

2021
Bachelor of Commerce
Fifth Semester
BCM-501: Income Tax Law

Time allowed: 3 Hours

Max. Marks: 80

NOTE: Attempt four short answer type questions from Section–A. Attempt two questions each from Section B and C respectively.

x-x-x

Section – A

I. Attempt any four of the following:-

- a) What is the basic principle of charging income tax as per section 4?
- b) Abhishek, an Indian Citizen left India for the first time during 2015-16. During the financial years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, he was in India for 40 days, 87 days, 60 days, 180 days and 62 days respectively. Determine his residential status u/s 6 for the assessment year 2020-21.
- c) Shukla and sons Ltd. grows rice on their lands. Details for the previous year 2019-20 are as follows:
 - i) Cost of cultivation of rice (5,000 tons) 10 lakhs
 - ii) Rice sold in market (1,000 tons) at a price of total 3 lakhs
 - iii) Rice used at his Rice Mill for business (4,000 tons)
 - iv) Cost incurred at Rice Mill is 5 lakhs
 - v) Rice furnished at Rice Mill 85 sold in market 25 lakhsCompute income of Shukla and sons Ltd. from agricultural resources only for the assessment year 2020-21
- d) Written down value of the block having two machines namely S and T as on 01.04.2019 is Rs. 600,000. Machine R was acquired on 05.11.2019 for Rs. 300,000 and put to use on the same date. Compute the depreciation allowable for the assessment year 2020-21 if Machine S is sold on 28.03.2020 for Rs. 400,000.
- e) Sunder died on 31st July 2019 while being in Central Government service. In terms of rules governing his service, his widow Mrs. Sunder is paid a family pension of 10,000 p.m. and dearness allowance of 40% thereof. State whether the amount of family pension is assessable in her hands, and if so, under what head of

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income. Can she claim any relief/deduction on such receipt? Compute taxable income for the assessment year 2020-21 and tax thereon.

- f) State the instances where the benefit of indexation is not available to any kind of assessee even if such asset is a long term capital asset. (4x5)

Section – B

- II. Incidence of tax as per section 5 depends on the residential status of an assessee. Explain about the concept of residential status and its applicability with regard to incidence of tax. (15)
- III. Explain the following:-
- a) Integration of agricultural income in total income with a hypothetical example.
 - b) Incomes u/s 10. (7,8)
- IV. Mr. Kartik aged 62 years was in the Central government service till his retirement on May 31, 2016 when he joined Singla Ltd. in which 40 percent equity shares are held by the Central Government and Punjab. Govt. During the previous year 2019-20, he gets the following from Singla Ltd:
- a) Basic salary @ Rs.20,000 per month;
 - b) Dearness Allowance @ Rs. 2,000 per month half of which is part of salary for retirement purposes;
 - c) Overtime allowance up to May 31, 2019 @ Rs. 2,000 pm;
 - d) Helper allowance for office use @ Rs. 1,000 pm (Actual expenditure @Rs. 800pm);
 - e) Medical bills reimbursement Rs. 69,000 out of which Rs. 12,000 is in respect of treatment in a government hospital.
 - f) Free gas and electricity only for personal use Rs. 24,000;
 - g) Free telephone facility at residence Rs. 9,000;
 - h) Free lunch in office Rs. 10,500 which is paid directly to canteen @ Rs. 35 per day for 300 days;
 - i) Interest free loan for house Rs. 200,000 for six years(SBI lending rate as on April 1, 2019 is 9.40% pa)

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- i) Earned leave encashment Rs. 16,000 (as per service rules, Mr. Kartik is entitled for 2 days leave for each month of service and during 2019-20, he has encashed 24 days leave earned during the year);
 - j) Mediclaim insurance on his life paid is Rs. 5060 and on his brother's life who is not dependent on Kartik, he is reimbursed Rs. 4,100;
 - k) Leave travel concession for Kartik and his family Rs. 46,500 and no journey is undertaken during the previous year 2019-20;
 - l) Up to May 31, 2019, Kartik has been paid house rent allowance of Rs. 4,000 pm at a house in Delhi (rent paid in Delhi is 4,000 pm) and from 1st June onwards, he has been provided a rent-free furnished house at Saket, New Delhi whose lease rent is Rs. 15,000 pm. He has been provided furniture from 15, Sep, 2019 of the value of Rs. 20,000. Further, Singla Ltd paid for repair of house Rs. 6,000 and rent of AC system Rs. 9,000;
 - m) Income from other sources for Mr. Kartik is Rs. 793,367 which includes government pension of Rs. 120,000
 - n) Find out the taxable income tax and liability of Kartik for the assessment year 2020-21 on the assumption that Kartik annually contributes Rs. 30,000 towards recognized provident fund and Rs. 110,000 in public provident fund. (15)
- V. X owns a residential house property. It has two equal residential units- Unit-1 and Unit-2. While Unit 1 is self-occupied by X for his residential purpose, Unit-2 is let out (rent being Rs. 6,000 per month where rent of two months could not be recovered). Municipal value of the property is Rs. 130,000, standard rent is Rs. 125,000 and fair rent is Rs. 140,000. Municipal tax is imposed @ 12 per cent which is paid by X. Other expenses for the previous year 2019-20: Rs. 250 as repairs, Insurance Rs. 600, interest on capital (borrowed in 1997) for constructing the property Rs 63,000. Find the income of X for the assessment year 2020-21 on the assumption that income of X from other sources is Rs. 180,000. (15)

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Section – C

- VI. Elaborate on the following with regard to Capital Gains:
- Capital Gain Accounts Scheme 1988
 - Exemptions available to an individual on transfer of a Capital Asset u/s54. (5,10)
- VII. Explain the following:-
- Undisclosed incomes and investments found credited in the books of business or profession.
 - Expenditure incurred on Scientific Research u/s 35 (7,8)
- VIII. From the following particulars of Shri Khote for the year ending 31st March, 2020, find out his taxable income from business for the assessment year 2020-21:

To Opening Stock	1,20,000	By Sales	2,14,20,000
To Purchases	2,10,00,000	By Profit on sale of import licence	5,000
To Salaries	25,000	By Gift received	24,000
To Legal Expenses	10,000	By Closing Stock	2,00,000
To Bad Debts	5,000		
To Rent	50,000		
To Interest on loan	2,500		
To Depreciation	15,000		
To Income tax paid	2,000		
To Outstanding Customs Duty	25,000		
To Advertisement	2,000		
To Legal expenses	12,000		
To Contribution towards URPF	5,000		
To General expenses	17,500		
To Traveling expenses	1,00,000		
To Net Profit	2,58,000		
	2,16,49,000		2,16,49,000

In computing the income, the following facts are to be taken into consideration:

- Interest on loan is paid to brother of Shri Khote for loan taken for payment of advance income tax.
- During the previous year 2015-16, assessee had claimed Rs.45,000 as bad debt out of which only Rs. 35,000 was allowed. During the previous year, he recovers Rs. 25,000.
- Contribution towards unrecognized provident fund was paid within time.
- Legal expenses include Rs. 2,000 paid for preparation of income tax return.
- Stock is undervalued by 10%.

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- f) Gift received was given by a supplier for achieving target sale.
- g) Outstanding customs duty has been paid on 31-12-2020.
- h) During the previous year, he comes to know that his former employee had embezzled cash of Rs. 5,000 on 31-3-2019, which was not accounted for.
- i) Traveling expenses include Rs. 50,000 being cost of trip to Singapore by an employee for 10 days. However, only 8 days of trip is useful to business and 2 days has been allowed as holiday to employee.
- j) Rent includes expenditure on extension of shed on rented building Rs. 26,000. However, such extension was completed on 1-5-2020 with total cost of Rs. 50,000.
- k) General expenses includes -
- Salary of Rs. 1,200 paid to domestic servant.
 - Compensation of Rs. 2,000 paid for retrenchment of an employee.

Compute his business income for the A.Y. 2020-21.

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IX. Do as directed:

- a) Deepak acquired a building in 1994 for Rs. 500,000. He spent Rs. 140,000 in year 1999 for some additions to that building. He further spent Rs. 200,000 for construction of additional room in the year 2004-05. Deepak expired in 2012-13 and the same property was passed on to his son Bhim under a will. The market value as on that date was Rs. 20,00,000. Bhim spent Rs. 3,00,000 on 05.01.2014 for further additions in that building. On 06.07.2016 the building was converted into stock in trade. Market value of that building as on that date was Rs. 35,00,000. The above building was sold on 05.01.2020 for Rs. 39,00,000. Compute capital gain and any other income which is liable to tax. Market value of the above building as on 01.04.2001 was Rs. 850,000. CII of previous years 2004-05, 2012-13, 2013-14, 2016-17 and 2019-20 is 113, 200, 220, 264 and 289 respectively.

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- b) Calculate the total income from other resources for Mr. Lovedeep Singh, being a ordinarily resident, for the previous year 2019-20:

Interest received from 10% debentures	29,700
Interest on Postal Savings Bank account	3,000
10% dividend received on preference shares of Rs. 10 each amounting to Rs. 225,000	22,500
Gross winnings from horse race	12,300
Dividends received from a foreign company	1,700
Gift received from father's brother.	45,000
Net proceeds from lottery income	7,000
Total equity dividends received from Indian companies	12,00,000
Gift from his employer	10,000
Scholarship of Rs. 120,000 from a charitable institution registered u/s 12AA	120,000

(7,8)

X-X-X