain the capital gains chargeable to tax in the previous year, 2019-20.

(CII : 1999-2000 ₹ 389; 2004-05 ₹ 480; 2009-10 ₹ 632; 2014-15 ₹ 1,024) 4+6=10

9. (a) Explain how depreciation allowance is computed under Income-tax Act.

- (b) Explain in brief about the deductions available in respect of expenditure on scientific research. 5+5=10

UNIT—IV

10. (a) What do you mean by total income? Distinguish between 'Deduction of Tax' and 'Exemption of Tax'. Who are 'specified persons' as per the Income-tax Act, 1961? 2+2+1=5

- (b) From the previous year ending on 31.03.2019, Mr. Banik supplied the following information :

Income from salary—₹ 70,000
Loss (net) from automobile business—₹ 50,000
Loss from speculative business—₹ 25,000
Short-term capital gain—₹ 30,000
Net profit from garments business—₹ 75,000
Long-term capital loss—₹ 25,000
Income from other sources—₹ 10,000

Compute total income of Mr. Banik after taken into consideration of all incomes and losses. 5

11. From the following particulars given below, compute taxable income of Mr. Das for the Assessment Year, 2020-21 : 10

Net income from manufacturing business—₹ 1,30,000
Interest on post office savings bank account—₹ 1,900

- Share of profit from partnership concern—₹ 22,000
Short-term capital gains on sale of land—₹ 24,000
Long-term capital gains on sale of house property—₹ 1,20,000
Winning from camel race—₹ 10,000
Share of income from HUF in which X is a member—₹ 8,200
Interest on bank fixed deposit ₹ 5,300 out of which ₹ 1,300 received from the account of his minor son
Expenditure incurred on medical treatment of 67 years old brother (who being a person with disability is dependent on Mr. Das)—₹ 40,000
Repayment of loan (including interest ₹ 4,000) taken for part time studies for postgraduate course in management—₹ 10,000
Donation to Prime Minister's national relief fund—₹ 20,000

12. Write short notes on any *four* of the following : $2\frac{1}{2} \times 4 = 10$

- (a) Inter-head Adjustment
- (b) Return of Loss
- (c) Notice of Demand
- (d) 80DD
- (e) 80E
- (f) 80U

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