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(May)

COMMERCE

(Speciality)

Course : 601

(Direct Tax—II)

Time : 3 hours

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

**Question No. 1 is common for
both New and Old Courses**

(New Course)

Full Marks : 80

Pass Marks : 24

1. (a) Write True or False :

1×4=4

- (i) The income earned from a smuggling business is taxable under the head of income from business and profession.

(2)

(ii) Stock-in-trade, raw materials, consumable stores held by the assessee for his business and profession is capital asset.

(iii) Short-term capital loss can be set off from either short-term capital gain or long-term capital gain.

(iv) Income from card game, horse race, gambling is taxable under the head of income from other sources.

(b) Fill in the blanks : 1×4=4

(i) The maximum qualifying amount of deduction u/s 80C is _____.

(ii) Deduction under Section 80D for health insurance premium paid can be claimed by an individual and _____.

(iii) Long-term capital gain = Net transfer price - _____.

(iv) For computing depreciation under the Income-tax Act, 1961, intangible assets are included under _____ block.

(3)

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

(a) Meaning of 'business' and 'profession' as defined u/s 28 of the Income-tax Act.

(b) Long-term and short-term capital assets

(c) Corporate assessee

(d) Procedure to set off of unabsorbed depreciation

3. (a) What do you mean by the term 'depreciation'? What are the conditions regarding the claim of deduction of depreciation? 4+10=14

Or

(b) Dr. Arunabh is a medical practitioner. He gives you the following summary of cashbook for the year ending 31.03.2016 :

Summary of Cashbook

₹		₹	
To Balance	10,000	By Rent of Clinic	18,000
" Consultation Fee	60,000	" Purchase of	
" Visiting Fee	45,000	Medicine	38,000
" Gifts and		" Staff Salaries	24,000
Presents	8,000	" Surgical	
" Sale of Medicine	42,000	Equipment	40,000

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To	₹	By	₹
Dividend from UTI	6,000	Motor car Expenses	8,000
Life Insurance Maturity	1,00,000	Purchase of Motor car	1,40,000
Dividend from an Indian Company	6,000	Household Expenses	7,000
		Closing Balance	2,000
	<u>2,77,000</u>		<u>2,77,000</u>

Informations :

- (i) 50% of the motor car expenses is incurred in connection with his profession. Car was purchased in December 2015
- (ii) Household expenses include ₹ 6,800 paid as insurance premium
- (iii) Gifts and presents include gift worth ₹ 3,000 from relatives
- (iv) Closing stock for medicine ₹ 12,000 and stock on 01.04.2015 was ₹ 4,000

Compute his professional gain for the Assessment Year, 2016-17. 14

4. (a) Discuss the provisions regarding exemption of long-term capital gain under Section 54 of the Income-tax Act, 1961. 14

(5)

Or

- (b) Mr. Anurag owns two residential houses one at Jorhat and other at Dibrugarh. He submits the following information about sale of assets during previous year, 2015-16 (CII-1081) :

Assets	Residential House	Plot	Jewellery
Date of Acquisition	01.03.79	01.11.90	03.04.2000
Cost of Acquisition	₹ 1,40,000	₹ 1,60,000	₹ 80,000
FMV as on 01.04.81	₹ 2,00,000	—	—
Date of Sale	15.06.15	16.06.15	17.06.15
Sale Price	₹ 24,00,000	₹ 11,20,000	₹ 2,80,000

Investments	Date of Acquisition	Amount Invested
Residential House	19.12.15	13,00,000
Bonds of National Highway Authority of India	12.12.15	1,00,000

Cost Inflationary Index for
1990-91—182
2000-01—406
2001-02—426
2015-16—1081

You are required to compute taxable capital gain of Mr. Anurag for the Assessment Year, 2016-17. 14

(6)

5. (a) Discuss in detail the procedures as per the Income-tax Act regarding set-off of losses within the head and outside the head. How are brought forward losses set off? 7+7=14

Or

- (b) Mr. A submits the following information of his incomes and losses for the year ending 31.03.2016 :

	₹
1. Salary income (computed)	24,000
2. Income from house property :	
House A (income)	10,000
House B (loss)	40,000
House C (self-occupied) (loss)	28,000
3. Income from business :	
Cloth business (profit)	10,000
Hardware business (loss)	12,000
Speculation profit	12,000
Speculation loss	17,000
4. Capital gains :	
Short-term gain	8,000
Short-term loss	24,000
Long-term gain	8,000

(7)

	₹
5. Other sources :	
Income from betting	12,000
Loss from card games	6,000
Income from card games	9,000
Interest on securities	8,000

Compute the Gross Total Income of Mr. A after making inside and outside head adjustment of losses. You are also to show how much loss is to be carried forwarded to set off against future income.

14

6. (a) (i) Discuss any seven approved savings schemes which are eligible for deduction under Section 80C of the Income-tax Act, 1961. 7

(ii) From the following particulars of Mr. X, compute the amount of deduction u/s 80C for the previous year, 2015-16 : 7

	₹
1. Life Insurance Premium paid during the previous year, 2015-16 :	
On his own life	30,000
On the life of his wife	10,000
On the life of his father	10,000
All life policies were taken in 2010	

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2. Contribution towards RPF	24,000
3. Deposit in public provident fund	45,000
4. Group insurance premium	3,000
5. Invested in NSC (VIII issue) out of his Agricultural Income	10,000
6. Repayment of loan taken from SBI for construction of his residential house ₹ 4,000 p.m. which includes ₹ 1,000 p.m. interest	
7. Accrued interest on NSC (VIII issue)	4,000

Or

(b) Explain the methods commonly used by tax payers to minimize tax liability. 14

(9)

(Old Course)

Full Marks : 80
Pass Marks : 32

1. Question No. 1 is common for both New and Old Courses.
2. Write short notes on any four of the following : 4×4=16
 - (a) Admissible deduction
 - (b) Deemed income chargeable to tax
 - (c) Unabsorbed depreciation
 - (d) Exempted wealth
 - (e) Tax planning for salaried assesseees
3. Mr. Rajan Raje proprietor of RR & Co. provides you the following information for the year ended 31.03.2015 :

Profit & Loss A/c
for the year ended 31.03.2015

Expenses	₹	Income	₹
To Salaries	1,50,000	By Gross Profit	5,07,000
» Bad Debts written off	10,000	» Income tax refund (including interest of ₹ 2,000)	18,000
» Printing Expenses	11,000		

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Expenses		Income	
	₹		₹
To Conveyance	30,000	By UTI Dividend	40,000
» General Expenses	43,000	» Gift from Friend	10,000
» Sales and Tax Penalty	9,000		
» Fire Insurance Premium	4,000		
» Wealth Tax	6,000		
» Depreciation	20,000		
» Repair and Maintenance	8,000		
» Net Profit	2,84,000		
	<u>5,75,000</u>		<u>5,75,000</u>

Additional Information :

- (i) Depreciation as per the Income-tax Rule—₹ 22,000
- (ii) General expenses include payment of labour charges for business ₹ 23,000 paid in cash on 16.08.14
- (iii) Salaries include salary to proprietor—₹ 48,000
- (iv) Printing expenses include ₹ 8,000 for printing of marriage invitation cards for his son
- (v) He paid tuition fees to a school of ₹ 15,000 for his school-going daughter

(11)

- (vi) He paid interest of ₹ 45,000 on education loan taken from Bank of India for his son, pursuing postgraduate degree in medicine from the University of Calcutta

You are required to compute his total taxable income for the Assessment Year, 2015-16. 11

Or

What do you mean by the term 'depreciation'? What are the rules regarding grant of deduction for depreciation? 3+8=11

4. How would you determine cost of acquisition and cost of improvement u/s 49? Describe the procedure of ascertaining short-term capital gains and long-term capital gains. 3+3+3=12

Or

Explain the concept of Transfer under the head capital gains. Mention the transactions which are not regarded as transfer. 8+4=12

5. Explain the provisions of the Income-tax Act, 1961 regarding carry forward and set-off of losses. 11

(12)

Or

Explain the process of setting off and carry forward of losses in computing gross total income with exception. 11

6. What are the assets mentioned in Section 2(ea) of the Wealth-tax Act, 1957? Explain. 11

Or

What are the deemed assets and exempted assets as per the provisions of the Wealth-tax Act, 1954? Discuss in detail. 11

7. How are deductions made in respect of the following Sections of the Income-tax Act, 1961? 6+5=11

- (a) Deduction under Section 80C and 80D
(b) Deduction in respect of certain undertakings of North-Eastern States (Section 801E)

Or

How is tax liability computed for a salaried person? Explain. 11