

M. COM DEGREE END SEMESTER EXAMINATION - OCT. 2020 : JANUARY 2021**SEMESTER 3 : COMMERCE****COURSE : 16P3COMT12 : DIRECT TAXES - LAW AND PRACTICE***(For Regular - 2019 Admission and Supplementary - 2018/ 2017/2016 Admissions)*

Time : Three Hours

Max. Marks: 75

PART A**Answer any 10 (2 marks each)**

1. Who is an 'Assessee in Default' ?
2. Distinguish between capital losses and revenue losses with examples.
3. How is 'income from a mutual fund' treated?
4. How is 'income u/s (13A)' treated?
5. What is the tax treatment of URPF?
6. List any four fully taxable allowances.
7. How is unrealised rent treated for tax purposes ?
8. What is 'transfer' for the purpose of capital gains?
9. State the circumstances in which the income of the wife of an assessee is included in his total income.
10. How is deduction allowed u/s 80GG in respect of rent paid ?
11. How deduction is allowed u/s 80P?
12. How is Residential status of H.U.F. determined ?

(2 x 10 = 20)**PART B****Answer any 5 (5 marks each)**

13. Which are the interest incomes exempt from tax u/s 10(15)?
14. X, an owner of two houses, sells a residential house in Mumbai for Rs. 26,00,000 on May 1, 2018. This house was purchased by him on April 1, 2010 for Rs. 2,25,000. On May 30, 2018, he purchased a flat in Delhi for Rs. 4,00,000 for the purpose of the residence of his son-in law. Cost inflation indices for the financial year 2010-11 and 2019-20 are 148 and 289 respectively. During the previous year his only other income was from house property amounting Rs. 30,000. He deposited Rs. 40,000 in P.P.F.
Compute the chargeable amount of Capital gains and tax liability for the assessment 2020-21.
15. Mr Satyam has a big house consisting of 4 units. One portion is occupied by him and the remaining 3 are let-out. The following data is available for the assessment year 2020-21. Compute income from house property.
 - a. Municipal value(entire house) ₹ 1,00,000
 - b. Municipal taxes ₹ 10,000
 - c. Actual rent (for the year) for 3 portions ₹ 1,80,000
 - d. Insurance premium ₹ 4,000
 - e. Repairs and collections charges 6,789
 - f. One portion remained vacant for 1 month and another portion remained vacant for 2 months.
16. Mr.Jawahar purchased 200 equity shares of X Ltd. on 1.1.2005 at a cost of Rs. 60 per share. In 2010 he got 100 bonus shares from the company. In addition, he obtained 800 right shares at the same price in December 2007. During the year 2019-20, he sold the entire shares at the rate of Rs. 430 per share. Compute the capital gains assuming that the brokerage and selling expenses were Rs. 5,000.
The market value of the share on 1.4.2001 was 80 per share.
Cost inflation indexes: 2001-02 – 100, 2004-05 (113), 2007-08 (129), 2019-20 (289).

17. Income of a family includes the following

1. Mr. Prakash from business Rs.1,50,000
2. Mrs. Prakash from employment Rs 80,000
3. Minor son Rahul from interest on securities (purchased with money received from grandfather as gift) Rs 10,000
4. Minor son Raju from stage shows Rs 60,000
5. Minor daughter Remya Rs 6,000

Determine the total income of Mr. Prakash and family members

18. From the following particulars in respect of Mr. Avinash, find out the qualifying amount u/s 80C for the assessment year 2020-21:

1. L.I.C. premium on his own life Rs. 22,000
2. Sum assured on the above policy is Rs. 2, 00,000.
3. Contribution to P.P.F. Rs. 10,000.
4. Contribution to U.R.P.F. Rs. 8,000.
5. Subscription to N.S.C. (VIII issue) Rs. 9,000.
6. Accrued interest on N.S.C. Rs. 7,500.
7. Repayment of bank loan for the construction of his own house Rs. 21,000.
8. Investment in infrastructure bonds Rs. 40,000.
9. Amount deposited in Post Office Savings Bank account Rs.5, 800.

19. Calculate the income tax payable by the following persons for the assessment year 2020-21 :

(i) Total income of Shri Satish Agarwal is Rs. 6, 70,000.

(ii) Total income of Shri Ashok Gupta is Rs. 11, 50,000.

Assume that the total income of Shri Satish Agarwal includes long-term capital gains Rs. 75,000 and that of Shri Ashok Gupta includes long-term capital gains of Rs. 2, 00,000.

20. Which are the rules relevant for the assessment of a Hindu Undivided Family?

(5 x 5 = 25)

PART C

Answer any 3 (10 marks each)

21. The following particulars relate to the income of Sri Rajeev Mehta for the Previous Year 2019-20:

He is employed in a cotton textile mill at Bengaluru on a monthly salary of Rs. 25,000. He is also entitled to a commission @ 1% of sales effected by him. The sale effected by him during the previous year amounted to Rs. 40, 00,000. He received the following allowances and perquisites during the previous year :

- i. Dearness pay @ Rs. 6,000 per month.
- ii. Bonus @ two months basic salary.
- iii. Entertainment allowance @ Rs.2,000 per month.
- iv. House Rent Allowance @ Rs. 5,000 per month.
- v. The employer paid Rs. 10,000 towards the income-tax liability of Sri Rajeev Mehta.
- vi. The employer provided him L.T.C. of Rs. 35,000 for going to Simla.
- vii. He has also been provided with gas, electricity and water facility and employer spent Rs. 15,000 on these.
- viii. The employer gave him cotton worth Rs.1, 000 free of cost.
- ix. He and his employer both contributed 15% of his salary to his recognised provident fund and interest credited to this fund @ 9% amounted to Rs.30,000 during the previous year.
- x. He spent Rs. 6,000 per month as rent of the house occupied by him in Bengaluru.

Compute his taxable income under the head 'Salaries' for the Assessment Year 2020-21.

22. Given below is the profit and loss account of a merchant for the year 31-03-2020

Particulars	Amount	Particulars	Amount
Opening stock	25,000	Sales	6,00,000
Purchases	2,50,000	Rent	15,000
Wages	1,00,000	Interest on fixed deposits	3,000
Audit fees	1,000	Dividend from Indian company	7,500
Repairs (house)	2,000	Bad debts recovered (allowed earlier)	2,300
General charges	1,500	Closing stock	35,000
Commission for raising loan	1,000		
Bad debts reserve	500		
Bad debts	2,000		
Interest on capital	1,500		
Contribution to staff welfare fund	2,500		
Provision for Income Tax	10,500		
Income Tax	3,000		
Sales tax (due)	3,300		
Income Tax paid	21,000		
Advertisement (made by bearer cheque)	6,500		
Donations	2,500		
Depreciation (allowed)	2,29,000		
Net profit	6,62,800		6,62,800

Other information:

- Income of ₹ 4,500 accrued during the PY is not recorded in the profit and loss account.
- Wages include ₹ 5,000 paid to a worker employed at home.
- Donations were given to approved institutions.

Compute income from business.

23. Sri Chowdhry is Purchase Officer in a company in Kota (population exceeding twenty-five lakh). He furnished the following particulars regarding his income for previous year 2019-20 :

(i) Net basic Salary Rs. 1, 80,000 which is after deducting Rs. 2,000 for income tax, Rs. 10,000 as contribution to recognised provident fund and rent of the bungalow Rs. 3,600. (ii) Bonus Rs. 15,000. (iii) Travelling allowance for official duty travelling Rs. 25,000. (iv) Reimbursement of medical bills Rs. 15,000 (treatment was done in a government hospital in India), (v) He lived in a bungalow belonging to the company. The company has provided on this bungalow the facility of a gardener and a cook each of whom is being paid a salary of Rs.250 per month and Rs. 800 per month respectively. The company paid in respect of this bungalow Rs. 4,800 for electric bill and Rs.1, 200 for water bill, (vi) He has been provided with a large car for official and personal use. The maintenance and running expenses of the car (including driver) are borne by the company. (vii) The following amounts were deposited in his provident fund account: (a) own contribution Rs. 10,000, (b) company's contribution Rs. 10,000, and (c) interest @ 9.5% p.a. Rs.9,075.

Compute his taxable income from salary for the Assessment Year 2020-21.

24. From the following particulars of Sri Vivek, calculate his gross tax liability for the assessment year 2020-21 :

	Rs.
Salary	1,49,000
Business Income	4,70,000
Royalty on Books for Colleges	30,000
Rent from House Property	20,000
Dividend Income	15,200
Interest on Govt. Securities	8,800
Income of a Minor Son	15,000
Long-term Capital Gains	30,000
Contribution to P. P. F.	30,000
Life Insurance Premium Paid	10,000
Health Insurance Premium Paid by cheque	8,000
Donation to National Defense Fund	5,000

25. Pritam occupies two flats for his own residence, particulars of which are as follows:

	<i>Flat I</i>	<i>Flat II</i>
	Rs	Rs
Municipal valuation	90,000	45,000
Fair rent	1,20,000	40,000
Standard rent	80,000	N.A
Municipal Taxes paid	10%	10%
Fire Insurance Premium	1,000	600
Interest on loan (taken after 31.3.1999)	40,000	Nil

Income of Pritam from business is Rs.8, 50,000. You are informed that Pritam could not occupy flat II for 2 months, attained age of 65 years on 30.3.2019 and deposited Rs. 70,000 towards Public Provident Fund. Determine the taxable income and tax liability for the assessment year 2020-21.

(10 x 3 = 30)