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6 SEM TDC DTAX-II 1 (Sp)

2016

(May)

COMMERCE

(Speciality)



Course : 601

(Direct Tax—II)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. (a) Write True or False : 1×4=4
 - (i) Interest on capital or loan received by a partner from a firm is taxable under the head 'income from other sources'.
 - (ii) Conversion of personal effect into stock-in-trade shall be subjected to capital gain.

(2)

(iii) Winning from lotteries, cross-word puzzles, horse races and other races, card games, etc., are casual income and hence exempt.

(iv) Loss under the head 'income from house property' can be carried forward even if the return is not furnished before the due date prescribed u/s 139(1).

(b) Fill in the blanks :

1×4=4

(i) Salary, bonus, commission or remuneration due to or received by a working partner from the firm is taxable under the head _____.

(ii) Conversion of debentures into shares shall not be regarded as _____ for capital gain purpose.

(iii) If no system of accounting is followed, interest on securities is taxable on _____ basis.

(iv) Loss under the head 'house property income' can be carried forward for _____.

P16/777

(Continued) P16/777

(3)

2. Write short notes on any four of the following : 4×4=16

(a) Inadmissible deduction u/s 40

(b) Capital asset

(c) Carry forward of business losses

(d) Allowable deductions from 'income from other sources'

(e) Tax planning in case of employee's remuneration

3. (a) Write down briefly the basic principles for arriving at Business Income. 11

Or

(b) Mr. B, a businessman, submits the following Profit and Loss Account for the year ending 31.03.2015 :

Particulars	₹	Particulars	₹
Salaries	75,000	Gross profit	6,50,000
Travelling expenses	1,25,800	Interest on	
Rent and taxes	3,000	company deposits	8,500
Interest on capital	5,000	Discount received	1,500
Administrative charges	25,000		
Depreciation	25,000		
Income tax	50,000		
Net profit	3,51,200		
	<u>6,60,000</u>		<u>6,60,000</u>

(Turn Over)

The following additional information is furnished :

(i) Salaries include a payment of ₹ 24,000 to Mrs. B, who is acting as supervisor of the quality control department. She does not have any other income during this year. Till February, 2014 she was employed in R Ltd., in a similar post for 10 years and was drawing a monthly salary of ₹ 1,500

(ii) Mr. B had gone on a foreign tour in connection with business. The journey was for 15 days in which he spent 3 days on visiting tourist spots. Total expenses incurred, which were within RBI norms as well, in respect of this foreign tour was ₹ 75,000

(iii) Administrative charges include expenses in respect of donation of ₹ 1,000 to the trade association for the purposes of advertisement in souvenir published by it

(iv) Depreciation allowance as per Income Tax Rules, 1962 is ₹ 45,000

(Continued)

(v) Mr. B raised a loan from LIC of India on the security of his life insurance policy and used the same for the payment of expenses relating to repairs of machinery. Interest of ₹ 2,500 in respect of this loan was paid out of his drawings

From the above particulars, compute the total income under the head Business/Profession of Mr. B for the assessment year, 2015-16.

11

4. (a) What is Transfer of Capital Asset? Discuss the procedure for computation of capital gains.

4+8=12

Or

(b) Mr. A transfers the following capital assets :

	House Property	Gold	Shares
Date of acquisition	30.06.1984	31.08.2013	30.04.1987
Date of transfer	31.01.2015	28.02.2015	15.03.2015
Sale consideration (in ₹)	19,00,000	7,00,000	10,00,000
Cost of acquisition (in ₹)	90,000	5,00,000	8,00,000
Cost of improvement incurred in			
2012-13 (in ₹)	1,27,800	—	—
Expenditure on transfer (in ₹)	20,000	10,000	5,000

P16/777

(Turn Over)

Determine the amount of capital gain chargeable to tax for the assessment year, 2015-16 considering CII of 1984-85, 2012-13 and 2014-15 at 125, 852 and 1024 respectively. 12

5. (a) Explain the assets exempted from tax under the Wealth-tax Act. 11

Or

- (b) Explain briefly the deemed assets under the Wealth-tax Act. 11

6. (a) (i) For the previous year ending March 31, 2015, Mr. C (59 years) submits the following information :
- (1) Income from house property—
₹ 2,50,000
 - (2) Loss from Business (non-speculative)—₹ (-) 1,00,000
 - (3) Bank fixed deposit interest—
₹ 50,000
 - (4) Deposit in public provident fund account—₹ 1,25,000
 - (5) Payment of life insurance premium on own life—₹ 35,000
 - (6) Mediclaim insurance premium on the life of C's father—₹ 30,000
- Determine the amount of net income and tax liability of Mr. C. 8

- (ii) Write briefly the provisions of carry forward and set off of loss from house property under the Income-tax Act. 3

Or

- (b) (i) Loss under a head of income can be set off against income under any other head of income in the same assessment year. Is there any exception to this rule? 7
- (ii) Show the order in which current and brought forward losses are to be set off. 4

7. (a) Distinguish between tax avoidance and tax evasion. What are the objectives of tax planning? 4+7=11

Or

- (b) Explain the methods commonly used by tax payers to minimise tax liability. 11
