

Time: 2 ½ Hours

Max :75 Marks

- All questions are compulsory.
- All questions carry 15 marks each.

Direct Tax

03/10/19.

Q 1 (a).

(8 Marks)

Re-write the following sentences by selecting the appropriate option (any eight) –

1. Max and Next Pvt Ltd is assessed to tax, as a _____
 - Company
 - Artificial Juridical Person
 - Association of Persons
2. Gratuity received on retirement by a non government employee is _____
 - Fully Exempt
 - Fully Taxable
 - Partly Taxable
3. A new business was set up on 01-10-2018. Its first Previous year will end on _____
 - 31st March, 2019
 - 31st December, 2019
 - 31st March, 2020
4. Mr A invested Rs 2,00,000 into Public Provident Fund (PPF). The amount deductible under section 80 C will be _____
 - Rs. 2,00,000
 - Rs. 1,50,000
 - NIL
5. Cost Inflation Index is applied when Income arises from _____
 - Long-Term Capital Gains
 - Short-Term Capital Gains
 - Business or Profession
6. Family Pension received is taxable under the head _____
 - Salaries
 - Business of Profession
 - Other Sources
7. The deduction for interest on borrowed capital for purchase of let out house property is _____
 - Actual Interest
 - Rs 2,00,000
 - Lower of actual interest or Rs. 2,00,000
8. Mr S received a gift of Rs 60,000 from his friend. The taxable amount of gift is _____
 - Rs. 60,000
 - Rs. 50,000
 - NIL
9. Shares of an Indian Company held for 40 months are treated as _____
 - Long-Term Capital Asset
 - Short-Term Capital Asset
 - Not a Capital Asset
10. Mr G received a watch worth Rs. 2,00,000 from a customer as gift. It is _____
 - Taxable as other income
 - Taxable as business income
 - Not Taxable



and

Q 1 (b).

(7 Marks)

Re-write Following Statement and State If They are True or False (any seven).

- Personal clothing adorned with jewelry is a capital asset
- Rental income from renting tenanted house is charged to tax under the head 'house property'.
- Medical insurance premium paid by cash is eligible for deduction under section 80D.
- Municipal taxes paid for earlier years is allowed as deduction from gross annual value of let-out house property.
- Dividend received from an Indian company is fully exempt.
- Value of free meals at workplace provided to an employee is taxable in the hands of an employee.
- A Hindu Undivided family is treated as separate entity for taxation purposes.
- Profit on sale of agricultural products by a farmer engaged in agricultural activities is exempt income.

- Pension received by an assessee is treated as salary income.
- Previous year cannot be a period of less than 12 months.

Q 2.

(15 Marks)

Mr Badrinath furnishes you the following information for the year ending on 31st March, 2019.

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Salaries	240000	By Gross Profit b/d	1200000
To Rent	130000	By Dividend from Indian Companies	15000
To Depreciation	60000	By Dividend from Foreign Companies	18000
To Motor Car Expenses	90000	By PPF Interest	15000
To Printing and Stationery	4500	By Interest on Debentures	16000
To Staff Welfare Expenses	23000	By GST Refund	18000
To Advertisement Expenses	22500	By Income Tax Refund	18000
To Drawings	160000		
To Mediclaim Premium	14000		
To Net Profit	556000		
	1300000		1300000

He provides you following additional information:

- One third of the rent is attributable towards his residential flat.
- Allowable depreciation as per the Income Tax Rules is Rs.78,000.
- Half of the Motor Car expenses are for personal purposes.
- Staff welfare includes Rs. 12,000 expenses for his personal treatment.
- Mediclaim premium was for his dependent brother, paid through Internet banking.

Your are required to compute the Taxable income for assessment year 2019 20.

or

Q 2.

(15 Marks)

Miss Shreya, a practicing architect, furnishes the following particulars of her receipts and payment account prepared for the year ended 31st March, 2019.

Receipts and Payment Account

Receipt	Rs.	Payments	Rs.
To Balance b/f	6000	By Office Repairs	30000
To Fees from clients	1250000	By Interest on Bank Loan	63000
To Gift from father	50000	By General Expenses	22000
To L. I. C. (Policy matured)	150000	By Office salaries	400000
To Gift from a friend	60000	By Printing and Stationery	28000
To Income tax Refund	25000	By Office Rent	42000
To Interest on Debentures	5000	By Mediclaim Insurance	20000
		By Drawings	480000
		By Membership Fees	15000
		By Income tax paid	90000
		By Interest on loan for higher education of daughter	60000
		By Car Expenses	110000
		By Balance c/d	186000
	1546000		1546000

Other Information:

- Half of the car expenses are for personal use.
- The bank loan was taken for purchase of furniture for her residence
- Books worth Rs. 5,000 purchased for her son, are included in general expenses.
- Drawings include rent paid for her own residence Rs. 1,000 per month.

Compute her total taxable Income for the assessment year 2019-20.

Q 3.

(15 Marks)

The following are particulars of the income and expenses of Mr. Shah, employed with Jack and Johny Ltd., Mumbai, for the year ended 31st, March 2019:

Salary

- Basic Salary - Rs. 60,000 pm.
- Dearness Allowance at 30% of Basic Salary.
- Profession Tax deducted at Rs. 200 pm.
- Bonus Rs. 3,60,000
- House Rent Allowance Rs. 9,000 pm (Exempt Rs. 4,000 pm).
- Advance Salary received Rs. 2,50,000

Allowances

- Servant allowance Rs. 24,000 (amount spent on servant salaries Rs. 30,000)
- City Compensatory Allowance Rs. 1,000 pm
- Entertainment allowance Rs. 750 pm
- Lunch/Dinner Allowance Rs. 500 pm

Perquisites

- Life Insurance Premium Paid By Employer on his behalf Rs. 30,000
- Medical treatment of his dependent mother in approved hospital Rs. 125,000
- Premium paid for his Medical Insurance Rs. 20,000

Compute his total income for the assessment year 2019-20.

or

Q 3 (a).

(8 Marks)

Mr. Yogesh Chahal an Indian citizen, went out of India for the first time for the purpose of his employment outside India on 1st June 2018 and came back to India on 21st December 2018. Find out his residential status for assessment year 2019-20.

and

Q 3 (b).

(7 Marks)

Compute the income of Mr. Roger for the assessment year 2019-20, assuming that he is alternatively,

- Resident But Not Ordinarily Resident
- Non Resident in India in the previous year 2019-20.

Particulars

Particulars	Amt Rs.
Bank interest accrued in India received in London	1,00,000
Income from business, situated in London and controlled from India	1,11,000
Pension received outside in India for services rendered outside India	1,22,000
Interest received from a foreign company outside India (On capital utilized outside India)	1,33,000
Past untaxed profit of the year 2018-19 brought into India in March, 2019	1,44,000

Q 4.

(15 Marks)

Mr. David owns two houses in Goa. The Particulars of these houses are as follows for the previous year ended 31-3-2019:

Particulars	House Property I	House Property II
	Let Out	Self Occupied
Gross Municipal Valuation	3,70,000	4,80,000
Fair Rent	3,60,000	4,40,000
Rent Received	3,90,000	Nil
Municipal Taxes - due	36,000	44,000
Municipal Taxes – paid by him	32,000	41,000
Municipal Taxes – paid by tenant	5,000	
Repairs	20,000	30,000
Insurance Premium Due	4,500	6,600
Rent collection charges		
Interest paid on loan taken for construction of house property	2,20,000	2,20,000
Year in which loan taken	2015	2016

He also received the following income during the previous year 2018-19 :

- (a) Debenture Interest Rs. 50,000
- (b) Winning from card games Rs. 60,000
- (c) Losses from card games Rs. 70,000
- (d) Interest on Government Bonds (Tax Free) Rs. 80,000
- (e) Medical Insurance Premium for self, by credit card Rs. 18,000.

Compute his Net Taxable Income for the assessment year 2019-20.



or

Q 4 (a).

(8 Marks)

Miss. Jagruti sold her residential house property for Rs. 1,25,00,000 on 15th February 2019. She paid a brokerage of Rs. 1,25,000 for the same.

She had acquired the property on 1st January 1996 for Rs. 9,00,000. and spent Rs. 7,00,000 as a cost of improvement in June 2008. Subsequent to sale of the house she purchased a new house for Rs. 85,00,000 on 20th February 2019. The fair market value of the house was Rs. 12,00,000 on 1st April 2001. Compute her taxable capital gain for the Assessment year 2019 20.

Financial Year	Cost Inflation Index
2001-02	100
2008-09	137
2018-19	280

and

Q 4 (b).

(7 Marks)

Miss Janaki gives you following information for the year ended 31st March 2019. Compute her total income for the Assessment Year 2019-20.

Particulars	Amt Rs.
Family Pension Received	2,00,000
Rent received from renting of agricultural machinery (depreciation on machinery as per income tax rules Rs. 30,000, repair charges Rs. 25,000)	1,90,000
Winnings from Lottery	1,80,000
Dividend received from an a cooperative bank	1,70,000
Gift from brother	1,60,000
Income tax refund (excess income tax Rs.1,00,000 interest Rs. 50,000)	1,50,000

Q 5.

a) Profits and gains of business and profession

(8 Marks)

b) Name any seven items eligible for deduction under section 80C for life insurance premium.

(7 Marks)

or

Q 5.

(15 Marks)

Write short notes (Attempt any 3)

1. Residential status of a Company.
2. Taxability of advance salary and arrears of salary.
3. Taxability of deemed to Let out house property'
4. Taxability of gifts as 'Income from other sources'
5. Define Capital Asset.
6. Deduction under section 80DD.