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47(6) TXLW 6.2

2013

TAXATION LAWS

Paper : 6-2

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Fill in the blanks : _____ 1×10=10

(a) The year in which income is earned is known as _____.

(b) A HUF is _____ in India if control and management of its affairs is partly situated in India.

(c) Income of Khadi and Village Industries Board set up by the State Govt. is _____ from tax.

Contd.

- (d) _____ is a fully taxable allowance under the head income from salary.
- (e) The maximum amount of deduction for interest on loan taken for construction of House Property on or after 1st April, 1999 is _____.
- (f) The maximum qualifying amount for deduction under section 80C, 80CCC and 80CCD is _____.
- (g) The rate of tax charged on long term capital gain is _____.
- (h) _____ means the amount received by an employee every month after retirement from service.
- (i) An amount of Rs. 60,000 received as gift from a friend on 6.5.2011 is chargeable to tax under the head _____.
- (j) A business organisation cannot claim any deduction on payment made in cash in a day in excess of _____.

Answer the following : 2×5=10

- (a) What do you mean by income deemed to be received in India ?
- (b) What is assessment year ?
- (c) What do you mean by Standard Rent of a House Property ?
- (d) Define short term capital asset.
- (e) An asset has been purchased on 1.5.2011 for Rs. 2,00,000. The rate of depreciation chargeable on the asset is 15%. The asset has been put to use on 1.1.2012. Calculate the amount of depreciation chargeable on the asset under the head profit and gains from business and profession.

Answer the following : (any four) 5×4=20

- (a) Discuss in brief the tax treatment of rent free furnished accommodation in computation of income from salary. 5
- (b) What are the conditions to be fulfilled by an individual to make his status resident and ordinarily resident in India ? 5

(c) In computing income from business what are the provisions relating to the following expenses ?

(i) Expenses in respect of business premises.

(ii) Repairs and insurance of machinery plant and furniture. $2\frac{1}{2} + 2\frac{1}{2} = 5$

(d) Mrs. P. Bora, resident in India, particulars of income are as under :

(i) She took a house on rent for Rs. 5000 per month and spent Rs. 2000 (annual) for repairs and maintenance of the house. She let out half portion of the house to her friend at Rs. 4000 per month.

(ii) Agricultural income in Nepal Rs.10,000 was not brought to India.

(iii) Family pension Rs. 12,000 per month.

(iv) Winning from lottery Rs. 84,000.

(v) Interest on Public Provident Fund Rs. 35,000.

Compute the taxable income from other sources for the relevant assessment year 2012-13. 5

(e) R owns a house property in Delhi. From the particulars given below, compute the income from house property for the assessment year 2012-13 :

Municipal value Rs. 2,00,000

Fair Rent Rs. 2,52,000

Standard Rent Rs. 2,40,000

Actual Rent (per month) Rs. 23,000

Municipal taxes — 20% of municipal value

Municipal taxes paid during the year — 50% of tax levied .

Expenses on repairs Rs. 20,000

Insurance premium Rs, 5,000

Interest on loan taken for the construction of house property is Rs. 12,000. 5

(f) From the following information regarding the income of Mr. B. Banerjee for the previous year 2011-12, compute his total income for the assessment year 2012-13

- (i) Income from salary 3,55,000
- (ii) Income from House Property Rs. 1,20,000
- (iii) Dividend from Indian Company Rs. 6,000
- (iv) Income from capital gain Rs. 17,000

He made the following payments during the previous year 2011-12.

- (i) Premium paid Rs. 16,000 by cheque on mediclaim.
- (ii) Deposited Rs. 10,000 with LIC pension fund to get an annuity.
- (iii) Invested Rs. 40,000 in NSC VIII issue

(iv) Deposited Rs. 58,000 in PPF account in his name.

(v) Paid Rs. 6,000 as life insurance premium on his own life. 5

Answer the following : (any four) 10×4=40

(a) Define total income and state the procedure for computing tax liability on total income. 3+7=10

(b) (i) Explain in brief the tax treatment of Income from lottery.

(ii) What are the basic rules governing deductions under section 80C to 80U under the IT Act. 5+5=10

(c) What is tax planning ? What are the objectives of tax planning ? State the factors on the basis of which tax planning is done. 3+5+2

(d) Mrs. Anita Das is working in a private company posted at Shillong. She submits the following particulars of her income for the financial year ended on 31st March, 2012. You are required to compute her income from salary for the assessment year 2012-13.

- (i) On 1.1.2009 she joined service in the scale of pay Rs. 21,000—1,000—35,000.
- (ii) Dearness allowance Rs. 5,000 p.m.
- (iii) House Rent Allowance Rs. 8,000 p.m. (Rent paid by her Rs. 7,000 p.m.)
- (iv) City Compensatory Allowance Rs. 400 p.m.
- (v) Family Allowance Rs. 500 p.m.
- (vi) Bonus for the year Rs. 1,00,000
- (vii) She was provided with furniture having market price of Rs. 80,000 by her employer. These furniture were hired by her employer. Annual hire charge is Rs. 15,000.
- (viii) Hostel allowance for children @ Rs. 3,500 per month for three children.

(ix) Reimbursement of medical expenses by employer Rs. 18,000 for medical treatment of the employee in a private hospital.

(x) During the year she encashed 30 days earned leave for Rs. 35,000. 10

(e) R purchased a house on 28.6.1990 for Rs. 1,10,000 and paid Rs. 10,000 for getting the house registered in his name. On 15.7.1995 he spent an amount of Rs. 60,000 and on 15.6.2010 an amount of Rs. 40,000 for the improvement of the house.

He sold the above house on 30.11.2011 for a sum of Rs. 45,00,000. Expenses on transfer were 2% of the sale consideration. Compute the capital gain for the assessment year 2012-13

[CII for : 1990 - 91 : 182

1995 - 96 : 281

2010 - 11 : 711

2011 - 12 : 785] 10

(f) From the profit and loss account of X for the year ending March 31, 2012, ascertain his income from business for the assessment year 2012-13.

Particulars	Rs.	Particulars	Rs.
General Expenses	13,400	Gross Profits	3,15,500
Bad Debts	22,000	Commission	8,600
Advance tax	5,000	Brokerage	37,000
Insurance	600	Sundry Receipt	2,500
Salary to staff	26,000	Bad debt recovered	
Salary to X	48,000	(earlier allowed as	
Interest on Overdraft	4,000	deduction)	11,000
Interest on loan to Mrs. X	42,000	Interest on debentures	25,000
Interest on capital of X	23,000	(i.e. net amount Rs. 22,500+TDS Rs. 2,500)	
Depreciation	48,000	Interest on deposit with a company	13,000
Advertisement Expenditure	7,000		
Contribution to employees provident fund	13,000		
Net Profit	1,60,000		
	<u>4,12,600</u>		<u>4,12,600</u>

Other information :

1. The amount of depreciation allowable is Rs. 37,300 as per the Income tax rules. It includes depreciation on permanent sign board.

2. Advertisement expenditure includes Rs. 3,000 being cost of permanent sign board fixed on office premises.

3. Income of Rs. 4500 accrued during the previous year, is not recorded in the profit and loss account.

4. General expenses included (a) Rs. 500 given to Mrs. X for arranging a party in honour of a friend who has recently come from Canada (b) Rs. 1000 being contribution to a political party.

5. Loan was taken from Mrs. X for payment of arrears of income tax.