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(1126)

**Bachelor of Commerce Vth Semester
(0015) Examination**

0829

INCOME TAX LAW

Paper : BCM-501

Time : 3 Hours]

[Maximum Marks : 80

Note :- There are three Sections A, B and C. Attempt *four* questions from Section-A of 5 marks each, *two* questions each from Section-B and Section-C of 15 marks each.

Section-A

5 each

1. Write a note on assessment of agriculture income.
2. What are the provisions of Income Tax Act regarding admissibility of Depreciation allowance while calculating income from business or professional income ?

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(1)

Turn Over

3. Mr. Tarun Rampal retired from services on 1-4-2015 and started getting pension of ₹ 12,000 monthly. On 1-2-2016 he commuted one fourth of pension and received ₹ 1,50,000. Calculate taxable amount of pension for Assessment year 2016-17, if the assessee has :

- (a) not received gratuity at the time of retirement.
- (b) received gratuity at the time of retirement.

4. Following are the particulars of taxable income of Mr. Ashish Sharma for the previous year ending on 31st March, 2016 :

- (a) Income from House property in China ₹ 22,000 which was deposited in a bank there. Out of this ₹ 8,000 were remitted in India.

- (b) Dividend received in India ₹ 16,000.
- (c) Income from business in Pakistan ₹ 22,000 of which ₹ 14,000 were received in India. The business is controlled from England.
- (d) Income from Investment in London ₹ 15,000.
- (e) Interest received from a non-resident ₹ 5,000 against a loan given to him to run a business in India.
- (f) Royalty received from A, a resident, for technical services given to run a business outside India ₹ 20,000.
- (g) Income from Business in India ₹ 40,000. This business is controlled from Japan.
- (h) Income from sale of house property in Kapurthala ₹ 50,000 (40% received in America).

Calculate the total income of Mr. Ashish Sharma for the assessment year 2016-17, if he is (a) Resident, (b) Non-ordinarily resident and (c) Non-resident in India.

5. You are given the following particulars in respect of assets of Mr. Raghav. Compute depreciation allowable as per Income Tax Act, 1961 for the assessment year 2016-17 :

| | ₹ |
|--|----------|
| Written-down value of Plant & machinery on 1-4-2015 | 3,60,000 |
| Additions to plant made on 1-12-2015 to produce an article | 1,20,000 |
| Machinery purchased on 31-12-2015 which could not be installed during the previous year. | 1,60,000 |

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Sale proceeds of the machinery which

was originally purchased on 1-4-2013 for

₹ 1,00,000.

1,80,000

Machinery destroyed in a fire happening

on 30-3-2016. Its original cost on the

dated of purchase on 1-4-2014 was

₹ 50,000. The amount received from the

insurance Co.

40,000

Rate of depreciation on machinery is 15%

6. Mr. Rhythm on 25th October, 2015 sells jewellery

for ₹ 20,00,000. Cost of the jewellery on 25th

September, 1994 was ₹ 2,40,000. Brokerage and

commission paid for transfer was ₹ 8,000. From the

earned capital gain Mr. Rhythm purchased a

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residential house on 15th December, 2016 for ₹ 2,60,000. Calculate taxable capital gain.

The cost inflation index are as follows :

1994-95 : 259; 2015-16 : 1081

Section-B

15 each

7. Vishal Sharma was employed with a private company and was entitled to a salary of ₹ 18,000 p.m. He was also entitled to D.A. 30% of salary forming part of salary for retirement benefits. Besides the above, he was entitled to the following allowances and perquisites.

| | ₹ |
|---|------------|
| Transport allowance (Actual expenditure Rs.500 p.m.) | 1,200 p.m. |
| Medical allowance (Actual expenditure ₹ 8,000) | 800 p.m. |

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Children education allowance (one Child) 125 p.m.

Entertainment allowance (w.e.f. 1-5-2015) 500 p.m.

He was also entitled to a rent free unfurnished accommodation in Delhi, the fair rental value of which is ₹ 12,000 p.m.

Motor Car of 1.8 ltrs. with driver, which he uses partly for his official purposes and partly for personal purposes. The expenses of running and maintenance were met by the employer.

Medical reimbursement of the expenses incurred on the treatment of his wife ₹ 25,000. He is also provided with the rent free furnished accommodation by the employer the Fair rent value of which is ₹ 18,000 p.m. Cost of furnishing is 1,50,000.

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Compute his income under the head salary for the assessment year 2016-17.

8. A is the owner of a house property in Delhi. Its M.V. is ₹ 75,000; F.R. is ₹ 1,00,000; Standard rent is ₹ 90,000. Two third of the house has been let out for ₹ 60,000 p.a. The municipal tax payable by the owner comes to ₹ 10,000 but the landlord has taken an agreement from the tenant stating that the tenant would pay the tax direct to the municipality. The landlord, however, bears the following expenses on tenant's amenities under an agreement :

| | ₹ |
|------------------|-------|
| Water Charges | 1,000 |
| Lift Maintenance | 1,000 |

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| | |
|------------------------|-------|
| Lighting of Stairs | 800 |
| Gardener's Salary | 1,200 |
| Swimming Pool Expenses | 1,500 |

The landlord claims the following deductions :

| | |
|---------|--------|
| Repairs | 30,000 |
|---------|--------|

| | |
|--------------|-------|
| Land revenue | 1,000 |
|--------------|-------|

| | |
|--------------------|-------|
| Collection Charges | 2,000 |
|--------------------|-------|

Legal expenses incurred in connection

with the purchase of land on which the

| | |
|----------------|--------|
| house is built | 24,000 |
|----------------|--------|

Compute the taxable income from house property

for the A.Y. 2016-17.

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9. How is the residential status of an individual determined for computing his tax liability? Explain the incidence of residence on tax liability.

10. Write a note on exempted incomes.

Section-C

15 each

11. What are the assets which are not included in Capital Gain? Explain the capital gains which are exempted.

12. Explain the expenses which are expressly admissible and not admissible while calculating income from business or profession.

13. Mr. Mukesh Sharma furnishes the following Profit and Loss A/c for the A.Y. 2016-17.

| Particulars | ₹ | Particulars | ₹ |
|----------------------|--------|---------------------------|----------|
| Legal charges | 4,000 | Gross Profit | 3,50,000 |
| Office expenses | 45,000 | Bad debts recovered | |
| Depreciation | 23,000 | (Disallowed earlier) | 7,000 |
| Salary | 40,000 | Customs duties recovered | |
| Bonus to Staff | 30,000 | from Government | |
| Contribution towards | | (Allowed earlier as | |
| Recognised P.F. | 15,000 | deduction) | 43,000 |
| Contribution towards | | Gift received from father | 1,00,000 |
| unapproved | | | |
| gratuity fund | 5,000 | | |

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(11)

Turn Over

9. Provision for Sales Tax 25,000

Sale Tax 38,000

Payment to approved

research 38,000

Association for scientific

research 50,000

Net Profit 2,25,000

5,00,000

5,00,000

(a) Depreciation as per income tax rule is Rs. 19,000 (including dep. on new machinery).

(b) Sales tax of ₹ 38,000 includes interest for late payment of sales tax ₹ 1,500 and penalty for evading sales tax Rs. 10,000.

(c) Provision for sales tax is paid on July 25, 2016.

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- (d) Salary includes a payment of pension of ₹ 10,000 to the widow of a farmer employee.
- (e) Payment to a National Laboratory is for the purpose of carrying on approved scientific research, not related to the business. Besides Mr. Mukesh Sharma purchases a machinery of ₹ 40,000 for the purpose of carrying on scientific research related to his business.

Compute taxable business income.

14. Shri Raj Kumar Rampal is resident for Income tax purposes & his estimated total income for the financial year 2015-16 will not exceed the minimum amount liable to income tax (₹ 2,50,000). He has

sent this declaration duly certified by the Assessing Officer in the beginning of the year to each one of the officers responsible for paying interest on the following securities held by him along with the particulars of these securities :

- (a) ₹ 1,80,000, 6% Tax-free Debentures of a Textile Company.
- (b) ₹ 63,000, 10% Tax-free Debentures issued by Rajasthan Financial Corporation.
- (c) ₹ 25,000, 5% U.P. Government Loan.
- (d) ₹ 12,000, 5% Debentures of Delhi Development Authority.

(e) ₹ 60,000, 12% Tax-free Debentures of Mahendra Company listed in a recognized Stock Exchange.

Bank charged 2% commission on amount of interest collected.

Calculate his taxable income under the head 'Income from other Sources' for the assessment year 2016-17. Interest is payable in each case on 30th June & 31st December.