



B.COM. Part-II(HONS.)

Sub. : DIRECT TAX

MODAL PAPER-I

Time Allowed: 3 Hour

Max. Marks: 100

Q.1 Discuss the important provisions of the Income Tax Act relation to offences and prosecutions.

Or

During the previous year 2015-16, Rashmi pays the following installments of advance tax:

On 15.09.2015	rs.2000
On 15.12.2015	rs.10000
On 15.3.2016	rs.18000
On 27.3.2016	rs.2000

Smt. Rashmi files her return of income declaring rs.665000. The income assessed by assessing officer was rs.705000 on 27.1.2017. The tax was deducted at source rs.7320. Calculate amount of interest u/s 234B and 234C.

Q.2 What incomes of the trusts and institutions established for charitable purposes are exempt from tax? Explain the provisions of the Income Tax Act, relating to such exemptions.

Or

Jaipur Consumer Co-operative Society has submitted the following details of its income for the year ending on 31st March, 2015.

Calculate its total income and tax liability for the assessment year 2015-16 :

1	Profit from the industry established on 1 st December 2001 in notified backward state	1,45,900
2	Income from providing credit facilities to its members	28,000

3	Dividend received from other Co-operative Societies	12,000
4	Rent received from house property let out for residential purposes	10,000
5	Interest received on securities listed in Stock Exchange	4,500
6	Taxable income from letting godowns for storage and processing of commodities	8,000
7	Interest on fixed deposit with Rajasthan Co-operative Bank	2,000
8	Income from sale of agricultural produce grown by its members	15,000
9	Loss of the business of Electrical goods for 2010-11 assessment year carried forward	16,000

Expenditure relating to house property let out debited to profit and loss account of the industry are as follows :

	Rs.
(a) Repairs	3,800
(b) Municipal tax	1,000
(c) Rent collection charges	700
(d) Fire insurance premium	1,000

The society gave donation of Rs. 10,000 to Rajasthan Government for Medical Relief Fund.

Q.3 Discuss the important provisions of Assessment of Company under the Income Tax Act, 1961.

OR

Ashoka Private Limited an Indian Company in which public is substantially interested, has income for the year ending 31st March,2015 derived from the following sources :

- (1) Profit from an Industrial Undertaking (established in backward area in March 1993)

	3,00,000
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- (2) Profit from an Industrial Undertaking set up in a backward district

Of category 'A' (manufacturing started in April,2002)	3,50,000
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- (3) Profit from power generation (plant established in May,2008)

	2,00,000
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(4)	Long-term Capital Gains	1,50,000
(5)	Dividends from a Domestic Company	80,000
(6)	Dividend from a Foreign Company	1,00,000

Company donated Rs. 1,00,000 to a notified temple.

Calculate Total Income of the Company and also calculate Tax Payable for the assessment year 2015-16.

Q.4 What are the circumstances when an asset though not belonging to a person, is included in his net wealth?

OR

Anurag is owner of a house the annual value of which is determined by the local authority is Rs 2,50,000. It has been let out from 1st July, 2014. Mr. Tanmay on a monthly rent of Rs 18,000. From the following additional information, find out the value of this house under provision of wealth Tax Act :

(i) Taxes levied by the local authority for whole of the year amounted to Rs 4,000. Out of it, Rs 3,000 were paid by the tenant.

(ii) The tenant bears the cost of repairs. The tenant incurred an expenditure of Rs 24,000 on repairs.

(iii) The tenant has deposited a sum of Rs. 6,00,000 which shall be refunded to him at the time of vacating the house. Interest is payable @ 9% per annum on this amount. Interest upto 31st March, 2015 amounting to Rs 40,500 has been paid to the tenant.

(iv) The tenant also runs a concern providing taxi on hire. Anurag has entered into an agreement with the tenant that he shall provide free taxi travel to the extent of 800 kilometres per annum. The normal taxi charge fare charge is around Rs 5 per km and free taxi travel to the extent of 600kms. Were used upto 31st March, 2015.

(v) The house has been constructed on leasehold land and the lease will expire on 20th January, 2046.

(vi) The total area of the plot of land on which the house is constructed is 600 metres, but the built up area is 100 square metres. The unbuilt area specified by the local authority in this area is 75% of the total area.

(vii) Rs. 2,00,000 were paid to the local authority by way of cost of land at the time of taking the land on lease. The estimated value of land at present is Rs 4,00,000. At the time of transfer of the house, the local authority has right to recover 40% of the increase in the value of land.

Q.5 Discuss the various methods of assessment as provided in the Wealth Tax Act.

OR

Raja Bhawani Singh, ex-ruler of Jaipur State, discloses the following Assets and Liabilities as on 31st March 2015.

(1) Four houses valued under Schedule III at Rs. 25 lakhs, Rs 40 lakhs, Rs 20 lakhs and Rs 10 lakhs respectively. The second and the third house are occupied by him for his residence of which the second house has been declared as his official residence by the Central Government. The first house has been let out to a company throughout the year and the fourth house is used as guest house.

(2) he is owner of 8 plots of urban land which he purchased in July, 2010. Other particulars of these plots are as under :

(i) 7 Plots are held as stock in trade .

(ii) 2 Plots were purchased for industrial purposes

(iii) Rest of the plots will be used for the construction of residential houses. On the valuation date the value of each plot is Rs 5 lakhs.

(3) Household goods such as furniture, cloths and utensils (including silver utensils of Rs 1,20,000) are valued at Rs. 3,00,000

(4) Jewellery recognised as heirlooms by the Government Rs 80,00,000. Other Jewellery Rs. 21,30,000

(5) During the previous year he transferred properties worth Rs. 5,00,000 to a trust established for public charitable purposes.

(6) Five godowns collectively of Rs 10 lakhs given on rent.

(7) Two cars for personal use collectively valued at Rs. 5,00,000

(8) He transferred jewellery worth Rs. 20,00,000 to his wife during the period of last 10 years. His wife sold whole of the jewellery for Rs. 35,00,000 and invested the sale proceeds in the shares of Public Limited Companies in March 2015.

(9) Cash in hand Rs 2,00,000

(10) He took a loan of Rs 4,00,000 for purchasing the 8 plots of urban land.

Compute the Net Wealth of Raja Bhawani Singh for the assessment year 2015-16. Also calculate the wealth Tax payable by him.



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Max. Marks: 100

Q.1 Discuss the important provisions of the Income Tax Act with regard to penalties.

Or

Compute the Advance Tax payable by Shri Ashok from the following estimated income submitted for the financial year 2015-16: Rs.

1. Income from salary	594000
2. Rent form house property (per month)	2500
3. Interest on Government Securities (Gross)	34000
4. Interest on saving Bank a/c	4000
5. Income from horse race on 5-4-2015	17500

6. Agricultural Income 20000

Q.2 Explain the provisions of the Indian Income Tax Act regarding assessment of non- residents.

Or

Arun, Deepu & hari are persons o Indian origin with residential status being non-resident. During the financial year 2015-15, their income from investments in foreign exchange assets and bank deposits in India are as follows:

	Arun	Deepu	Hari
	Rs.	Rs.	Rs.
(a) Interest on deposits with public Limited Companies	18000	20000	15000
(b) Interest on Govt. Securities	18000	21000	20000
(c) Interest on debentures of Public Limited Companies	5000	25000	20000
(d) Interest on bank fixed deposits	-	-	260000

Determine their tax liability for the Assessment Year 2015-16 and discuss whether the assesses should opt under Section 115-I for not being governed under the provisions of Sections 115-C to 115-I.

Q.3 Bajaj Ltd. a closely held Indian Company is engaged in the business of manufacture of chemical goods. The information for the financial year 2014-15 are as under :

Profit & Loss Account			
Particulars	Rs.	Particulars	Rs.
Salary and Wages	2,60,000	Sale Proceeds of goods	
Travelling Expenses	30,000	Local	22,00,000
Entertainment Expenses	12,000	Export	8,00,000
Depreciation	4,20,000	Amount withdrawn from	
Income Tax	3,00,000	general reserve	2,00,000
Dividend Tax	20,000		
Wealth Tax	8,000		

Fringe Benefit Tax	10,000	
Outstanding excise duty	10,000	
Banking Cash Transaction Tax	10,000	
Provision for unascertained liabilities	40,000	
Loss of Subsidiary Company	40,000	
General Expenses	1,60,000	
Proposed Dividend	80,000	
Net Profit	<u>18,00,000</u>	
	32,00,000	32,00,000

For Tax Purpose the Company was to claim the following :

- (i) Deduction under section 80 IB @ 30% of Rs. 18,00,000
- (ii) Depreciation under section 32 Rs. 4,84,000
- (iii) Custom duty pertaining to financial year 2012-13 paid during the previous year 2014-15 Rs. 56,000 were not charged to P & L Account.

The company wants to set off the following losses/allowances :

	For Tax Purpose	For Accounting Purpose
	(Rs.)	(Rs.)
Brought forward Loss of 2012-13	12,50,000	8,60,000
Unabsorbed depreciation		2,40,000

Compute the Tax Liability of Bajaj Ltd. for the Assessment year 2015-16

OR

The profit and loss account of Chandra Ltd., a domestic company for the year ending March 31, 2015 is given below :

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
Expenses related to goods manufactured	5,00,000	Sale of goods manufactured by the company	8,00,000
Expenses relating to sale of other goods	6,80,000	Sale of other goods	9,00,000
Proposed Dividend	1,20,000	Long-term Capital Gain	3,20,000
Provision for unascertained liabilities	30,000		
General Reserve	40,000		
Income Tax paid	25,000		
Wealth Tax paid	5,000		
Net Profit	<u>6,20,000</u>		
	20,20,000		20,20,000

Other relevant information are as follows :

1. The Industrial undertaking of the company is located in free trade zone.
2. An outstanding liability related to sales tax for 2013-14 paid during the previous year Rs. 20,000 which was not charged to above P & L account.
3. Brought forward loss as per books of account is Rs. 80,000 while the brought forward depreciation as per books of account is Rs 60,000
4. Brought forward unabsorbed depreciation is Rs 2,80,000
5. Brought forward short term capital loss under the head capital gain in Rs 1,70,000

Compute the tax liability of Chandra Ltd. for the assessment year 2015-16

Q.4 What do you mean by the term 'Net Wealth'? Explain those asset and liabilities which are included in the computation of net wealth.

OR

Shri Chaudhary owns a house in Pune, the annual value of which as per municipal records is Rs. 1,00,000, but it is let out to Shri Subhash for an annual rent of Rs. 90,000. The other particulars regarding this house are as under :

- (1) The total area of the plot of land on which the house is constructed is 800 square metres, but the built up area is 152 square metres only.
- (2) Rs. 2,000 were paid by Shri Chaudhary and Rs. 3,500 by Shri Subhash towards the payment of municipal taxes for the previous year.
- (3) Shri Subhash spent Rs. 2,600 during the previous year for the repairs of the house.
- (4) Shri Subhash has deposited Rs. 50,000 with Shri Chaudhary as security deposit on which no interest is payable.
- (5) The house is built up on leasehold land and the unexpired period of the lease is 72 years. According to the terms of the lease deed, the lease was granted for 99 years for an annual rent of Rs. 1,000. The present net maintainable rent of this land is Rs. 35,000. The rate of capitalization or interest for the purpose of valuation of this land is 7% and in case of transfer of the house property 40% of the unearned increase in the value of the land is payable to the Government.

You have come to know that according to the annuity tables the present value of an annuity of Rs. 1 per year payable for 72 years at an interest rate of 7% is Rs. 14.176 and for 99 years, it is Rs. 14.268. On the basis of the above information, determine the value of this land in the following cases :

- (a) If the house has been constructed before 1-4-1974 and the actual cost is Rs. 10,00,000
- (b) If the house has been constructed after 31-3-1974 and the actual cost is Rs. 12,50,000

The valuation date is 31-3-2015

Q.5 What do you mean by Return of Wealth Tax? Explain the provisions of the Wealth Tax Act regarding it.

OR

The following are the details of Assets & Liabilities of Prof. Jain who is an Indian citizen and Resident assessee on 31st March, 2015 : Rs.

(1)	Residential house in Delhi	15,00,000
(2)	Residential house in Jaipur	8,00,000
(3)	Agricultural Land (which is not urban land) in Rajasthan	5,50,000
(4)	Four motor Card (each value Rs. 2,50,000) out of it one car is used by Prof. Jain for his personal purposes and one is used for his business purposes.	

Rest two cars are used in the business of running them on hire. 10,00,000

(5)	Furniture and other house hold articles including silver utensils on Rs. 50,000	1,50,000
(6)	Deposit in Post office Saving Bank Account	1,25,000
(7)	Sports Utility Vehicle for use of minor daughter	2,50,000
(8)	Jewellery of his wife	22,00,000

(of these the jewellery of Rs. 50,000 was transferred by Prof. Jain on the occasion of his engagement and the jewellery of Rs 1,50,000 was transferred by the father of Prof. Jain Remaining jewellery was presented by Prof. Jain on the occasion of birth of his two sons)

(9) he had thrown Rs 5 Lakh. Worth of property on 1st April 1968 in the common hotch potch of his H.U.F. consisting of himself, his wife, one major son and two minor sons. The value of this property on 31st March,2015 was Rs. 8 Lakhs.

(10) he has drawings, paintings and photographs valued at Rs 2.5 Lakhs out of which Rs. 50,000 are not intended for sale.

(11) Prof. Jain received a demand notice of Rs. 15,000 for income-tax on 15th Jan. 2015. This amount was not paid up to the date of valuation.

(12) Prof. Jain took a loan of Rs. 1,75,000 by mortgaging the agricultural land, an amount of Rs. 8,500 was due by way of interest on such loan upto the valuation date.

Compute the Net Wealth and the Wealth Tax Liability of Prof. Jain for the Assessment year 2015-16