

B. Com. (H) CBCS Semester III

November/December 2020 Examination

Paper BCH 3.2: Income Tax Law and Practice

Paper Code: 22411302_OC

Duration: 3 hours

Maximum Marks: 55

Instructions : Attempt any four questions. All questions carry equal marks

Q1. Mr. Y is a person of Indian Origin, settled in America. During the financial year 2019-20, he comes to India on October 02, 2019 and went back on March 31, 2020. During the previous year 2017-18, he visited India for 230 days. Prior to that he visited India during the previous year 2015-16 for 205 days. He provides the following particulars of his income relevant for the previous year 2019-20:

	₹
1. Interest on American Development Bonds (50% received in India)	4,00,000
2. Dividend from Indian Company received in America	12,00,000
3. Interest on Savings Account with State Bank of India	1,00,000
4. Agricultural Income from land situated in Kerala	3,00,000
5. Income from business in America (two-third received in India)	6,00,000
6. Past untaxed profits for the previous year 2018-19 brought to India during 2019-20	4,00,000
7. Gift received from friends in India on the occasion of his marriage	5,00,000

Determine the residential status and Gross Total Income of Mr. Y for the assessment year 2020-21.

Q2. Ms. Ramita (age 60 years, a resident individual), an employee of ZUNICH Pvt. Ltd., Haryana, furnishes following particulars of her income, contributions and deposits etc. for the period ending March 31, 2020. Compute her total income and tax liability for the Assessment Year 2020 – 21.

- Basic salary: ₹ 70,000 p.m.
- Dearness allowance: ₹ 5,000 p.m. (forming part of retirement benefits)
- She has been provided an unfurnished house at concessional rate in Delhi. The house is taken on lease by ABC Ltd. and lease rent is ₹ 5,000 p.m. Rent recovered from her is ₹ 2,000 p.m.
- Conveyance facility provided to her to commute between office and residence. Employer incurred ₹ 3,000 p.m.
- She and her employer contributed 15% of the Salary and DA towards Recognized provident fund.

She retired from the service on January 31, 2020, after serving for 20 years and 11 months of service. At the time of retirement, she received the following emoluments:

- She received Gratuity of ₹ 10,00,000. (covered by payment of gratuity act, 1972)
- Leave encashment: ₹ 4,00,000. EL as per tax rules: NIL.

- At the time of retirement, she gets ₹ 25,00,000 on account of recognized provident fund balance.
- She received ₹ 40,000 p.m. as pension. She got 75% of pension commuted on March 01, 2020 for ₹ 18,00,000.

She receives a gift in money from her colleagues on her retirement: ₹ 65,000.

She purchases a diamond ring from her friend for ₹ 50,000. The fair market value is 1,00,000.

She paid LIC premium on the life of her major daughter ₹ 30,000 (sum assured ₹ 2,00,000). The policy was taken in 2016.

She paid medical insurance premium of ₹ 1,02,000 through account payee cheque for herself, spouse and her parents' health (all senior citizens)

Determine the net income of Ms. Ramita for the Assessment Year 2020-21.

Q 3. Surender (age 60 years) owns two houses. The details of the two houses for financial year 2019-20 are as follows:

Particulars	House I	House II
	₹	₹
Municipal Valuation	4,50,000	3,00,000
Fair Rent	4,80,000	3,30,000
Standard Rent	4,20,000	3,15,000
Annual rent	Self occupied	3,11,400
Vacancy period	--	2 months
Municipal Taxes paid:	30,000	75,000
Municipal Taxes paid by the tenant		50%

He has taken a loan of ₹ 22,50,000 from HDFC Bank @ 12% p.a. on May 15, 2015 for the construction of House I. The construction was completed on 1st February, 2019. Date of repayment of loan is 1st November, 2019. Rajat provides details of other income as follows:

Monthly Pension ₹ 75,000; Royalty received from authorship ₹ 3,50,000. Interest on savings bank deposit ₹ 15,000; interest on Fixed Deposit ₹ 90,000; winnings from game show ₹ 12,50,000. Compute the total income and tax liability of Rajat for the assessment year 2020-21.

Q4. X (Age: 62 years) furnishes the following information relevant for assessment year 2020-21:

Profit and Loss Account for the year ending 31st March 2020

Particulars	₹	Particulars	₹
Salary to Staff	54,000	Gross Profit	7,02,000
Office expenses	70,000	Rent of House Property	1,80,000
Municipal Tax of House Property	6,000	Commission received	65,000
Travelling expenses	45,000	Dividend from Foreign Company	80,000
Interest and legal expenses	1,00,000	Refund of Sales Tax	15,000
Life insurance premium	20,000		
Income tax for 2019-20	40,000		
Bad debts	60,000		
Reserve for bad debts	30,000		
Sales tax	58,000		
Depreciation	90,000		
Donation to Rajeev Gandhi Foundation	5,000		
Bonus	42,000		
Family planning expenditure	60,000		
Net profit	4,52,000		
Total	10,42,000		10,42,000

Other information:

1. X owns house property. 50% of carpet area used for own business or profession and 50% is let out at rent of ₹15,000 p.m.
2. Interest include a payment of ₹10,000 out of India on which tax has not been deducted.
3. Contribution of ₹30,000 made to a research association for the purpose of carrying an approved scientific research not related to his business which has not been debited to Profit and Loss Account.
4. Refund of Sales Tax was not allowed as deduction in earlier previous year.
5. Sales Tax of ₹58,000 includes interest for late payment of Sales Tax ₹1,500 and penalty for evading Sales Tax ₹6,000.
6. Out of Bonus of ₹42,000, ₹15,000 paid during 2019-20 and ₹18,000 paid by 31st July, 2020 (being the due date of furnishing of return of income). The balance of ₹9,000 is however paid on 11th January, 2021.

7. Family planning expenditure of ₹60,000 is incurred for the benefit of employees.
8. Depreciation as per Sec 32 is ₹1,10,000.
9. Besides X has Fixed deposits interest of ₹2,40,000 and he deposits ₹1,40,000 in Public Provident Fund Account of Mrs. X on 31st March, 2020.

Determine the taxable income and tax liability of X for the assessment year 2020-21.

Q5. Ramesh (45 years) purchased a house property on August 18,1999 for ₹ 4,50,000 (paid stamp duty @ 10 % on stamp duty value ₹ 5,00,000 in addition to purchase price). Fair Market Value of the property on April 1,2001 is ₹ 600,000. After purchasing the property , Ramesh constructs an additional room on the ground floor during 1999-2000, incurring a cost of ₹ 75,000. In the year 2018-19 he also paid ₹ 2,00,000 for renewals /reconstruction of the property.

The property is transferred on April 1,2019 for ₹ 65,00,000 (Stamp Duty Value ₹ 70,00,000 on which he paid stamp duty @ 12%).

He makes the following investments:

1. Residential House Property for ₹ 15,00,000 on 31.08.2019
2. Rural Electrical Bonds (REC) for ₹ 100,000 on 15.08.2019
3. National Highway Authority of India (NHAI) bond for ₹ 50,000 on 01.02.2020

He has brought forward long term capital loss of ₹ 2,30,000 related to assessment year 2017-18. CII for different years are as follows: FY 2001-02: 100; FY 2018-19: 280; 2019-20: 289. Compute Income from Capital Gains, total income and tax liability of Ramesh for the assessment year 2020-21. What will be the Consequences if he sells the new House Property on June 15, 2022 for ₹ 25,00,000.

Q6.

- a. 'Expenses on issue of bonus shares is a revenue expenditure'. In light of this statement, explain the facts of the Supreme court case CIT vs. General Insurance corporation (2006) and the principle derived from it.
- b. Explain the provisions applicable in respect of clubbing of income of spouse in assessee's total income.