

Exam.Code:0016  
Sub. Code: 0835

2071  
Bachelor of Commerce  
Sixth Semester  
BCM-601: Direct 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

- Q1. Write deduction in respect of investment made in equity shares and deduction in respect of royalty income.
- Q2: Under what circumstances income of other persons can be included in the income of assessee under Income Tax Act, 1961?
- Q3. Calculate the tax liability of Mr Ramesh (56 years), a Central Government employee working at Bhopal with the following particulars:
- (a) Salary Rs 25,000 p.m.
  - (b) D.A 50 % of salary
  - (c) Long term capital gain Rs 50000
  - (d) During the year he sold shares of Hero Honda Ltd. and earned a short-term capital gain of Rs 50,000 (Short-term capital gain)
- Q4. Mr. E a member of HUF consisting of his two elder brothers and their children. No partition of HUF has taken place. HUF owns agricultural land and during the year it earned Rs 76,000 as agricultural income. Mr. E received Rs 11,000 as his share out of this agricultural income. State whether Rs 11,000 are taxable or exempted in the hands of Mr. E or not?
- Q5. XYZ is a firm assessed u/s 184 consisting of three partners x, Y and Z. X and Y are partners in their capacity as karta of their respective HUFs. Mrs. X had invested Rs 20,000 out of her own money in the firm. From the previous year 2019-20 the Assessing Officer wants to disallow interest of Rs 3,200 paid by the firm to Mrs. X on the ground that Mrs. X, being a member of X's HUF (which is represented by X in the firm) is a partner in the firm and as a consequence interest paid to her is disallowable under section 40 (b). Is he legally justified?
- Q6. Atul, a resident, is due to receive Rs 6.50 lacs on 31-3-2020, towards maturity proceeds of LI policy taken on 1-4-2014, for which the sum assured is Rs 5.25 las and annual premium is Rs 1,25,000. Examine the applicability of the provisions for tax deduction at source under section 194DA.

Section B

- Q7. Write a detailed note on set-off and carry forward of losses.
- Q8. Write notes on:
- (a) Deductions u/s 80G
  - (b) Rebate and Relief

P.T.O.

Q9.

The incomes and losses of Dr. Krishan for the previous year ended 31st March, 2020 are detailed below. Compute his taxable income for the assessment year 2020-21 :

	₹
(a) Income from salary (Computed)	1,72,000
(b) Income from profession	1,60,000
(c) Profit from a business concern	43,200
(d) 1/2 share of loss from an AOP	52,000
(e) Interest on securities (gross)	12,500
(f) Income from house property (let-out)	36,000
(g) Interest on debentures of Indian companies	13,500
(h) Royalty from a patent medicine	32,500
(i) Income from Calcutta University for examining papers	2,800
(j) Profit from sale of motor car used for personal purposes	30,000

Dr. Krishan was the owner of two houses of which one was let out at a monthly rent of ₹ 5,000 while the other was occupied by him. The fair rent of the house occupied by him was ₹ 45,000 (annual value). He paid municipal tax for the house let out ₹ 5,000 and for the house occupied ₹ 4,500. He took a loan to construct the self occupied house and is paying ₹ 24,000 p.a as interest.

He bought a new car for personal use at a cost of ₹ 80,000 and sold his old car which he had purchased in the year 2012.

He paid Life Insurance Premium ₹ 20,000 for policy worth ₹ 1,50,000. Policy was taken in 2008. He also contributed towards recognised provident fund ₹ 17,200. His employer's contribution was however, limited to 10% of basic salary.

During the year he donated ₹ 5,000 to Indian Red Cross Society and also donated ₹ 10,000 in P.M's National Relief Fund.

Q10.

Shri Sunil Khandelwal 61 years old, branch manager of the Hindustan Lever Ltd., Ludhiana [Population above 25 lakhs] has furnished the following details with regard to his income for the year ended on 31st March, 2020 :

- (a) (i) Salary @ ₹ 18,000 p.m.
- (ii) Bonus ₹ 18,000
- (iii) Conveyance Allowance @ ₹ 500 p.m. He did not spend anything in performance of his official duties.
- (iv) Entertainment allowance @ ₹ 500 p.m.
- (v) Provided with an unfurnished house by the employer at ₹ 2,000 p.m. for which the company is paying a monthly rent of ₹ 4,000.
- (vi) Personal medical bills reimbursed by the employer, ₹ 20,000. He got medical treatment in a private hospital.
- (vii) His contribution to Company's unrecognised provident fund is @ ₹ 400 per month. The employer contributes an equal amount. The interest credited to the Provident Fund A/c at 9% per annum is ₹ 4,000.
- (b) Interest on Government Securities ₹ 30,000.
- (c) (i) Sold on 1st April, 2019 [C.I.I. = 289] one house for ₹ 3,99,600. This house was purchased by him on 1st April, 1991 for ₹ 25,000. The market value of this house on 1st April, 2001 [C.I.I. = 100] was ₹ 1,20,000.
- (ii) Sold another house also on 1st April, 2019 for ₹ 1,05,000. This house was purchased by him on 1-6-2017 for ₹ 28,000.
- (d) Income from units of the Unit Trust of India, ₹ 6,000 and Bank interest ₹ 19,150, i.e., ₹ 15,000 on a fixed deposit and ₹ 4,150 on a saving account in a bank.
- (e) Life Insurance premium paid during the year ₹ 14,000 on a policy of ₹ 2,00,000 and he invested ₹ 30,000 in flexible bonds of IDBI (notified u/s 80C) on 31-3-2020.
- (f) Donation to Prime Minister's National Relief Fund ₹ 2,000.
- (g) Donation to the Government to be utilised for the promotion of family planning ₹ 2,500.

Work out his Total Income and tax liability for the assessment year 2020-21.

**Section - C**

**Q11.** What are the authorities provided by the income-tax Act for administration of tax? What are the powers of the Commissioner of Income tax in regard to search and seizure under section 132?

**Q12.** Explain the provisions relating to tax deducted at source. Also state briefly the provision relating to advance payment of taxes

**Q13.** Following are the particulars of income of co-parceners of an H.U.F. consisting of Mr. A, B and C (brothers) and A being the eldest is the Karta.

**Business Income:**

Family is running a Jewellery shop in Jaipur and its profit for the year ending on 31<sup>st</sup> March, 2020 is Rs. 5,36,500.

During the previous year 2018-19, family suffered a loss of Rs. 1,50,000 for which a return u/s 139 was filed in time.

Family entered into a partnership firm in 2012 to set up a small scale industrial unit and invested ₹ 5,00,000. Mr. C, a co-parcener was made as one of the partners and during the year the share of profit is ₹ 3,00,000.

**House Property Income :**

Family had an ancestral plot on which constructed 3 houses. One house is under the occupation of the family and the other two are let out at a rent of ₹ 15,000 p.m. each. Family borrowed ₹ 10,00,000 @ 10% for the construction of these houses. All these houses were completed in 2014. Loan of ₹ 4,00,000 was returned in July 2018 and balance amount of loan is still outstanding.

**Income from Other Sources :**

Interest on Govt. Securities—(Net of TDS)

Dividend from U.T.I.

Dividend from a Co-operative Society

Interest on debentures in the name of Karta—Mr. A (Amount invested out of family funds)

**Capital Gains :**

Long term capital gain from sale of an old plot

Long term capital gain on sale of Jewellery

Short term capital gain from sale of shares (STT paid)

Short term capital loss from sale of shares (STT paid)

Compute H.U.F.'s total income and tax liability for the assessment year 2020-21.

**Q14.**

From the profit and loss account of Mishra Traders, partnership firms, for the year ending 31st March, 2020. Compute taxable income and tax liability for the assessment year 2020-21 :

**Profit and Loss Account**

To	₹	By	₹
Salaries		Gross Profit	
Rent	36,000	Commission	96,000
Electricity and Water	12,000	Scrap Sales	5,000
Rent, Rates and Taxes	2,200	Refunds Received	5,000
Motor Car Expenses	2,500	on Excise Penalty	2,500
Entertainment Expenses	9,000	Income-tax refund	7,700
Repairs	3,000	Surplus on Sale of Plot	15,000
Depreciation	6,000		
Trade Expenses	8,000		
Legal Expenses	6,500		
	4,100		
Net Profit	41,900		
	<u>1,31,200</u>		<u>1,31,200</u>

**Other Particulars**

- Salaries included ₹ 12,000 paid to managing partner X.
  - Rent include ₹ 6,000 paid to a partner for the premises occupied by the firm.
  - Rent, rates and taxes include municipal taxes of ₹ 1,000 paid on the premises of the partner, to be borne by him.
  - Motor car expenses included ₹ 3,600 conveyance allowance paid to managing partner. He claims to have spent whole of such amount in performance of his duties.
  - Repairs represent cost of two electric motors replaced at a cost of ₹ 3,000 each.
    - Donation to approved Charitable Institution ₹ 1,500
    - Diwali Pooja Expenses ₹ 1,000
  - Legal Expenses include ₹ 500 paid to advocate in connection with the litigation of the partner's property;
  - Excise penalty was disallowed when debited in the earlier year, i.e. assessment year, 2019-20.
  - Plot was held by the firm for more than 36 months.
- The firm has submitted its instrument of partnership which provides for salary and allowance paid to managing partner X.