

2018

(Direct Tax—II)

Time : 3 hours

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

(New Course)

Full Marks : 80

Pass Marks : 24

1. (a) Write True or False : 1×4=4
- (i) Preliminary expenditure incurred after 31.03.2008 are allowed deduction in 10 equal instalments.
 - (ii) Conversion of debentures into shares shall not be regarded as transfer for capital gain purpose.
 - (iii) If no system of accounting is followed, interest on securities is taxable on receipts basis.
 - (iv) Loss on account of owning and maintaining the racehorse can be carried forward indefinitely.

(b) Fill in the blanks :

1×4=4

- (i) Short-term capital loss of particular assessment year can be set off in the same assessment year from _____.
- (ii) For claiming exemption under Section 54, the assessee should construct the residential property within _____ years after the date of transfer.
- (iii) Interest on units of a Mutual Fund on or after April 1, 2003 shall be _____.
- (iv) Where a part of the block of assets is sold for a price less than the opening WDV plus cost of assets, if any, acquired during the year, the balance amount shall be treated as _____ for charging depreciation.

2. Write short notes on any *four* of the following :

4×4=16

- (a) Block of assets
- (b) Chargeability under the head 'Profits and gains of business or profession'
- (c) Long-term and short-term capital gains
- (d) Not allowable deductions from 'income from other sources'
- (e) Carry forward of business losses

3. (a) What do you understand by the term 'depreciation'? What are the rules regarding grant of deduction for depreciation? 4+10=14

Or

- (b) The following are the fixed assets owned and used by a firm in its business of manufacturing articles for the assessment year, 2016-17 :

<i>Block of Assets</i>	<i>WDV on 01.04.2015 (₹)</i>	<i>Addition during the year (₹)</i>	<i>Rate of Depreciation</i>
(i) Factory Building	10,00,000	2,00,000 (Completed on 01.01.2016)	10%
(ii) Residential Building	5,00,000	1,00,000 (Completed on 01.05.2015)	5%
(iii) Plant and Machinery	45,00,000	15,00,000 (installed on 15.06.2015)	15%
(iv) Furniture and Fittings	2,00,000	50,000 (Put to use on 13.04.2016)	10%

Calculate the total amount of depreciation.

4. (a) Explain, in detail, capital gain exempted from tax. 14

Or

- (b) Mr. S submits the following particulars about sale of assets during the year, 2014-15 :

	<i>Jewellery</i> ₹	<i>Land</i> ₹	<i>Gold</i> ₹
Sale Price	5,00,000	18,50,000	3,50,000
Expenses on sale	—	50,000	—
Cost of acquisition	60,000	2,10,000	1,00,000
Year of acquisition	1987-88	1984-85	1999-2000
CII	150	125	389

Calculate the amount of capital gain chargeable to tax for the assessment year 2015-16 if CII for 2014-15 is 1024. 14

5. (a) Explain the provisions of the Income-tax Act regarding carry forward of losses. 14

Or

- (b) Mr. A furnishes the following particulars of his income for the assessment year 2016-17. You are required to deal with set-off and carry forward of losses : 14

	₹
Profits from wholesale business	50,000
Income from an agency business	4,000
Speculation income	1,000
Short-term capital gain	6,000
Long-term capital gain	12,000

The carry forward items from the assessment year, 2015-16 are :

	₹
Loss from retail business (now discontinued)	5,000
Loss in agency business	6,000
Loss from wholesale business	5,000
Speculation loss	6,000
Short-term capital loss	7,500
Long-term capital loss	9,000

Current year's depreciation for wholesale business is ₹ 2,500.

6. (a) Explain the important areas where tax planning may be attempted. 14
- Or
- (b) What propositions may an employee consider for the purpose of tax planning under the head 'Salaries'? 14

(Old Course)

Full Marks : 80

Pass Marks : 32

1. (a) Write True or False : 1×4=4

- (i) Unabsorbed depreciation which could not be set off in the same assessment year, can be carried forward for 8 years.
- (ii) Exemption under Section 54F shall not be allowed if the assessee, on the date of transfer, owns any residential house.
- (iii) Income under the head 'income from other sources' is taxable on due basis.
- (iv) A business loss can be carried forward and set off in the subsequent assessment year whether the business on account of which this loss has arisen is continued or not.

(b) Fill in the blanks : 1×4=4

- (i) Dividend declared by a domestic company shall be _____.
- (ii) Wealth tax is no longer applicable from the assessment year _____ onwards.

(iii) For claiming exemption u/s 54B, the asset transferred should be _____.

(iv) Loss on account of owning and maintaining racehorses can be carried forward for _____ years.

2. Write short notes on any *four* of the following : 4×4=16

- (a) Amortisation of preliminary expenses
- (b) Unabsorbed depreciation
- (c) Cost of acquisition
- (d) Carry forward of capital losses
- (e) Exempted assets under the Wealth-tax Act

3. (a) What are the incomes which are chargeable to tax under the head 'Profits and gains of Business or profession'? Discuss in detail.

Or

(b) Mr. X, a businessman, submits the following Profit and Loss Account for the year ending 31.03.2016 :

<i>Particulars</i>	₹	<i>Particulars</i>	₹
Salaries	75,000	Gross Profit	6,75,000
Travelling Expenses	1,25,800	Interest on	
Rent and Taxes	3,000	Company deposits	8,500
Interest on Capital	5,000	Discount received	1,500
Administrative Charges	25,000		
Depreciation	25,000		
Income Tax	50,000		
Net Profit	3,76,200		
	<u>6,85,000</u>		<u>6,85,000</u>

The following additional information is furnished :

(i) Salaries include a payment of ₹ 30,000 to Mrs. X, who is acting as supervisor of the quality control department. She does not have any other income during this year. Till February, 2015 she was employed in Z Ltd. in a similar post for 10 years and was drawing a monthly salary of ₹ 2,000

- (ii) X had gone on a foreign tour in connection with business. The journey was for 15 days in which he spent 3 days on visiting tourist spots. Total expenses incurred in respect of this foreign tour was ₹ 80,000
- (iii) Depreciation allowance as per the Income-tax Rules, 1962 is ₹ 45,000
- (iv) X raised a loan from LIC of India on the security of his life insurance policy and used the same for the payment of expenses relating to repairs of machinery. Interest of ₹ 3,000 in respect of this loan was paid out of his drawings

From the above particulars, compute the business income of Mr. X to be taxable for the assessment year 2016-17.

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4. (a) (i) How to convert cost of acquisition into indexed cost of acquisition? 3
- (ii) Explain the method of computation of short-term and long-term capital gain. 8

Or

(b) (i) State any six items of income included in Section 56(1) under the head 'Income from other sources'. 6

(ii) State any five items deductible under Section 57 in computing taxable income under the head 'Income from other sources'. 5

5. (a) What are the assets mentioned in Section 2 (ea) of the Wealth-tax Act, 1957? Discuss in detail. 11

Or

(b) What is net wealth? How is it computed? 4+7=11

6. (a) Write the provisions of the Income-tax Act regarding carry forward and set off of business loss and capital loss. 11

Or

(b) From the following details, compute the gross total income of Mr. B for the assessment year, 2016-17 : 11

	₹
Taxable income from salary	80,000
Income from house property :	
House A (let out)	(-) 95,000
House B (self-occupied, interest on borrowed money)	(-) 9,000
Short-term capital gain	12,000
Long-term capital loss	25,000
Interest on securities (gross)	10,000

7. (a) (i) Distinguish between tax planning and tax management. 7
- (ii) Distinguish between tax planning and tax evasion. 4

Or

- (b) What are the objectives of tax planning?
“Tax evasion is a crime, but tax avoidance is not.” Comment briefly.

7+4=11
