

6 SEM TDC DTAX-II 1 (Sp)

2014

(May)

COMMERCE

(Speciality)

Course : 601

(**Direct Tax—II**)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. (a) Write True or False : 1×4=4

(i) Business outside India and business in India stand on the same footing for the purpose of computation of income from business and profession u/s 28 of the Act.

(ii) Indexation of cost of capital asset is a must for all types of capital assets in computing income from capital gains.

(iii) Short-term capital loss can be set off from short-term as well as out of long-term capital gains.

(iv) Assets belonging to assessee on the valuation date are taxable under the Wealth-tax Act.

(b) Name four expenses which are not allowed as deduction in computing capital loss. 1×4=4

2. Write short notes on the following : 4×4=16

(a) Substantial interest

(b) Corporate assessee

(c) Perquisites

(d) Depreciation

3. (a) Write about the different expressly admissible deductions allowed under Section 30–36 of the Income-tax Act, 1961 in computing income from 'business and profession'.

Or

(b) From the Profit and Loss Account of Mr. Porag for the year ending 31-3-2013, compute his business income :

Dr.	Profit & Loss A/c	Cr.	
	₹	₹	
To General expenses	63,400	By Gross profit	2,65,500
" Bad debts	22,000	" Commission	18,600
" Provision for bad debts	21,000	" Brokerage	27,000
" Insurance (house)	600	" Sundry receipt	22,500
" Salary to staff	36,000	" Bad debt recovered (earlier disallowed as deduction)	1,000
" Salary to Porag	22,000	" Interest on deposit with a trust	15,000
" Interest on bank overdraft	62,000	" Interest on units of UTI	13,000
" Interest on loan taken from Mrs. Porag	4,000	" Rent from house property	12,000
" Interest on capital of Porag	13,000		
" Depreciation on building	60,000		
" Advertisement expenses	8,000		
" Contribution to employees RPF	12,000		
" Net profit	50,600		
	<u>3,74,600</u>		<u>3,74,600</u>

Other information :

(i) The amount of depreciation allowable under the Income-tax Act is ₹ 40,200

- (ii) Advertisement expenses include ₹ 5,000 being cost of advertisement in newspapers
- (iii) Income of ₹ 10,000 accrued during the year but not recorded in Profit and Loss Account
- (iv) Porag pays ₹ 12,000 as premium on his own life
- (v) General expenses include ₹ 4,500 given to Mrs. Porag for arranging a party in honour of her friend
- (vi) Employers contribution to provident fund for last two months @ ₹ 1,000 per month has not been paid to appropriate authority within due date
- (vii) Mr. Porag has spent ₹ 8,000 during the year in attending a marriage party

4. (a) What do you mean by capital assets as defined by the Income-tax Act, 1961? What are its types? Discuss how short-term and long-term capital gain is computed.

2+3+7=12

Or

(b) During the year ended on 31st March, 2013, Mr. A sold the following assets :

- (i) Shop purchased in 1985-86 (cost inflation index 133) for ₹ 18,000 was sold for ₹ 1,70,000
- (ii) Machinery purchased in 1983-84 (cost inflation index 125) for ₹ 50,000 (written down value on 1-4-12 ₹ 35,000) was sold for ₹ 60,000
- (iii) Furniture purchased on 1-5-2012 for ₹ 1,000 was sold for ₹ 1,300
- (iv) Machinery purchased on 1-5-2012 for ₹ 10,000 was sold for ₹ 12,000
- (v) Agricultural land in Agra purchased in 1979-80 for ₹ 10,000 [fair market value on 1-4-81 (cost inflation index 100) being ₹ 15,000] was sold for ₹ 1,60,000
- (vi) One residential house purchased in 1987-88 (cost inflation index 150) costing ₹ 30,000 was sold for ₹ 2,20,000

During the year, he bought another house for his residence for ₹ 4,00,000.

Compute the amount of taxable capital gain for the assessment year 2013-14. 12

5. (a) Define the term 'asset' for the purpose of computation of net wealth. Name the assets that are excluded from it. 6+5=11

Or

- (b) What is wealth tax? Who is required to pay it? How is wealth tax computed? 2+2+7=11

6. (a) Explain the provisions of the Income-tax Act, 1961 regarding carry forward and set-off of losses. 11

* Or

- (b) Mr. R furnishes the following particulars of his income for the previous year 2012-13 :

- (i) Salary income—₹ 68,000
- (ii) Income from house A—₹ 36,000
- (iii) Loss from house B—₹ 24,000
- (iv) Loss from house C—₹ 22,000
- (v) Profit from business A—₹ 60,000
- (vi) Profit from business B—₹ 70,000
- (vii) Profit from share business (speculative)—₹ 82,000

- (viii) Loss from silver business (speculative)—₹ 94,000
- (ix) Long-term capital gain on sale of shares on which security transaction tax has been paid—₹ 22,000
- (x) Short-term capital loss on sale of land—₹ 44,000
- (xi) Income from card games—₹ 22,000
- (xii) Winning from lotteries (gross)—₹ 60,000
- (xiii) Income from horse race (gross) in Dibrugarh—₹ 40,000
- (xiv) Loss from horse race in Jorhat—₹ 21,000

Compute gross total income of Mr. R for the assessment year 2013-14.

7. (a) What is tax avoidance? Discuss the differences between tax avoidance and tax evasion. 3+8=11

Or

- (b) Write notes on the following : 5+6=11
- (i) Gross qualifying amount
- (ii) Tax planning for senior citizens