

Seat No. : 01216

NI-101

November-2018

B.B.A., Sem.-V

CC-306 : Direct Tax

Time : 2:30 Hours]

[Max. Marks : 70

Instruction : Show necessary working notes.

1. (A) Write short notes on :

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- Assessment year and Previous year with exceptions.
- Agricultural income

OR

(i) Shri Kumar furnishes the following particulars of his income for the financial year 2017-18 :

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	₹
(1) Income from agricultural land situated outside India	1,20,000
(2) Profit from an Indian business which is managed from abroad.	80,000
(3) Profit of a foreign business, which is controlled from India.	45,000
(4) Pension from a former Indian employer, received outside India.	18,000
(5) Interest on foreign securities (of which 1/4 has become due but not yet received); balance of interest is directly received in India.	28,000
(6) Rent from house-property situated outside India, deposited in foreign bank.	42,000
(7) Income received outside India during 2016-17 is brought to India during the current year.	81,000

Find out his total gross income for A.Y. 18-19 :

- (i) If he is an ordinary resident.
- (ii) If he is resident but not ordinary resident.
- (iii) If he is a non-resident.

- (ii) Mrs. Simran is a foreign citizen; employed in foreign country. But she has visited India frequently for company's work. The details are as stated below :

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P.Y.	No. of days stayed in India
2013-14	41
2014-15	301
2015-16	325
2016-17	92
2017-18	71

From the above information, determine his residential status for the A.Y. 2018-19.

- (B) Do as directed : (any four)

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- (1) In relation to definition of 'Person', Gujarat Chamber of Commerce is classified as :
 - (A) Individual
 - (B) Association of Person
 - (C) Artificial Juridical Person
 - (D) Local authority Person
- (2) Income from smuggling is also taxable. State true or false.
- (3) Income from dairy-farming is agricultural income. State true or false.
- (4) The incidence of income-tax depends upon the residential status of the assessee during _____ year. (previous/assessment)
- (5) Dividend received from an Indian company is _____ in the hands of shareholders. (taxable/exempt)
- (6) If a person has stayed in India for less than 60 days during the previous year, he is treated as :
 - (A) Ordinary resident
 - (B) Resident but not an ordinary resident
 - (C) Non-resident

2. (A) Shri Ramesh is employed in Ahmedabad based company. Calculate his taxable salary income from the following particulars for the A.Y. 2018-19.

- (1) Basic salary of ₹ 40,000 per month, which is increased by ₹ 5,000 from 1-8-2017.
- (2) Dearness allowance at 40% of basic salary.
- (3) Bonus ₹ 20,000.
- (4) Medical allowance ₹ 500 per month.
- (5) Education allowance ₹ 500 per month. (total for 3 children)
- (6) Concessional lunch facility provided during office hours (cost per dish ₹ 100 for 300 days is borne by the company); a token amount of ₹ 20 per dish is deducted from his salary.
- (7) The employee and employer both contribute at 14% of basic pay towards his recognized Provident Fund.
- (8) Interest credited to his R.P.F a/c at 10.5% is ₹ 42,000.
- (9) The employer has provided him a furnished flat for which the employer pays a rent of ₹ 10,000 per month. The employer has spent ₹ 3,00,000 on it's furnishing.
- (10) He has been provided a car of 1.8 CC by the company. The car is used for personal as well as office purposes. The maintenance and driver's salary expenses are paid by the company.
- (11) The company has paid ₹ 20,000 for compensation of injuries occurred during the office hours.
- (12) Professional tax ₹ 2400 (annual).

OR

- (i) Rakhi joined a company on 1-10-2013 in the grade of basic pay ₹ 30,000-1500-40,000-3,000-75,000 with four increments. Find out basic salary for A.Y. 2018-19 from the above details.
- (ii) Write a note on 'Rules regarding taxability of Gratuity'.

(B) Do as directed : (any four)

- (1) Re-imbursment of medical expenses by an employer is exempt upto ₹ _____.
(A) 15,000 (B) 5,000
(C) 20,000 (D) 10,000
- (2) Income tax paid on behalf of employee is a taxable perquisite. State true or false.

- (3) Transport allowance is exempt upto ₹ _____ per month for a blind/physically disabled employee.
 (A) 1,600 (B) 800
 (C) 3,200 (D) 1,000
- (4) Commuted pension received by a non-government employee who has not received gratuity is exempt upto _____ of the total commutable pension, (one half/one-third)
- (5) Free refreshments during office hours is treated as a taxable perquisite. State true or false.
- (6) Servant allowance is a fully taxable allowance. State true or false.

3. (A) Following is the Profit and Loss account of Mr. Kartik, who is into trade of textile goods, for the year ended 31-3-2018 :

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Particulars	₹	Particulars	₹
To Salaries	24,00,000	By Gross Profit	60,00,000
To Bad-debt reserve	40,000	By Discount	50,000
To Bad-debt	8,000	By Bad-debt recovered	40,000
To Income-tax	45,000	By interest & dividend	75,000
To Contribution to Staff Welfare Fund	15,000	By Income-tax refund	10,000
		By Professional-tax refund	12,000
To Interest on Capital	1,40,000		
To Professional Tax	8,000		
To Depreciation	78,000		
To Travelling Exp.	27,000		
To Purchase of new Computer	1,00,000		
To Motor-car Expenses	70,000		
To Advertisement Expenses	50,000		
To Commission on Loan	10,000		
To Donation	24,000		
To Net profit	31,72,000		
	61,87,000		61,87,000

Additional Information :

- (1) Bad-debt recovered ₹ 10,000 was not allowed as bad-debt in the past.

- (2) Allowable depreciation as per income-tax rules ₹ 85,000.
 - (3) Salaries include ₹ 5,00,000 paid to Mr. Kartik.
 - (4) Advertisement expenses include ₹ 30,000 spent on purchase of new permanent sign board.
 - (5) Unrecorded expenses :
 - Household expenses ₹ 45,000
 - Discount allowed ₹ 12,000
 - (6) Travelling expenses includes ₹ 7,000 for personal travel of his family.
- Compute Mr. Kartik's taxable business income for P.Y. 2017-18.

OR

- (i) The following particulars are furnished by Shiv Engineers relating to its accounting year ending on 31-3-2018 :

Assets	W.D.V. as on 1-4-2017	Additions during the year (₹)	Rate of depreciation
Furniture	45,000	–	10%
Machinery	1,80,000	60,000	15%
Buildings	4,50,000	–	10%
Motor trucks	82,000	–	15%

New machinery (for office use) was installed on 1-2-2018. A canteen building costing ₹ 2,00,000 was destroyed by fire on 30th July 2017. The insurance company admitted a claim of ₹ 80,000. The W.D.V. of ₹ 1,20,000 of building was also included in the total W.D.V. (₹ 4,50,000) of buildings. Calculate the amount of depreciation allowable for the A.Y. 2018-19.

- (ii) Write a note on : 'Block of Assets'.

(B) Do as directed : (any three)

- (1) Capital loss is an _____ expense. (Admissible/inadmissible)
- (2) If any asset is 'put to use' during previous year for the purposes of business or profession for a less than 180 days, depreciation will be allowed at half the prescribed rate. State true or false.
- (3) Penalty paid on breach of custom rules is admissible as business expenditure. State true or false.
- (4) Unabsorbed depreciation of one business can be set-off against the profits of any other business for that previous year. State true or false.
- (5) Depreciation is allowed only to an assessee who is the owner of the assets. State true or false.

4. (A) From the following particulars of income of Shri Parin, compute his taxable income under the head 'Income from other sources' for the A.Y. 2018-19 : 14

		₹
(1)	Dividend received on equity shares of Indian company.	12,000
(2)	Composite rent of factory building and machinery	1,08,000
(3)	Grand rent income	16,000
(4)	Sitting fee for attending meeting Board of directors	31,000
(5)	Rent received from sub-tenant	80,000
(6)	Interest received on ₹ 1,80,000, 10% tax-free debentures of XYZ Ltd. (TDS rate 10%)	18,000
(7)	Interest on 7% capital investment bonds	4,600
(8)	Family Pension received	1,20,000
(9)	Net prize money (after deduction of tax at 30%) received on lottery won	1,40,000
(10)	Interest earned on post office savings bank a/c (jointly held with his spouse)	7,750

Shri Parin has presented the claim to get deduction in respect of following expenses :

	₹
(i) Expenses (costs) of lottery tickets bought	5,000
(ii) Interest paid on loan taken to invest in equity shares of Indian company	1,000
(iii) Interest on loan taken to make investment in debentures of XYZ Ltd.	500

OR

- (i) Write a note on 'Gross Annual Value' under the head income from House property. 7
- (ii) Write a note on 'Types of Capital Gain' under the head income from Capital Gain. 7

(B) Do as directed : (any three)

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- (1) Royalty received by an author of books is taxable as 'Income from other sources'. State true or false.
- (2) Interest on post office savings bank a/c is exempted upto ₹ 7,000 (in single account). State true or false.
- (3) Jewellery for personal use is a capital asset. State true or false.
- (4) Cost inflation index for financial year 2017-18 is _____.
(A) 264 (B) 272
(C) 290 (D) 100
- (5) Standard deduction under Section 24 of income from house-property is _____ % of Net annual value. (20/30)