

3 SEM TDC ITLP (CBCS) C 306

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(Held in April–May, 2021)

COMMERCE

(Core)

Paper : C-306

(Income Tax Law and Practice)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. Write True or False : 1×4=4

(a) Income of previous year is charged in the next following assessment year at the tax rates applicable for the relevant assessment year.

(b) Exemption shall be available if the employee has not actually incurred expenditure on payment of rent on stays in his own accommodation (HRA).

(c) In case of more than one self-occupied house, one house is treated as self-occupied and all the other house as deemed to be let out.

(d) In business and profession interest on loan is not allowed as deduction only if loan is utilised for business purpose.

2. (a) What do you mean by residential status? How to determine residential status of an individual? 2+6=8

Or

(b) What incomes are exempted under Section 10 which does not form part of total income? Mention any such eight incomes. 8

3. (a) What is the basis of computation of income from house property? How is the annual value of a let out house property calculated? 4+10=14

Or

(b) Mrs. Anima aged about 55 years is a Finance Manager of Zenith Co. Ltd. based at Tinsukia. She receives the following salary and perquisites from the company for the previous year, 2019–20 :

(i) Basic pay—₹ 50,000 p.m.

(3)

- (ii) Dearness allowance—₹ 5,000 p.m. (treated as retirement benefit)
- (iii) Commission—1% of the turnover of the company. Company achieved a turnover of ₹ 30,00,000
- (iv) Contribution of the employer and employee to the RPF account ₹ 25,000 p.m. each
- (v) Interest credited to RPF account @ 12% ₹ 60,000
- (vi) Rent-free unfurnished accommodation provided by the company for which the company pays a rent of ₹ 70,000 p.a.
- (vii) Entertainment allowance—₹ 2,500 p.m.
- (viii) Children's Education allowance to meet the hostel expenditure allowance of 3 children ₹ 700 p.m. each
- (ix) House Rent Allowance (HRA) ₹ 3,000 p.m. Mrs. Anima resides in the house property owned by her Hindu Undivided Family (HUF) for which she pays rent ₹ 4,000 p.m.
- (x) Professional tax paid—₹ 2,500 (by the employer)

Determine the income from salary for the Assessment Year, 2020-21. 14

(4)

4. (a) What do you understand by the term 'Capital Gains'? What are short-term and long-term assets? How are capital gains computed? 4+4+6=14

Or

- (b) Shri Jibon Nath owns 3 houses at Tinsukia, Dibrugarh and Guwahati. Compute income from house property of Shri Jibon Nath from the following : 14

| Status | Tinsukia House | Dibrugarh House | Guwahati House |
|-------------------------|---------------------------------|--|----------------|
| | Let out for residential purpose | Let out to employees which is not necessary for business | Self-occupied |
| Rent received (in ₹) | 84,000 | 96,000 | — |
| Municipal value (in ₹) | 94,000 | 1,01,000 | 76,000 |
| Lease rent (in ₹) | 0 | 1,000 p.m. | 0 |
| Repairs (in ₹) | 25,000 (borne by tenant) | 0 | 20,000 |
| Insurance (in ₹) | 3,000 | 3,800 | 2,600 |
| Vacant for (in month) | 0 | 2 | 3 |
| Interest on loan (in ₹) | 9,000 | 10,000 | 17,000 |

Additional Information :

- (i) Municipal tax is levied at 10% on municipal value and is to be paid quarterly. During the previous year, 2019-20, Shri Jibon Nath

(5)

paid municipal tax in respect of Tinsukia house for 2 years including tax for the previous year, 2018–19. However, for Dibrugarh house municipal tax for the last quarter remained unpaid

- (ii) Loan was taken for renovation of house property
- (iii) In respect of Guwahati house, out of current year's interest ₹ 2,000 is still outstanding

5. (a) What are the incomes chargeable under the head 'income from other sources'? State the deductions that are allowed and disallowed under the head 'income from other sources'. $6+4+4=14$

Or

- (b) Shyam, a retail trader of Dibrugarh, gives the following Trading and Profit & Loss A/c for the year ending 31st March, 2019 :

| | | | |
|---------------|------------------|---------------------------|------------------|
| Opening Stock | ₹ 63,000 | Sales | ₹ 12,11,600 |
| Purchases | 10,30,000 | Income from UTI | 2,400 |
| Gross Profit | 3,07,000 | Dividend from Foreign Co. | 6,000 |
| | | Closing Stock | 1,80,000 |
| | <u>14,00,000</u> | | <u>14,00,000</u> |

(6)

| | | | |
|-------------------------------------|-----------------|--------------|-----------------|
| | ₹ | | ₹ |
| Salary | 60,990 | Gross Profit | 3,07,000 |
| Rent and Rates | 36,000 | | |
| Interest on Loan | 15,000 | | |
| Depreciation | 1,05,000 | | |
| Printing & Stationery | 23,200 | | |
| Postage and Telegram | 1,640 | | |
| Loss on Sale of Shares (short-term) | 8,100 | | |
| Other General Expenses | 7,070 | | |
| Net Profit | 50,000 | | |
| | <u>3,07,000</u> | | <u>3,07,000</u> |

Additional Information :

- (i) It was found that some stocks were omitted to be included in both the opening and closing stock, the values of which were—

Opening Stock—₹ 9,000

Closing Stock—₹ 18,000

- (ii) Salary includes ₹ 10,000 paid to his brother, which is unreasonable to the extent ₹ 2,000
- (iii) The whole amount of printing and stationery was paid in cash

(7)

(iv) The depreciation provided in the Profit & Loss A/c ₹ 1,05,000 was based on the following information :
The written down value of Plant and Machinery is ₹ 4,20,000. A new plant falling under the same block of depreciation of 25 percent was bought on July 1, 2019 for ₹ 70,000. Two old plants were sold on October 1, 2019 for ₹ 50,000

(v) Other general expenses include ₹ 2,000 paid as donation to a public charitable trust

Determine the taxable income of Shyam for the Assessment Year, 2019–20. 14

6. (a) What do you mean by 'set-off and carry forward of losses'? Discuss the provisions of Income Tax Act relating to the set-off of losses. 2+6=8

Or

(b) From the following particulars, compute the taxable Capital Gains of Mrs. Geeta for the Assessment Year, 2020–21 : 8
₹

| | |
|--|-----------|
| Cost of Jewellery (purchased in the Financial Year, 2005–06) | 1,82,000 |
| Sale price of Jewellery sold in January 2019 | 17,50,000 |
| Expenses on transfer | 17,000 |
| Residential house purchased in March 2019 | 15,00,000 |

(8)

7. Write short notes on any two of the following : 4×2=8

- (a) Aggregation of income
- (b) Tax liability of an individual
- (c) Perquisites

8. (a) State the Relief and Rebate in respect of income tax and rates of income tax. 10

Or

(b) Mr. Arun Hazarika, an employee of a company, submits the following information for the previous year, 2019–20. Compute his total income for the Assessment Year, 2020–21 : 10
₹

| | |
|--|----------|
| (i) Salary and other allowances received @ ₹ 60,000 p.m. | 7,20,000 |
| (ii) Rent received from house property @ ₹ 5,000 p.m. | 60,000 |
| (iii) Dividend from an Indian company | 7,000 |
| (iv) Interest on Savings Bank deposits | 14,000 |
| (v) Dividend from UTI | 2,000 |
| (vi) Interest on debentures of an Indian Co. (Gross) | 5,000 |
| (vii) Dividend from a foreign company | 1,000 |
| (viii) Interest on deposits with an Indian company | 2,000 |
| (ix) Interest on Government Securities | 3,000 |

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