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COMMERCE

(Speciality)

Course : 601

(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) Interest on capital to proprietor is not income in the hands of proprietor, hence not deductible from business income.

(ii) To claim exemption u/s 54B, the asset transferred should be rural agricultural land.

- (iii) Income earned from subletting of house property is taxable under the head Income from House Property.
- (iv) A short-term capital loss can be set off from any other head of income in the same assessment year.

(b) Fill in the blanks :

1×4=4

- (i) Unabsorbed depreciation which could not be set off in the same assessment year can be carried forward for _____ period.
- (ii) Securities Transaction Tax paid by the purchaser of shares shall _____ of such shares.
- (iii) Winning from lotteries, crossword puzzles, horse races and other races are _____ income.
- (iv) Speculation loss can be carried forward for the maximum of _____ years.

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

4×4=16

- (a) Inadmissible deduction u/s 40
- (b) Transactions not regarded as transfer

(c) Tax planning for salaried assessee

(d) Carry forward of business losses

(e) Block of assets

3. (a) What do you mean by the term 'depreciation'? Explain the conditions for claiming depreciation while computing the income from business and profession. 4+10=14

Or

(b) Mr. Rajesh Agarwal is a practising chartered accountant. He has prepared the following Income & Expenditure A/c for the year ending 31st March, 2020 :

*Income & Expenditure A/c
for the year ended 31st March, 2020*

Expenses		Amount	Income		Amount
		₹			₹
To	Office Expenses	11,00,000	By	Audit Fees	47,05,000
"	Employee's Salaries	15,50,000	"	Gift from Mother-in-law	50,500
"	Magazine Expenses	6,000	"	Dividend	80,000
"	Personnel Expenses	1,70,000	"	Profit on Sale of Units of UTI	64,500
"	Donation to NDF	5,000	"	Tax Consultancy Fees	5,00,000
"	Income Tax	1,23,000	"	Income Tax Refund	10,000
"	Car Expenses	20,000			

<i>Expenses</i>	<i>Amount</i> ₹	<i>Income</i>	<i>Amount</i> ₹
To Telephone Expenses	10,000		
» Depreciation on Car	15,000		
» Net Surplus	24,11,000		
	<u>54,10,000</u>		<u>54,10,000</u>

You are required to compute professional income of Mr. Agarwal for the Assessment Year, 2020-21 after taking into account the following points :

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- (i) Employee's salaries include ₹ 15,000, payment made to domestic help
- (ii) Assessee is owner of a building. Its written-down value is ₹ 8,00,000 on 1st April, 2019. The building is used for official purposes. In addition to it, furniture costing ₹ 3,00,000 whose written-down value on 1st April, 2019 is ₹ 2,50,000 which is also used for profession. Both assets are eligible for depreciation @ 10% under the Income-tax Act
- (iii) 50% of motorcar expenses are in respect of his professional practice

4. (a) What do you mean by 'capital asset' as defined under the Income-tax Act, 1961? Distinguish between short-term and long-term capital gain. Discuss how short-term and long-term capital gain are computed. 2+4+8=14

Or

- (b) Miss Priya sells agricultural land situated in an urban area for ₹ 11,31,000 (brokerage paid @ 2%) on 31st March, 2020. (Cost of acquisition was ₹ 3,82,000 on 1st March, 2006. It was used for agricultural purposes, from 2010 to date of sale.)

On 31st March, 2020, she owns only one residential house property. On 6th April, 2020, she purchases the following assets :

- (i) Agricultural land for ₹ 1,20,000
- (ii) A residential house property for ₹ 5,00,000

Find out the capital gain chargeable to tax for the Assessment Year, 2020-21. CII for the Financial Year, 2005-06 is 117.

5. (a) What do you mean by set-off of losses? When can a loss be carried forward to set off against future income? Discuss briefly the provisions of the Income-tax Act, 1961 regarding the carry forward and set-off of losses from capital gain.

3+4+7=14

Or

- (b) Mr. Aditya, a resident individual, submits the following information relevant to the Previous Year ending 31st March, 2020 :

<i>Particulars</i>	<i>Amount</i> ₹
1. Income from Salary (computed)	2,12,000
2. Income from House Property :	
(i) House I	12,000
(ii) House II	(-) 2,50,000
(iii) House III (self-occupied)	(-) 10,000
3. Profit and Gains of Business or Profession :	
(i) Business I	8,000
(ii) Business II	(-) 12,000
(iii) Business III (speculative)	(-) 64,000
(iv) Business IV (speculative)	36,000
4. Capital Gains :	
(i) Short-term capital loss	(-) 6,000
(ii) Long-term capital gains on transfer of shares	5,400

<i>Particulars</i>	<i>Amount</i> ₹
5. Income from Other Sources (computed) :	
(i) Income from card games	36,000
(ii) Income from betting	24,000
(iii) Loss on maintenance of race horses	(-) 4,600

Determine the Gross Total Income for the Assessment Year, 2020-21. 14

6. (a) "Tax planning is a scientific way to save tax whereas tax evasion is a tax concealment."

In the light of the above statement, show how a person can minimize his tax liability through tax planning. Distinguish between tax planning and tax evasion. 8+6=14

Or

(b) Write notes on the following : 7+7=14

- (i) Deduction u/s 80C
- (ii) Tax Management

(Old Course)

Full Marks : 80
Pass Marks : 32

1. (a) Write True or False : 1×4=4

(i) Salary, bonus, commission or remuneration due to or received by a working partner from the firm are taxable under the head 'Income from Business or Profession'.

(ii) Capital gain arises from the transfer of any asset.

(iii) Loss under the head 'Capital Gain' in a particular assessment year can neither be set-off nor carried forward.

(iv) If no system of accounting is followed, interest on securities is taxable on receipt basis.

(b) Fill in the blanks : 1×4=4

(i) Short-term capital gain is a gain arising from the transfer of an asset which is held by the assessee for not more than ____ months from the date of its acquisition.

(ii) The Central Board of Direct Taxes was set up in the year ____.

(iii) Depreciation is allowed to ____ of the asset.

(iv) Dividend declared by a domestic company shall be ____ in the hands of shareholder.

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

(a) Unabsorbed depreciation

(b) Cost of acquisition

(c) Long-term and short-term capital gain

(d) Exempted assets under the Wealth-tax Act

(e) Carry forward of business losses

3. (a) Explain the basic principles to be followed for arriving at Business Income.

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Or

(b) Dr. Rajiv Kakoty is a medical practitioner. He submits you the following Income & Expenditure A/c for the Previous Year ending on 31st March, 2019 along with some additional information :

*Income & Expenditure A/c
for the year ended 31st March, 2019*

<i>Expenses</i>	<i>Amount</i>	<i>Income</i>	<i>Amount</i>
	₹		₹
To Rent of Clinic	3,60,000	By Visiting Fees	6,00,000
" Electricity Charges	40,000	" Consultative Fees	12,80,000
" Telephone		" Sale of Medicines	1,72,000
Expenses	20,500	" Dividends	25,000
" Staff Salaries	3,40,000		
" Depreciation on Surgical Equip- ments	60,000		
" Purchase of Medicines	1,80,000		
" Depreciation on X-ray Machine	20,000		
" Income Tax	55,000		
" Donation to NDF	4,000		
" Motorcar Expenses	35,500		
" Income Tax Appealed	20,000		
" Depreciation on Car	40,000		
" Refreshment Expenses	25,500		
" Net Surplus	8,76,500		
	20,77,000		20,77,000

Compute his professional income for the Assessment Year, 2019-20 after taking into account the following points : 12

- (i) A sum of ₹ 5,000 paid on account of domestic consumption of electricity included in electricity and water charges
- (ii) Half of the motorcar expenses are for professional use
- (iii) Telephone expenses include 40% for personal use
- (iv) Opening stock of medicine was ₹ 5,000 and closing was ₹ 45,000

4. (a) Define the term 'capital gain'. Discuss the procedure for computation of capital gain as prescribed by the Income-tax Act, 1961. 4+7=11

Or

(b) Discuss the provisions regarding exemption of long-term capital gain u/s 54 of the Income-tax Act, 1961. 11

5. (a) Explain the assets exempted from tax under the Wealth-tax Act. 11

Or

- (b) What is net wealth? How is it computed? 4+7=11
6. (a) What do you understand by set-off of losses? When can a loss be carried forward to set off against future income? Discuss briefly the provisions of the Income-tax Act regarding the carry forward and set-off of losses from capital gain. 3+3+5=11

Or

- (b) Explain the provisions of the Income-tax Act, 1961 regarding set-off and carry forward of losses under different heads of income. 11
7. (a) Distinguish between tax avoidance and tax evasion. Explain the objectives of tax planning. 4+7=11

Or

- (b) Explain the following : 5+6=11
- (i) Limitations of tax planning
 - (ii) Tax deduction u/s 80C