

Reg. No. :

Code No. : 32042 E Sub. Code : SECO 6 A/
AECO 61

B.Com.(CBCS) DEGREE EXAMINATION, APRIL 2023.

Sixth Semester

Commerce – Core

Major Elective – INCOME TAX LAW AND
PRACTICE – II

(For those who joined in July 2017–2020 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Which of the following expenses are disallowed while calculating Capital Gains?
 - (a) Cost of acquisition of asset
 - (b) Cost of improvement of asset
 - (c) Expenses on transfer of asset
 - (d) Securities transaction tax

2. Cost of acquisition of intangible assets which is not purchased is

- (a) FMV
- (b) Cost of the previous owner
- (c) Nil
- (d) None of the above

Aman earned certain interest income, which he wants to offer to tax under the head "Income from other sources" on cash basis. However, he wants to claim deduction for certain expenditure on accrual basis. He can claim deduction _____.

- (a) Only on accrual basis
- (b) Only on cash basis -
- (c) Accrual or cash basis, whichever is more beneficial to him
- (d) None of the above

Which of the following conditions need to be satisfied, so that an income can be taxed under the head "income from other sources"?

- (a) Assessee has an income
- (b) Income should not be tax exempt
- (c) Income should not be taxable under any of the other heads
- (d) All of the above

5. If income from a particular source is _____ from tax, then loss from such source cannot be set off against any other income which is chargeable to tax.

- (a) Exempt (b) Not exempt
- (c) Partially exempt (d) Fully exempt

6. While making intra-head adjustment, loss from the business of owning and maintaining race horses can be set off against _____ only.

- (a) Income from winnings from lotteries
- (b) Income from crossword puzzles
- (c) Income from business of owning and maintaining race horses
- (d) Income from card game

7. Deduction u/s 80CCD is allowed to an individual assessee who is employed by either any employer or _____

- (a) A Central government employee, employed before 01.04.2004
- (b) A Central government employee, employed before 01.04.2003
- (c) A Central government employee, employed on or after 01.01.2004
- (d) None of the above

X Limited employed Pratyush and contributed certain amount to his pension fund. The maximum amount of deduction allowed u/s 80CCD(2) with respect to X Ltd.'s contribution is _____.

- (a) Amount not exceeding 10% of salary of Pratyush in the previous year
- (b) Amount not exceeding 20% of salary of Pratyush in the previous year
- (c) 1,50,000
- (d) None of the above

Which of the following can be corrected while processing the return of income under section 143(1)?

- (a) any arithmetical error in the return
- (b) any mistake in the return of income
- (c) any error in the return of income
- (d) any claim by the taxpayer which is against law

10. Assessment under section 143(1) can be made within a period of _____ year from the end of the financial year in which the return of income is filed.

- (a) Four
- (b) Three
- (c) Two
- (d) One

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Mr. A purchased a piece of land for Rs.5,00,000 during the previous year 2001-02. In 2005-06 he agreed to sell it to Mr. B for Rs.9,00,000 and accepted an advance money of Rs. 50,000. Mr. B, however, failed to honour his promise and could not get the sale deed executed in his favour within stipulated time. As a result the advance money was forfeited by Mr. A now has sold this land during 2020-21 for Rs. 20,00,000. Determine the amount of capital gains chargeable to tax in the hand of Mr. A.

Or

- (b) (i) Mr. Yash sold an asset on 15.8.06 (C.I.I. : 519) for Rs. 1,14,000. The cost price of the asset purchased on 11.2.76 is Rs. 20,000. The fair market value of the same on 1.4.81. (C.I.I. : 100) was Rs. 20,000. The income of Mr. Yash from other sources during the previous year was Rs. 22,700.

- (ii) Shri Dewan who inherited building properties consisting of a residential house and a shop worth Rs. 1,38,000 sold on 1.11.06 residential property for Rs. 2,70,000 (C.I.I. : 519). The fair market value of the property sold was Rs. 50,000 on 1.4.81 (C.I.I. : 100) His income from all other sources was Rs. 12,000.

In the above problem how will the capital gain be treated?

12. (a) Mr. Ankit received the following gifts during P.Y. 2020-21
- (i) He received a gift in cash of Rs. 20,000 from his uncle on 30.6.2020
- (ii) He received a cheque of Rs. 30,000 as a gift from his brother on 10.11.2020
- (iii) He received a gift of Rs. 21,000 on his wedding from Mr. X on 1.12.2020.

Calculate the amount of taxable gifts chargeable under the head 'Other sources'.

Or

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- (b) Mr. X received the following gifts during the previous year 2020-21. Compute his taxable income under the head "Income from other Sources":
- (i) Received Rs. 30,000 as gift from his sister on 1.1.2021.
- (ii) Received Rs. 40,000 as gift from his friend Mr.D on 1.12.2020.
- (iii) Received Rs. 1,60,000 as gift from his non-resident friend on 1.2.2021.

13. (a) Compute taxable income and loss to be C/F:
- (i) Business profit for the P.Y. 2020-21 – Rs. 20,000
- (ii) B/F Business Loss of 2018-19 – Rs. 10,000
- (iii) Capital loss on shares - Rs. 60,000
- (iv) Loss from self-occupied house (U/S 24) – Rs. 5,000

Or

- (b) Mr. A (aged 35 years) submits the following particulars pertaining to the A.Y. 2020-21.

Particulars	Rs.
Income from salary (computed)	4,00,000
Loss from self-occupied property	(-) 70,000
Loss from let-out property	(-) 1,50,000
Business loss	(-) 1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. A for the A.Y. 2020-21.

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14. (a) ABC, a partnership firm, owns an industrial unit manufacturing motor spare parts since 2005 employing 50 employees. On 1st May, 2020 it employed 20 additional employees to meet the increased demand. Total emoluments paid to each additional employees is Rs. 9,000 p.m. Find out the deduction available u/s. 80JJAA for the assessment year 2021-22.

Or

(b) Mr. Raja Naidu is carrying on the profession of chartered accountancy and his professional gain for the year was Rs. 1,62,000. During the year 2020-21 he gave Rs.20,000 to National Rural Development Fund. What will be the treatment of this donation?

15. (a) The total income of an individual (45 years old) computed under the normal provisions of Income Tax Act is Rs. 10,00,000. However, the 'adjusted total income' of the individual [computed as per section 115JC(2)] amounted to Rs. 30,00,000. Calculate the final tax liability of the individual for A.Y. 2021-22.

Or

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(b) From the following information, compute the tax liability of R, for the assessment year 2021-22.

Business income – Rs. 4,60,000

Receipt from sale of trees of spontaneous growth – Rs. 1,00,000

Agricultural income – Rs. 60,000

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Mr. X purchased shares of various companies worth Rs. 1,40,000 during 2011-12 (C.I.I.=184). On 1.11.2015 (C.I.I.=254) he became dealer in shares and securities and converted his shares into stock in trade. The F.M.V. on the date of conversion was Rs. 3,00,000. These shares were sold on 5.2.2021. (C.I.I.=301) at Rs. 4,00,000. Compute his capital gain and business profit.

Or

(b) Mr. H submits the following particulars about sale of asset during the year 2020-21. Jewellery – Sale price = Rs. 5,00,000. Expenses on sale = Rs. Nil, Cost of acquisition Rs. 1,50,000. Year of acquisition 2007-08, C.I.I. 129. He has purchased a house for Rs. 12,00,000 on 1.3.2021. Calculate the amount of taxable capital gain if C.I.I. for 2020-21 is 301.

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17. (a) Mr. X received the following gifts during the previous year 2020-21. Compute his taxable income under the head "Income from other Sources":

- (i) Received Rs. 1,00,000 as gift from Y (friend) on 1.6.2020.
- (ii) Received a Microwave costing Rs. 14,500 as gift from his another friend Z.
- (iii) Received Rs. 50,000 as gift from another friend Amrit on 1.11 .2020.

Or

(b) Mr. G. Bedi owns horses at Bombay. These horses run for races at the race course. During the year 2020-21. Mr. Bedi submits the following information: (i) expenses on race horses at Bombay = Rs. 2,60,000. (ii) Stake money earned by horses at Bombay = Rs.1.20,000. (iii) Mr. Bedi received Rs. 1,05,000 on 1.7.2020 on betting during horse races at Bombay, Compute his taxable income under other sources.

18. (a) The following are the particulars of income/loss of Mr. A. You are required to set-off losses and carry forward and set-off where necessary.

Particulars	A.Y.2020-	A.Y.2021-
	21 (Rs.)	22 (Rs.)
Income from salary (computed)	15,000	15,000
Income from interest on securities (Gross)	5,000	5,000
Loss from business	53,000	15,000
Short-term capital gain	8,000	-
Long-term capital gain(Land)	21,000	-

Or

(b) The following are the particulars of income and loss of an individual under different head of income. Set off losses in the A.Y. 2021-22 and find out gross total income:

Particulars	Rs.
Income from house property A	5,000
Income from house property B	(-) 8,000
Income from interest on securities	20,000
Income from a cycle business	(-) 20,000
Profit from speculation business	20,000
Loss from short-term capital asset	6,000
Long-term capital loss	25,000
Long-term capital gain(Investment)	21,000

19. (a) Mr. X is a government employee and he, his 65 years old father (who is not dependent on him) and his son are suffering from notified illness. He has incurred the following expenses on treatment:

Particulars	Rs.
On his own treatment	50,000
Amount reimbursed by employer	20,000
On treatment of his son	40,000
Insurance claim received	18,000
On treatment of his father	60,000
Insurance claim received	16,000

Calculate the amount of deduction u/s. 80DDB. Also calculate the amount of this deduction in case his father is dependent upon him.

Or

- (b) (i) Mr. Raja Naidu is carrying on the profession of chartered accountancy and his professional gain for the year was Rs. 1,62,000. During the year 2020-21 he gave Rs. 20,000 to National Rural Development Fund. What will be the treatment of this donation?

- (ii) Mrs. Raja Naidu is serving with a company and her income computed under the head 'salaries' for the year ending 31.3.2021 was Rs. 1,39,000. She gave Rs. 10,000 to Ganga Development Board which is carrying on a project approved u/s. 35AC. What will be the treatment of this donation?

20. (a) From the following Receipts and Payments Account for the year ended 31st March 2021 Dr. Handa and from further particulars given below, compute his total income and tax payable.

Receipts	Rs.	Payments	Rs.
To opening cash balance	1,024	By consulting room expenses	12,000
To consultation fees	90,000	By cost of X-ray machine	60,000
To salary from medical college	2,66,000	By car expenses	6,000

Receipts	Rs.	Payments	Rs.
To short term capital gain on sale of shares (STT not paid)	38,976	By life insurance premium	20,000
To interest from bank (fixed deposit)	23,200	By Son's marriage expenses	5,000
To loan from bank	10,000	By advance income tax	5,000
To cash gifts on Son's marriage	10,000	By household expenses	1,72,000
		By closing cash balance	<u>1,59,200</u>
	<u>4,39,200</u>		<u>4,39,200</u>

Particulars:

- (i) $\frac{1}{2}$ of car expenses are treated as personal.
- (ii) He deposited Rs. 5,000 in P.P.F on 30.3.2021 and Rs. 10,000 in NSC VIII issue.
- (iii) A household expense includes interest on loan of Rs. 5,000 for purchase of office computer.
- (iv) He has insured himself for Rs. 2,00,000 on 1.5.2020.

Or

(b) From the particulars given below, Compute the total income and tax payable of Mr. Deb a Central Govt. employee working at Chandigarh:

- (i) (1) Salary 25,000 p.,
 - (2) D.A. @50% of salary
 - (3) T.A. Bill 5,000 p.a
- Actual expenditure 6,000 p.a
- (4) Bonus 35,000
 - (5) his contribution to statutory provident fund 2,500 p.m
 - (6) Employer's contribution to S.P.F 10% of salary
 - (7) Interest on accumulated Balance of S.P.G @ 13% 12,000
 - (8) Entertainment Allowance 1,000 p.m.
- (ii) He owns two houses, one of which is let out at a rent of Rs. 4,000 p.m and other (whose annual value is Rs. 10,000) remained vacant throughout the year on account of his employment at Ambala where he has taken a house on rent. The two houses are subject to Municipal Taxes of Rs. 5,000 and Rs. 1,000 respectively.

- (iii) During the year he sold shares of Hero Honda Ltd. and earned a short-term capital gain of Rs. 50,000 (SIT paid)
- (iv) He earned Rs. 11,500 as interest from the Government Securities and bank interest on SBI fixed deposits Rs. 11,000 and on a saving account Rs. 20,600. He pays Life insurance premium of Rs. 25,000 on his life policy of Rs. 4,00,000. He deposited Rs. 10,000 in Home Deposit Account.
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