

*Note :*

- (i) Salary includes Rs.12,000 paid to the driver of the motor car who devoted 25% of his time for personal use of the car for the proprietor.
- (ii) Life insurance premium has been paid on a policy on the life of the proprietor.
- (iii) Interest has been paid on the bank loan taken to provide working capital for the business.
- (iv) The written down value of the motor car on 31-12-12 is Rs.1,20,000. As per Income Tax Rule, depreciation is allowed @ 25% on WDV.
- (v) Gift was received from relatives on the occasion of marriage anniversary of the proprietor.
- From the above information you are required to compute the taxable profits from business of Mr. D. Saikia for the assessment year 2013-14.

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Total number of printed pages-8

47(6) TXLW 6-2

2014

**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) Rent of agricultural lands is \_\_\_\_\_ income. (taxable / non taxable)
- (b) The income that is taxed in the assessment year pertains to the \_\_\_\_\_ year. (financial / previous)
- (c) A \_\_\_\_\_ has to pay tax on those incomes which are received or accrues outside India. (Resident / Non-resident)

- (d) \_\_\_\_\_ means the lump sum amount received from the employer or retirement or death in consideration of service rendered by the recipient. (Gratuity / Pension)
- (e) \_\_\_\_\_ allowance is exempt from tax upto the extent of the amount received or spent for the purpose whichever is less. (Travelling Allowance / Dearness Allowance)
- (f) In case of income from a self occupied property, the annual value of one house is taken as \_\_\_\_\_. (nil / standard rent)
- (g) Capital gains are chargeable to tax when there arises profit or gain on the \_\_\_\_\_ of capital asset. (transfer / possession)
- (h) Deductions are allowed to encourage \_\_\_\_\_. (expenditure / savings)
- (i) Receipts from sub-letting is taxable under the head income from \_\_\_\_\_. (house property / other sources)
- (j) Under the head profits and gains from business or profession, any interest to partner authorised by partnership deed is allowed upto \_\_\_\_\_ % p.a. (6/12)

2. Answer the following : 2×5=10
- (a) Define the term person.
- (b) When does an individual considered as non-resident ?
- (c) What do you mean by the term salary ?
- (d) Define long-term capital gain.
- (e) Define the term business as per Income Tax Act under the head profits and gains from business or profession.
3. Answer the following : (*any four*) 5×4=20
- (a) A citizen of USA has been staying in India since 1989. He leaves India on 16.7.2012 on a visit to USA and returns on 4.1.2013. Determine his residential status for the previous year 2012-13.
- (b) State the provisions of Income Tax Act relating to provident fund.
- (c) Municipal valuation of a house is ₹3,00,000; its fair rent is ₹4,00,000 whereas its standard rent is ₹3,60,000. This house property is let for ₹27,500 p.m. It remained vacant for 3 months. Municipal taxes paid ₹60,000. Compute annual value of the house.

(d) Define the term "Block of Assets" under Income Tax Act, 1961.

(e) State *five* incomes taxable under the head Income from other sources.

(f) Mr. Barua supplies you the following information for the year ended 31.3.2013.

Interest on bank deposits ₹59,000

Income from horse races in India  
₹47,500

Short-term capital gain from shares sold  
through recognized stock exchanges in  
India ₹100,000

Mr. Barua donated a sum of ₹25,000 to Municipal Corporation of Delhi for family planning. He has paid ₹2000 by credit card to New India Assurance Company for mediclaim himself. He has also spent ₹6,000 on medical treatment of his minor son who is physically handicapped.

Compute total income and tax payable by Mr. B for the assessment year 2013-14.

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

(a) M submits the following information regarding his salary income which he gets from ABC company Ltd. :

i. Basic salary ₹11,000 p.m.

ii. City compensatory Allowance ₹150 p.m.

iii. Children Education Allowance  
₹400 p.m. (for 3 children)

iv. Reimbursement of medical expenses  
₹25,000.

He was entitled to HRA of ₹6000 p.m. from 1.4.2012 to 31.8.2012. He was paying a rent of ₹7000 p.m. for a house in Delhi w.e.f. 1.9.2012, he was provided with an accommodation by the company for which the company was paying the rent of ₹5000 p.m. The company charged him ₹1000 p.m. as rent for the accommodation. Compute the gross salary of M for the assessment year 2013-14. 10

(b) (i) What do you mean by annual value of a house property? 5

(ii) Explain the tax treatment of interest on loan taken for purchase or construction of a house property. 5

(c) Write short note on tax planning with respect to — (any two)  $5 \times 2 = 10$

- (i) Location of Business
- (ii) Nature of Business
- (iii) Form of Business organisation.

- (d) (i) What is Gross Total Income? 3
- (ii) State the procedure for calculation of Gross Total Income. 3
- (iii) State four deductions allowable from Gross Total Income u/s 80C to 80U. 4

(e) R acquired a residential house on 1.9.1978 for ₹100,000. He spent the following amounts on the improvement of the house :

1.7.1980	—	₹25,000
15.11.1985	—	₹50,000
15.7.1995	—	₹60,000
15.6.2011	—	₹40,000

R sold the above house on 30.11.2012 for a sum of ₹45,00,000. Expenses on transfer were 2% of the sale consideration. Compute the capital gain for the assessment year 2013-14 assuming the fair market value of the house as on 1.4.81 to be ₹3,00,000.

[C11 : 1985-86 : 133

1995-96 : 281

2012-13 : 852]

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(f) Mr. D. Saikia who carries on a business has prepared the following Profit and Loss Account for the year ended 31st March, 2013 :

**Profit & Loss Account**  
for the year ended 31st March, 2013

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	88,000	By Gross Profit	6,70,000
To Rent	36,000	By Gift.	12,000
To Loss by theft	4,000	By Income Tax	
To Discount Allowed	1,000	Refund	3,000
To Repairs of Motor Car	14,000	By Interest from debtors on delayed payment	1,600
To Reserve for bad debts	7,500	By Bad debts recovered (Disallowed earlier)	5,000
To Tree samples	1,000		
To Life Insurance Premium	12,000		
To Interest on Loan	11,000		
To Interest on Capital	15,000		
To Depreciation of Motor Car	20,000		
To Advance Income Tax	9,000		
To Net Profit	4,73,100		
	<b>6,91,600</b>		<b>6,91,600</b>