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**Bachelor of Commerce 6th Semester
Examination**

1047

DIRECT TAX LAW

Paper : BCM-601

Time : 3 Hours]

[Max. Marks : 80

Note :- (i) Attempt any *four* questions from Section-A carrying 5 marks each.

(ii) Attempt any *two* questions each from Section-B and Section-C carrying 15 marks each.

Section-A

1. From the particulars given below, compute the total income of Mr. Raghav Sharma for the assessment year 2016-17 :

Rs.

(a) Income from profession 92,500

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(1)

Turn Over

(b) Income of minor son (singing is his profession) 15,000

(c) Winnings from lotteries : Ticket purchased on the name of his minor daughter 8,500

(d) Mr. Raghav's father gifted debentures in an Indian Company to Mr. Raghav's minor son and company paid gross interest 7,500

(e) Mr. Raghav's wife is a government employee and her income computed under the head salaries 62,000

(f) Interest on debentures purchased by Mr. Raghav but gifted to Mrs. Raghav 27,000 5

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(2)

2. Mr. Rhythm submits the following particulars of his income and loss for the assessment year 2016-17 :

Rs.

- | | |
|---|--------|
| (a) Income from House property
(Computed) | 8,000 |
| (b) Profits and gains from Personal
business | 25,000 |
| (c) Share of profit from an A.O.P.
(A.O.P. has paid the tax at the
maximum marginal rate) | 10,000 |
| (d) Short term capital gains | 8,000 |
| (e) Long term capital gains | 17,000 |
| (f) Long term capital loss | 24,000 |

The following items have been brought forward from the A.Y. 2015-16 :

- | | |
|-------------------------------|--------|
| (i) Business Loss | 30,000 |
| (ii) Loss from House property | 10,000 |

Compute his gross total income and deal with the carried forward losses.

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(3)

Turn Over

3. The Karta of a HUF furnishes the following particulars of the income of the HUF for the assessment year 2016-17 :

	Rs.
(a) Interest on Securities(Gross)	8,000
(b) Interest from Bank FD	6,000
(c) Income from House Property (Computed)	22,000
(d) Profit from Business	2,95,000
(e) Long term Capital Gains	62,000

The family paid Rs. 25,000 by way of insurance premium on the life policies of its members, mediclaim insurance premium of Rs. 35,000 and donated Rs. 15,000 for charitable purpose.

Compute the total income of the HUF.

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(4)

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4. A, B and C are partners in a firm sharing profit and loss equally. The firm, in the previous year has incurred a net loss of Rs. 75,000 after deducting the following :

(i) Interest on capital @ 20% : A- Rs. 8,000;
B- Rs. 7,000; C- Rs. 9,000.

(ii) Salary to A, B and C Rs. 20,000 each.

(iii) Bonus to A and B Rs. 10,000 each.

(iv) Commission to C Rs. 5,000.

(v) Donation to P.M drought relief fund Rs. 10,000.

(vi) The profit and loss account includes the following incomes :

(a) Capital Gains :

Long term Rs. 10,000

Short term Rs. 10,000

(b) Export earnings Rs. 50,000

Compute the taxable income of the firm. The firm fulfils the conditions of section 184.

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(5)

Turn Over

5. What are the special provisions for the assessment of firms covered under Section 184 ? 5
6. Explain the deduction available from GTI U/S 80-G. 5

Section-B

7. You are required to compute total taxable income of Mr. Sandeep Rampal for the financial year 2015-16 from the following particulars :
- (1) Salary per month Rs. 24,000. He spent 3 months in Australia on leave on full pay. On 31/12/2015 he was discharged on payment of a compensation of Rs. 1,00,000. Salary accrues on the last date of the month.
- (2) He contributed towards Recognised Provident Fund at 15% of his salary. Similar amount was contributed by his employer. He paid Rs. 4,000 on the assurance of his own life.

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(6)

(3) He held Rs. 1,00,000, 10% Government of India Bonds. He paid an interest of Rs. 7,000 on a loan which he took for the purchase of such investment.

(4) He owns several properties in Calcutta the rental value of which amounts to Rs. 86,800 p.a. including Rs. 11,800 for cottage where he resides.

He has incurred the following expenses :

	Rs.
(a) Vacancy	2,400
(b) Repairs	14,000
(c) Collection charges	6,000
(d) Legal charges for acquisition of land	20,000
(e) Interest on Loan for construction of properties	17,360

(5) He had also some agricultural land in Nepal and he derived an income of Rs. 10,000;

(6) He also received 1/5th share from HUF Rs. 15,000;

(7) He is medically handicapped person and has been duly certified by the Government doctor :
He paid by cheque Rs. 12,000 as premium under the scheme of Mediclaim for insurance of his health and Rs. 24,000 paid by cheque for the medical insurance of his aged parents.

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8. Mr. Vyom, an Indian resident, furnishes the following particulars of his income for the assessment year 2016-17. You are required to compute his GTI after dealing with set-off carry forward of losses :

	Rs.
(i) Income from securities (Gross)	18,000
(ii) Income from residential house	8,000

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(8)

(iii) Profits from Cycle business	32,000
(iv) Income from textile business	3,200
(v) Speculation income	4,200
(vi) Short term capital gain	4,800
(vii) Long term capital gain from land	12,500
(viii) Long term capital gain from shares	9,200

The carry forward items from the assessment year
2015-16 are :

(i) Loss from Hosiery business (discontinued in 2013-14)	4,800
(ii) Loss in textile business	4,000
(iii) Loss from cycle business	8,000
(iv) Speculation loss	5,300
(v) Short term capital loss	7,500

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(9)

Turn Over

(vi) Long term capital loss (of Previous

year 2013-14)

8,500

Current year depreciation from cycle business is
Rs. 2,200.

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9. Under what circumstances income of other person
can be included in the income of assessee under
Income Tax Act, 1961 ?

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10. Explain the deductions available from GTI under
section 80-C, 80-D, 80-DD, 80-DDB, 80-E, 80-GGA
and 80-GGC.

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Section-C

11. The following is the Profit and Loss Account of
Rampal Associates a partnership firm of A, B and C
who share profits and loss in ratio of 2 : 3 : 4 for
the financial year 2015-2016 :

Particulars	Rs.	Particulars	Rs.
Cost of goods sold	74,80,000	Sales	82,00,000

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(10)

Interest on capitals to Partners @ 24% :	Interest on Public deposits with a
A	72,000 company (Gross) 1,90,000
B	24,000 Rent of house building
C	1,08,000 (for 1/3rd portion) 2,25,000

Remuneration to partners :	
A	1,20,000
B	90,000
C	60,000

Municipals Taxes (paid on July 20, 2016)	10,000	
Other business expenses	2,00,000	
Net profit	4,51,000	
	<u>86,15,000</u>	<u>86,15,000</u>

Other relevant information :

- (i) B is not a working partner.

- (ii) The firm owns a building. First floor of this building is let out on rental basis whereas the ground floor and second floor are used for own business purpose.
- (iii) Out of other business expenses Rs. 18,000 is not deductible under various sections of the Income-Tax Act.
- (iv) On December 1, 2015 firm paid Rs. 4,500 being value added tax liability pertaining to the previous year 2012-2013 which has not been debited in Profit and Loss Account.

Find out the net income of the firm, its tax liability and individual income of the partners for the A.Y 2016-17.

12. The following particulars have been submitted by Sh. Raj Kumar Rampal in the capacity of Karta of a H.U.F. :

- (a) Profit from family business Rs. 5,30,000 after charging an amount of Rs. 8,000 given as salary to Karta's brother who has helped in the family business.
- (b) Income from separate business Rs. 36,000 carried on by a brother of Karta in individual capacity. Funds were provided to him by HUF. Interest received by HUF on the above funds advances Rs. 5,000.
- (c) Director's fees received by Karta Rs. 5,000 (HUF holds 20% share in his company).
- (d) Interest received on loan Rs. 2,400.
- (e) Long term capital gain Rs. 50,800

- (f) Donation to a charitable institution Rs. 8,000 which is approved U/S 80G.
- (g) Rent of the property let, Rs. 15,000 p.m., municipal taxes paid in respect of the house Rs. 4,500, interest on loan taken to repair the house Rs. 5,800.
- (h) Dividend from Indian Company Rs. 10,000 (Gross.)
- (i) Interest received on tax free debentures of Indian company Rs. 18,000.
- (j) Municipal value of self-occupied house of the family Rs. 45,000. Interest on loan taken to repair the house Rs. 7,500.

Compute the total income of HUF and its tax liability for the assessment year 2016-17.

13. What do you mean by Best Judgement Assessment ?

Under what circumstances it is compulsory ? What remedies are available to the aggrieved party against Best Judgement ?

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14. Explain any *ten* penalties that can be imposed under Income Tax Act, 1961 for various offences made by an assessee.

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