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**Bachelor of Commerce 6th Semester
(2040)**

DIRECT TAX LAW

Paper—BCM—601

~~Time Allowed : Three Hours~~

[Maximum Marks : 80]

Note: Attempt 50% of Total Questions of Question Paper. Time: 2 Hours
All will carry equal marks. Fraction will be lower digit.

SECTION—A

1. Explain the provisions of Income Tax with regard to set off of losses.
2. What are the provisions relating to deduction of tax in respect of income from interest on securities ?
3. Explain the powers of Commissioner of Income Tax.
4. The gross total income of Mrs. Usha amounted to Rs. 6,00,000 in the previous year ending on 31st March, 2019. She has made the following donations :

(i)	To Gujarat Earthquake Relief Fund	40,000
(ii)	To Africa (Public Contributions India) Fund	10,000
(iii)	To approved Educational Institutions	15,000
(iv)	To approved Temples	35,000
(v)	Clothes distributed to poor	5,000

- | | |
|--|--------|
| (vi) To Municipal Corporation for promotion of family planning | 20,000 |
| (vii) To P.G.I. Chandigarh for helping the poor and needy in cash | 20,000 |
| (viii) During the year he also donated Rs. 20,000 to Clean Ganga Fund. | |

Compute the amount of deduction admissible u/s 80 G for the assessment year 2019-20.

5. (a) Mr. A has business profit of Rs. 3,45,000 and received Rs. 8,000 as $1/8^{\text{th}}$ share of profits of an association of persons during the previous year ending March 31, 2019. Calculate his tax liability.
- (b) What difference it will make if total income of A is Rs. 2,47,000 and his $1/2$ share from AoP (which has no such member whose individual income exceeds maximum exempted limit i.e., Rs. 2,50,000) is Rs. 80,000 ?
6. The total income of an AoP in which A, B and C are members share profits and losses in the ratio of 1 : 2 : 2 was assessed at Rs. 16,000. In computing the total income of Rs. 16,000 the Income Tax Officer has made the necessary adjustments in respect of the following sums :
- Salaries of Rs. 12,000 and Rs. 8,000 to A and B respectively.
- Interest of Rs. 1,000, Rs. 6,000 and Rs. 25,000 to A, B and C respectively.
- Commission of Rs. 2,000, Rs. 5,000 and Rs. 7,000 to A, B and C respectively.
- C has borrowed capital for his investment in the firm and had paid interest of Rs. 15,000 separately to the lender. Compute the share of the respective partners for their individual assessment.

4×5

SECTION—B

7. Under what circumstances income of other persons can be included in the income of assessee under Income Tax Act, 1961 ?
8. Discuss briefly the provisions of Income Tax Act regarding deductions to be made in computing the total income of an assessee in respect of certain payments.
9. Mr. Singh, a resident of India, submits the following particulars of his income for the assessment year 2019-20 :

(i) Income from house let out (computed)	9,500
(ii) Profit from radio business	19,600
(iii) Profit from Electric business	1,800
(iv) Speculation income	1,900
(v) Short-term Capital Gains	3,200
(vi) Long term Capital Gains	9,250

Current year's depreciation relating to electric goods business is Rs. 2,500.

The following items have been brought forward from proceeding assessment year :

(i) Loss from cycle business discontinued during the previous year 2017-18	3,900
(ii) Loss from electric business	2,700
(iii) Loss from radio business	1,900
(iv) Unabsorbed depreciation of electric business	1,000
(v) Unabsorbed family planning expenditure	2,600
(vi) Speculation loss	3,200
(vii) Short-term Capital loss from the year 2015-16	4,100
(viii) Long term Capital loss from the year 2016-17	6,450

You are required to compute his gross total income and deal with the carry forward of losses.

10. Following are the particulars of income of Mr. A :

- (I) (i) Pay Rs. 16,800 p.m.
(ii) D.A. Rs. 7,200 p.m. (Enters into pay for service benefits)
(iii) Additional D.A. Rs. 3,000 p.m.
(iv) Bonus one month's salary (Pay + DA which enters)
(v) Rent free residential accommodation at New Delhi (population above 25 lakhs) :

Annual rental value of the house owned by employer is Rs. 48,000 and cost of furnishing is Rs. 94,000.

- (vi) Employer contributes @ 12% of salary to RPF Account.

- (II) He owns two houses. These are let out at A Rs. 6,000 p.a. and B at Rs. 10,000 p.a. The Municipal rental value of these houses is A Rs. 5,000 p.a. and B Rs. 12,000 p.a.

The expenses in respect of these houses are :

	House A	House B
Municipal Taxes	400 p.a.	1,200 p.a.
Ground Rent	500 p.a.	800 p.a.
Fire Insurance Premium	200 p.a.	300 p.a.
Interest on loan taken to purchase the houses	4,820	5,760
Interest on mortgage (Loan taken for the marriage of daughter)	1,500	Nil

(III) Mr. A had gifted Rs. 1,50,000 to his daughter-in-law on 1-5-2017 and it was invested in 10% debentures of a company. Interest accrues on 1st May every year.

(IV) His long term savings are :

	Rs.
(i) His contribution to RPF	2,400 p.a.
(ii) Life Insurance premium on his own life	6,000 p.a.
(iii) Deposited in NSS 1992	10,000

(V) During the year he won a lottery prize and received Rs. 35,000.

(VI) During the year he earned interest on debentures Rs. 45,000.

(VII) His father who is a senior citizen is dependent on him is suffering from cancer (a specified disease) and his treatment is going on in hospital. During the year he incurred an expenditure of Rs. 1,20,000 whereas he received an insurance claim of Rs. 60,000.

(VIII) During the year he sold his plot for Rs. 3,00,000 which he purchased only a year ago for Rs. 2,60,000.

Compute his total income and tax payable for the A/Y 2019-20.

2×15

SECTION—C

11. Discuss the provisions of the Income Tax Act regarding various penalties to be imposed on an assessee.

12. What is meant by Best Judgement Assessment ? Under what circumstances it can be made ? Discuss the remedies open to an assessee against such assessment.
13. X is the Karta of a Hindu Undivided Family, Y and Z are his two major sons. From the following particulars, compute the total income and tax of H.U.F. :
- (i) The H.U.F. runs a business in Cotton Textiles. The net profit of the business was Rs. 2,11,000 after charging Rs. 11,000 paid as salary to Y and Z for their help in running the business.
 - (ii) Profit and Loss Account shows an entry of drawing of Rs. 20,000.
 - (iii) The assessee has failed to furnish satisfactory explanation regarding a deposit of Rs. 20,000 in the name of X.
 - (iv) Remuneration received by Karta for acting as Director of a company in which H.U.F. holds shares worth Rs. 2 lakhs : Rs. 10,000.
 - (v) Interest on debentures received by H.U.F. Rs. 6,944. Tax deducted at source Rs. 1,736 (HUF did not submit PAN to deductor).
 - (vi) Sale proceeds of a shop acquired in 1998, sold on 31-12-2018 for Rs. 4,75,000. Fair market value on 1-4-2001 estimated to be Rs. 1,25,000 (C.I.I. for 2001-02 is 100 and for 2018-19 is 280).

- (vii) H.U.F. has paid Rs. 12,000 as premium on the Life Insurance Policies of Y and Z for Rs. 2,00,000. Life Policies were taken in 2005.
- (viii) One of his major sons is working as Manager in a Private Limited Company as is getting a salary of Rs. 60,000 p.a.
- (ix) Deposited Rs. 2,000 in PPF on the name of Z.
14. Savir and Surbhi are partners in a firm assessed u/s 184 of Income Tax Act, 1961.

Profit and Loss A/c
for the year ending 31-3-2019

	Rs.		Rs.
To General Expenses	2,00,000	By Gross Profit	5,00,000
To Salaries to Staff	30,000	By Refund of Sales	
To Salary to Savir	1,50,000	Tax (allowed earlier)	50,000
To Salary to Surbhi	1,00,000	By Rent from House	
To Interest on Capital		Property	72,000
@ 15% :		BY LTCG on sale	
Savir 18,000		of jewellery	1,00,000
Surbhi <u>15,000</u>	33,000		
To Donation to DAV			
College Managing			
Committee			
(approved u/s 80 G)	20,000		
To Net Profit	1,89,000		
	7,22,000		7,22,000

Additional Information :

- (i) Salary and interest to partners have been paid as per deed.
- (ii) General expenses include Rs. 40,000 as cost of computer installed in August, 2018.
- (iii) Rent from house property includes rent of vacant plot of firm leased out @ Rs. 2,000 p.m.
- (iv) Jewellery had been given to firm by Surbhi as her Capital Contribution.

Calculate :

- (A) Total Income and Tax Liability of firm
- (B) Business Income of Partners.

2×15