

**B.B.A. (Part-II) Examination****DIRECT TAX LAWS**

Time : Three Hours]

[Maximum Marks : 80

**Note :—** (1) All questions are compulsory

(2) All questions carry equal marks.

1. (a) Elaborate the treatment of Leave Travel Concession under sec. 10(5). 4
  - (b) What is Agricultural Income ? 4
  - (c) Mr. Arvind, an Indian citizen, leaves for abroad for the first time for employment on 2<sup>nd</sup> September, 2013 and settles down abroad. He does not visit India during 2014-15. During 2015-16 he visits India on 5<sup>th</sup> July, 2015 and leaves on 30<sup>th</sup> January, 2016. Determine his residential status for A.Y. 2016-17. 4
  - (d) Anand (salary – Rs. 3,60,000) gets the following reimbursement from his employer during the previous year 2015-16 :
    - (i) Reimbursement of expenses incurred for Caesarean operation of Mrs. A in a hospital approved by the Chief Commissioner – 28,600
    - (ii) Reimbursement expenses of eye treatment (including surgical operation) in a hospital approved by the Chief Commissioner – 2,700
    - (iii) Reimbursement of ordinary medical expenses paid to a private Nursing Home – 16,200.
- Find out the taxable value of the prerequisite. 4

**OR**

- (e) Ravi, a resident of Ajmer, receives Rs. 1,92,000 p.a. as basic salary during the previous year 2015-16. In addition, he gets Rs. 19,200 p.a. as D.A. forming part of basic salary for computation of all retirement benefits, 7% commission on sales made by him (sales made by Ravi during the relevant P.Y. is Rs. 86,000) and Rs. 24,000/- p.a. as House Rent allowance. He however, pays Rs. 21,500/- p.a. as house rent. Determine the quantum of house rent allowance exempt from Tax. 4
- (f) Mr. Turkhede retires from B.B. Company on 31/3/2015. He is paid Rs. 1,800 p.m. as pension. On his request, B.B. Company pays Rs. 36,000 in lieu of 50% of pension from 1/12/2015. Assume that gratuity is paid to Mr. Turkhede. Compute his taxable pension. 4
- (g) Discuss the provisions related to voluntary contribution to electoral trust. 4
- (h) Give the tax rates in case of individuals for the A.Y. 2016-17. 4
2. (a) Mrs. Indu, a resident individual, owns a house in USA. She receives rent @ \$ 20,000. She paid municipal taxes of \$ 1,500 during the financial year 2015-16. She owns a two storied house in Mumbai, ground floor is used for her residence and first floor is let out at a monthly rent of Rs. 10,000. Standard rent for each floor is Rs. 11,000 p.m. Municipal taxes paid for the house amounted to Rs. 7,500. Mrs. Indu had constructed the house by taking a loan from a Nationalized Bank on 20/6/13. She repaid the loan of Rs. 54,000 including interest of Rs. 24,000. The value of one dollar is to be taken as Rs. 45. Compute income from house property of Mrs. Indu. 4
- (b) M/s A company pays VRS compensation of Rs. 10 lakhs for 2 of its employees during the FY 2015-16. Compute the deduction allowable for AY 2016-17. 4
- (c) Discuss the tax implication arising consequent to conversion of a capital asset into stock-in-trade of business and its subsequent sale. 4
- (d) In the case of a dealer in shares, income by way of dividend is taxable under the head 'profits and gains of business or profession'. Explain with reasons whether the statement is true or false. 4

OR

(e) Discuss whether the following receipts are taxable and also indicate the head of income under which the same is taxable :

(i) Receipt of a cash gift of Rs. 60,000 from a friend on the occasion of wedding anniversary.

(ii) Gift of a plot of land given to a Chartered Accountant by one of his clients. The Chartered Accountant has been fully compensated for his services and this gift has been given in appreciation of his personal qualities. 4

(f) Name any four specified businesses u/sec. 35 AD. 4

(g) Explain the term "Long Term Capital Asset". 4

(h) Explain the treatment of unrealised rent and its recovery in subsequent year under the provision of Income-Tax Act, 1961. 4

3. (a) Mr. Here gives you the following information for the P.Y. 2015-16 :

(i) Taxable salary Rs. 5,20,000

(ii) Loss from House Property 'A' Rs. 60,000

(iii) Income from H.P. 'B' Rs. 40,000

(iv) Brought forward business loss Rs. 1,00,000 from the A.Y. 2007-08

(v) Current year business income Rs. 80,000

(vi) Bank interest Rs. 20,000

Determine total income and carry forward of loss if any. 4

(b) G.T.I. of Darshan who is self employed is Rs. 5,90,000. He has deposited Rs. 1,00,000 in PPP and Rs. 1,10,000 in pension scheme of the Central Govt. What is the quantum of deductions that he can claim under various sections ? 4

(c) List out the conditions for availing deduction u/sec-80 JJA of Income Tax Act. 4

(d) Discuss the provisions regarding deduction in respect of interest on deposits in savings accounts. 4

OR

- (e) Discuss the provisions of the I.T. Act regarding Rebate u/s 87 A. 4
- (f) X (35 years) is a resident individual. During the P.Y. 2015-16, he incurs the following expenses :

	Actual Exp. (Rs.)	Reimbursed by insurance Co. (Rs.)	Amount reimbursed by employee of X (Rs.)
Medical treatment (specified disease) of X in a govt. hospital	80,000	Nil	28,000
Medical treatment (specified disease) of Mrs. X in a hospital recognized by Chief Commissioner	14,000	3,000	6,000

Salary of X is Rs. 4,00,000. In the two cases, disease is specified in the rules made by the Board. Find out the deduction that X can claim for the A.Y. 2016-17. 4

- (g) Compute Profit/Losses to be set off and carried forward :

LTCG/L	(-) 3,00,000
STCG/L	(+) 1,10,000
Business Income/Loss	(-) 90,000

4

- (h) X who is a person with severe disability submits the following information. Compute the deductions that can be claimed for the A.Y. 2016-17 :

Salary	Rs. 36,000 p.a.
Interest on Govt. securities	2,000
Interest on Bank Deposits	69,000
LTCG	2,75,000

He deposited Rs. 10,000 in his PPF during the P.Y. 4

4. (a) Mr. Sikri is a Lawyer in Delhi High Court. He keeps his accounts on cash basis. His receipts and payments A/c for the year ending 31-3-16 is given below :

Balance b/d	3,820	Subscription and Membership	4,500
Legal fees		Purchase of Legal Books	7,500
2015-16 3,45,000		Rent	47,500
2014-15 1,00,000	4,45,000	Car Expenses	14,000
Special Commission fees	5,500	Office Expenses	8,500
Salary from Law College		Electricity Expenses	4,000
as part time lecturer	87,000	Income Tax	8,000
Exam. remuneration	1,480	Gift to daughter	12,000
Interest on Saving Bank Deposit	3,500	Domestic Expenses	35,000
Sale proceeds of a residential		Donation to Institution approved	
house	2,92,000	u/sec. 80 G	2,000
Dividend from Co-operative		Car Purchased	5,20,000
Society	1,000	LIP	60,000
Dividend received from units		Balance c/d	1,97,300
of UTI	2,000		
Rent from H.P.	15,000		
Agricultural Income	64,000		
	<b>9,20,300</b>		<b>9,20,300</b>

Following information is available :

- The rent and electric expenses are related to a house, of which half portion is used for self residence and remaining half portion is used for office.
- Car is used only for professional purposes.
- Outstanding legal fees Rs. 10,000.
- Rent has been paid for 10 months only.
- Car was purchased on 25-9-2015. Law books purchased are annual publications out of which books of Rs. 2,000 were purchased on 6.4.2015 and balance on 31.10.2015.

- (vi) The house was purchased in January 1984 for Rs. 30,000 and sold on 1-7-2015.
- (vii) Rent of the property which has been sold was Rs. 5,000 p.m. The property was vacated by the tenant on 30-6-2015.

Compute Gross Total Income of Mr. Sikri for the assessment year 2016-17. 16

OR

- (b) Prashant, a Director of M/s Y (P) Ltd., Mumbai, carrying on transport business has submitted the following particulars of his income for the A.Y. 2016-17. Compute his taxable income.

- (i) Director's Remuneration and Perquisites :

(a) Remuneration @ 20,000 p.m. 2,40,000

(-) Under an agreement with the company Prashant agreed to donate 50% of his salary to a Public Charitable Trust

(-) 1,20,000

1,20,000

(b) Free use of car of engine capacity of 1.5 ltr. provided by the company.

(c) The company has provided rent free accommodation (unfurnished) to Prashant at Mumbai. It is ascertained that for this purpose the company has obtained a flat on lease from M/s P. Ltd for which the company pays a rent of Rs. 40,000 p.a. which is also the fair rental value.

(d) Medical Expenses met by the company on ordinary treatment of Prashant and his family members – Rs. 4,500.

- (ii) Prashant was occupying a bungalow on rent at New Delhi since Nov. 1986. He agreed to transfer his tenancy rights in the said bungalow in favour of 'B' Ltd. for a sum of Rs. 2,00,000 payable as follows :

(a) Rs. 50,000 in cash

(b) A free flat valued at Rs. 1,50,000 (at cost) in the new building to be put up by M/s B Ltd. The cash payment was made on 5.4.2015 and the flat was allotted to him on 5/10/15 which was kept for his own residence from the date. 16

5. (a) Which assets were treated as assets for wealth tax purposes ? 16

OR

- (b) Which assets were treated as deemed assets as per the Wealth Tax Act ? 16