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B.B.A. 3rd Semester Examination

1127

DIRECT TAX LAWS

Paper : BBA 206

Time : 3 Hours]

[Max. 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

1. What do you mean by 'Bond Washing Transactions' ?

Discuss.

2. Write a short note on exemption U/S 54 EC.

NA–126

(1)

Turn Over

3. Calculate depreciation allowance for the Assessment Year 2016-17 from the details given below by Mr. X :

(i) The W.D.V. of the assets as on 1st April, 2015 was : **Rs.**

(a) Office building	2,00,000
(b) Factory building	3,00,000
(c) Worker's recreation room	29,000
(d) Machinery	1,50,000
(e) Furniture	25,000
(f) Typewriter	11,000
(g) Tractor	25,000

(ii) A new machine costing Rs. 50,000 was installed on 20th July, 2015.

(iii) A new typewriter was purchased for Rs. 5,000 on 1st December, 2015.

- (iv) A new foreign car is purchased for Rs. 2,30,000 on 10.02.2016.
- (v) Extension at a cost of Rs. 50,000 was made during the year in the office building.
- (vi) Furniture of the WDV of Rs. 3,500 was discarded on 1st Jan. 2016 and sold for Rs. 1,400 on 01.02.2016.
- (vii) A machine which was purchased for scientific research in Feb., 2006 for Rs. 28,000 was sold for Rs. 80,000 during the previous year and a new machine costing Rs. 25,000 was purchased on 5th May, 2015 for scientific research.

4. For the Previous Year 2015-16, Atul has the following incomes : **Rs.**

- (i) Income from salary in India from a company (*he went to Canada for some months due to his service and received salary for such period there*) 50,000

- (ii) Dividend (Gross) from an Indian
Company received in USA and spent
there 10,000
- (iii) Income from house property in India
received in Bhutan 20,000
- (iv) Dividend from a foreign company
received in USA and deposited in a
bank there 10,000
- (v) Income from business in Calcutta
managed from USA 20,000
- (vi) Income from business in USA,
controlled from Ludhiana Head Office 12,000
- (vii) Income was earned in Australia and
received there, but brought into India 25,000
- (viii) His maternal uncle sent a bank draft
from Canada as a gift to him 60,000

Find out the Gross Total Income of Atul for the Assessment year 2016-17 if Atul is :

- (a) Resident and ordinarily Resident
- (b) Resident but not ordinarily Resident
- (c) Non-resident.

5. From the following information submitted by X, in respect fo monthly salary and allowances, find out the HRA chargeable to tax for the Assessment year 2016-17 :

Name of Employer of X	A Ltd.	B Ltd.
Period of employment	Upto	From
	31.8.2015	1.10.2015
Place of posting	Agra	Mumbai
		(from 1.1.16, Pune)

Basic salary (increased to

Rs. 18,000 from 1.2.16) Rs. 6,000 p.m. Rs. 11,000

House Rent Allowance Rs. 3,000 Rs. 5,600

Rent paid at Agra

(From 1.4.15 to 30.09.15) Rs. 2,600 N.A.

Rent paid at Mumbai

(From 1.10.15 to 28.2.16) N.A. Rs. 7,000

Rent paid at Pune

(From 1.3.16) N.A. Rs. 1,560

6. X has the following investments in the previous year ended on 31st March, 2016 :

(i) Rs. 11,000, 10% Central Government Securities.

(ii) Rs. 36,000, 10% Tax-free Commercial Securities.

(iii) Rs. 3,600 received as interest on Tax-free Public Ltd. Company Securities.

(iv) Rs. 4,000 received as interest on U.P. Government Securities.

- (v) Rs. 3,600 received as interest on Tax-free Company Securities (Listed).
- (vi) Rs. 30,000, 13.5% Securities of Cement Company (Unlisted).
- (vii) Rs. 35,000, 11% Securities of a Paper Mill Company (Listed).
- (viii) Rs. 10,000, 15% Jaipur Municipal Corporation Bonds, received from his father on 1.4.2015.

For purchasing Cement Company's Securities he took a loan of Rs. 25,000 @ 15% p.a. This loan was taken from his friend in Bahrain. The interest has been paid in Bahrain, but no deduction of tax at source is made.

The bank charged 1.5% commission on gross interest as collection charges. Interest on all securities is payable half-yearly on 1st July and 1st January each year.

Find out his taxable income from interest on securities under the head 'Income from other Sources' for the Assessment Year 2016-17.

Section-B

7. X (Age : 74 years) is employed by an Indian Company in Bombay. During the Previous Year 2015-16, he is posted in London branch of the company for 4 months (i.e., June 2015 to September, 2015).

Calculate his income from Salary for the Assessment Year 2016-17 from the following information :

Rs.

Salary of 8 months of service in

Bombay 4,00,000

Salary of 4 months of service in London

(Salary of June – August, 2015 is paid

in London, whereas salary of September,

2015 is paid in Bombay) 6,00,000

HRA of 8 months paid in Bombay

(Rent paid : $20,000 \times 8$) 1,60,000

Employer's contribution towards RPF 70,000

X's contribution towards RPF 90,000

Conveyance facility in London

(50% of which is attributable towards
use of car by X and his family members) 1,00,000

Payment of insurance premium on own
life policy (Sum assured Rs. 2,00,000

Policy taken on 1st August, 2015) 22,000

From 2005-06 to 2014-15, he was posted in the
London branch of the company.

On March 10, 2016, the employer sells an air
conditioning system for Rs. 2,000 (It was purchased
by the company for business purposes on April 10,
2013 for Rs. 50,000).

8. X (age 33) owns four houses which are used by him for his residential purposes :

Particulars	HP-I	HP-II	HP-III	HP-IV
	Rs.	Rs.	Rs.	Rs.
Municipal				
Value (MV)	40,000	1,70,000	25,000	90,000
Fair Rent				
(FRV)	50,000	1,60,000	26,000	97,000
Standard				
Rent (SR)	60,000	1,74,000	20,000	96,000
Municipal tax				
paid by X	8,000	26,000	4,000	22,000
Interest on capital				
borrowed for purchase/				
construction (inclusive				
of 1/5th of pre-construction				
period's interest,				
wherever applicable).	25,000	35,000	84,000	1,56,000

Capital was borrowed on 01.04.1999 in the case of HP-III and HP-IV. In case of HP-I and HP-II capital was borrowed on 10.04.1998. Construction of these houses was completed within three years from the date of borrowing.

Find out income from house property of X for the Assessment Year 2016-17.

9. How is the residential status of an Assessee is determined under Section 6 of the Income Tax Act ?

Discuss.

10. Write a detailed note on Agricultural Income.

Section-C

11. Mrs. X (Age : 55 years) a resident individual, furnishes the following particulars for the Assessment Year 2016-17 :

Profit and Loss Account for the year ending

March 31, 2016

Particulars	Rs.	Particulars	Rs.
Office expenses	82,000	Gross Profit	26,66,600
Audit fees	11,000	Sundry receipts	20,000
Legal expenses	500	Customs duty	
Cost of extension		recovered from Govt.	
to building	40,000	(earlier not allowed	
Depreciation on		as deduction)	12,000
Machinery and		Bad debts	
extension of		recovered (earlier	
building	31,000	allowed as deduction)	1,000
Salary to staff	1,81,000	Gift from friend	60,000
Bonus to staff	45,000		
Contribution to			
Approved Gratuity			
Fund	30,000		
Outstanding liability			
in respect of interest	38,000		
Payable to IDBI			
General expenses	71,000		
Net Profit	22,30,100		
	27,59,600		27,59,600

Other relevant particulars are as under :

- (i) Bonus is outstanding on March 31, 2016. Rs. 40,000 is however, paid on September 30, 2016 (Being the due date of furnishing return of income)
- (ii) Depreciation on machinery and extension of building shown in the Profit and Loss A/c is calculated according to the income tax provisions.
- (iii) General expenses include payment of Rs. 10,000 to an approved institute for the purpose of carrying on a scientific research in natural science. The research is, however, not related to the business of the assessee.
- (iv) During the previous year 2015-16, Mrs. X also makes capital expenditure of Rs. 11,000 for the purpose of carrying on a scientific research related to her business. The expenditure is, however, not recorded in the Profit and Loss Account.
- (v) Outstanding interest payable to IDBI is paid as follows : Rs. 600 on April 10, 2016; Rs. 4,000 on May 10, 2016; Rs. 6,000 on June 30, 2016 and Rs. 1,500 on September 10, 2016. The remaining amount is still outstanding.

(vi) Salary to staff includes Rs. 40,000 being compensation paid for termination to an employee.

Calculate income from Salary of Mrs. X for the Assessment Year 2016-17, assuming that she annually deposits Rs. 1,25,000 in Public Provident Fund.

12. For the Assessment Year 2016-17, X (Age : 70 years) furnishes the following information :

Basic Pay : Rs. 16,00,000; Special Pay : Rs. 60,000; Perquisite in respect of free car facility only for private purposes : cost to the employer Rs. 94,000; Free Watchman and Gardener; Rs. 60,000 and Rs. 72,000 respectively, Employer contribution towards URPF : Rs. 70,000; Share of profits from a firm Rs. 2,00,000 and HUF : Rs. 90,000; Income from Commission agency business : Rs. 1,12,000; Winning from Camel racing : Rs. 8,000; Gift from A, a colleague on December 5, 2015 Rs. 54,000. On June 17, 2015, he has been allotted 800 equity shares by the employer company @ Rs. 40 per share (Market value Rs. 400 per share) under employees stock option plan.

Payments and Investments are as under :

Own contribution towards URPF : Rs. 72,000;

Contribution to PPF : Rs. 1,46,000;

Donation to PM National Relief Fund : Rs. 20,000;

Calculate taxable income X for the Assessment Year 2016-17.

13. Discuss the following Deductions under Chapter VI-A :

(i) U/S 80D

(ii) U/S 80GG

(iii) U/S 80QQB

14. Explain in detail the provisions regarding clubbing of Incomes.