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Bachelor of Commerce 6th Semester

1048

DIRECT TAX LAW

Paper-BCM-601

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt any four questions from Section—A and two questions each from Section—B and Section—C.

SECTION—A (5 Marks each)

1. Discuss provisions related to set off and carry forward of speculation business losses.
2. What is Alternate Minimum Tax (AMT) ?
3. Black owns 25 % shares in Gray Ltd. along with his relatives. Gray Ltd. has employed Mrs. Black at a salary of Rs. 50,000 per month. She does not hold any technical or professional qualification. Other incomes of Black are as follows :
 - Business : Rs. 4,50,000
 - Dividend from Gray Ltd : Rs. 1,80,000

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Other income of Mrs. Black is Income from House Property (net of deduction under Section 24) of Rs. 1,20,000. Compute taxable income and tax liability of Black and Mrs. Black for Assessment Year 2017-18.

4. An individual assessee, resident in India, has made the following deposit/payment during the previous year 2016-17 :

Particulars	Rs.
Contribution to the Public Provident Fund	1,00,000
Insurance premium paid on the life of spouse (policy taken on 1.4.2014) (Assured value Rs. 2,00,000)	25,000
Medical Insurance premium paid on policy for self	20,000

What is the deduction allowable under Section 80 C for A.Y. 2017-18 ?

5. B. Murugan furnishes the following information for the year ended 31-03-2017 :

Particulars	Rs.
Income from business	(1,35,000)
Income from house property	(15,000)

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Particulars	Rs.
Lottery winning (Net)	3,50,000
Speculation business income	1,00,000
Income by way of salary	60,000
Long term capital gain	70,000

6. Mr. X, a resident, is due to receive Rs. 4.50 lakhs on 31.3.2017, towards maturity proceeds of LIC policy taken on 1.4.2014, for which the sum assured is Rs. 4 lakhs and the annual premium is Rs. 1,25,000. Whether TDS is to be deducted ? If yes, how much amount will he get after TDS deduction ?

SECTION—B (15 Marks each)

7. Mr. Gurnam, aged 42 years, has salary income (computed) of Rs. 5,50,000 for the previous year ended 31.03.2017. He has earned interest of Rs. 14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr. Gurnam for the assessment year 2017-18 from the following particulars :

- Life Insurance premium paid to Birla Sunlite Insurance in cash amounting to Rs. 25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2014 and the sum assured on life of his dependent parents is Rs. 1,25,000.
- Life Insurance premium of Rs. 25,000 paid for the

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insurance of life of his major son who is not dependent on him. The sum assured on life of his son is Rs. 1,75,000 and the life insurance policy was taken on 30.3.2012.

- (iii) Life insurance premium paid by cheque of Rs. 22,500 for insurance of his life. The insurance policy was taken on 08.09.2014 and the sum assured is Rs. 2,00,000.
- (iv) Premium of Rs. 22,000 paid by cheque for health insurance of self and his wife.
- (v) Rs. 1,500 paid in cash for his health check-up and Rs. 4,500 paid in cheque for health check-up for his parents, who are senior citizens.
- (vi) Paid interest of Rs. 6,500 on loan taken from bank for MBA course pursued by his daughter.
- (vii) A sum of Rs. 15,000 donated in cash to an institution approved for purpose of Section 80 G for promoting family planning.

8. Mr. A, a Senior Citizen, has furnished the following particulars relating to his House Properties :

Particulars	House I—Rs.	House II—Rs.
Nature of Occupation	Self Occupied	Let-out
Municipal valuation	60,000	1,20,000
Fair Rent	90,000	1,50,000

Particulars	House I—Rs.	House II—Rs.
Standard Rent	75,000	1,40,000
Actual Rent per month	—	12,000
Municipal Taxes paid	6,000	12,000
Interest on Capital borrowed	90,000	80,000

Loan for both Houses were taken on 1.4.2010. House II remained vacant for 4 months. Besides the above two houses, A has inherited during the year 1989-90 an old house from his grandfather. Due to business commitments, he sold the house for a sum of Rs. 250 Lakhs during the year. The house was purchased in 1963 by his grandfather for a sum of Rs. 2 Lakhs. However, the Fair Market value as on 1.4.1981 was Rs. 30 Lakhs. With the sale proceeds, A purchased a new house in March 2017 for a sum of Rs. 140 Lakhs and the balance was used in his business.

The other income particulars of Mr. A beside the above are as follows (AY 2017-18) :

- Business Loss Rs. 12 Lakhs
- Income from Other Sources (Bank Interest) Rs. 1 Lakh
- Investments made during the year PF Rs. 70,000
- ICICI Infrastructure Bond purchased Rs. 30,000

Compute Total Income of Mr. A and his Tax Liability for the Assessment Year 2017-18.

9. Write a note on the following deductions :

- 80 G
- 80 TTA
- 80 U.

10. Enumerate the various rebates and reliefs available to individuals under the Income-Tax Act, 1961.

SECTION—C (15 Marks each)

- State the Income-Tax authorities who are empowered to administer the Income-Tax and explain their powers, functions and jurisdiction in relation to assessment of Income.
- Write a lucid note on best judgment assessment with suitable illustration.
- X and Y are two partners (1:2) of X Co., a firm engaged in manufacturing chemicals. The profit and loss account of the firm for the year ending 31.3.2017 is as follows :

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Cost of goods sold	86,00,000	Sales	1,26,00,000
Salary to staff	17,79,600	Long term capital	80,000
		gains	
Depreciation	1,60,000	Other business	62,000
		receipts	

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Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Remuneration to partners :			
X	6,00,000		
Y	4,80,000		
Interest on capital to partners @ 18 %			
X	72,000		
Y	50,400		
Other expenses	7,40,000		
Net Profit	2,60,000		
	<u>1,27,42,000</u>		<u>1,27,42,000</u>

Other Information :

- The firm completed all legal formalities to get the status of 'Firm'.
- The firm has given donation of Rs. 1,60,000 to a notified public charitable trust which is included in other expenses.
- Salary and interest is paid to partners as per the partnership deed.
- Depreciation allowable under section 32 is Rs. 1,56,000.

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(5) Income and investment of X and Y are as follows :

	X(Rs.)	Y(Rs.)
Interest on company deposit	1,28,000	1,01,600
Dividend from foreign companies	14,000	22,000
Long term capital gains (loss)	1,60,000	40,000
Short term capital gains (loss)	6,000	(12,000)
Winning from lotteries (Gross)	8,000	20,000
Contribution towards Home Loan A/c of National Housing Bank	80,000	1,20,000

Find out the Net Income and Tax liability of the firm and partners for the Assessment Year 2017-18.

14. The following particulars are furnished for the Previous Year 2016-17.

	Rs.
Net Profit as per Profit and Loss A/c (after deducting Depreciation of Rs. 6,80,000)	90,97,000
Depreciation allowable u/s 32 of Income Tax Act	7,77,000
Disallowable expense	85,000
Deduction received u/s 10AA (as calculated)	78,00,000
Long Term Capital Gains (on sale of land)	3,00,000
Deduction received under Chapter VI A (as calculated)	
80G	55,000
80IB	80,000

Calculate Tax Liability assuming that the Assessee is a Firm, HUF, and AOP.