

Paper / Subject Code: 46018 / Finance: Direct Taxes

[Time: 2 ½ Hours]

[Marks: 75]

Note:

1. All Questions are compulsory
2. Figure to the right indicate full marks
3. Use of simple calculator is allowed.

Q1 Fill in the blanks with appropriate options (Any 8)

[08]

- 1 Winning form lottery is income chargeable under the head income from _____
a) Business or Profession b) Salary c) Other sources. d) None of the above
- 2 Uncommuted pension is taxable to _____
a) Only government employee b) Only private company employee. c) Both government and private employees d) None of the above.
- 3 The maximum quantum of deduction by way of interest on money borrowed for construction of self-occupied house property is Rs. _____
a) 1,50,000 b) 3,00,000 c) 2,00,000 d) 1,00,000
- 4 Award received from government is _____.
a) Fully taxable b) Fully Exempt c) Exempt up Rs 1,00,000 only d) None of the above
- 5 Monthly remuneration received by Member of Parliament is chargeable under the head income from _____.
a) Business or Profession b) Salary c) Other sources d) Capital gain
- 6 Entertainment allowance is allowed as deduction only to _____ employees.
a) Private b) Government c) Both Private and Government d) None of the above
- 7 The legal status of Bank of India is _____.
a) Individual b) Company c) Partnership firm d) Body of Individual
- 8 Amount of deduction in case of a person with severe disability under section 80U will be Rs _____
a) 50,000 b) 75,000 c) 1,25,000 d) 1,50,000
- 9 In case of capital assets acquired on 01/4/1975, Fair market value on this capital asset is determined as on _____.
a) 01/04/2001 b) 04/04/1981 c) 01/04/1975 d) None of the above.
- 10 For non-government employee governed by the Payment of Gratuity Act, 1972, the maximum monetary limit for exemption is _____.
a) 5,00,000 b) 3,50,000 c) 10,00,000 d) 20,00,000

Q2 State whether the following statement are TRUE or FALSE (ANY 7)

[07]

- 1 Residential status depend on citizenship.
- 2 Advance against salary is not part of gross salary
- 3 Dividend received from Indian company is fully taxable
- 4 Gratuity received by government employee on retirement is fully taxable
- 5 Maximum limit of deduction under section 80C and 80CCC is Rs 2,00,000.
- 6 Salary received by partner of the firm is taxable as business income.
- 7 Municipal tax paid by tenants is not allowed as deduction for computing Net Annual Value of let out property.
- 8 Indexation benefit is not allowed for calculation of short term capital gain.
- 9 Reserve for Bad debts is not allowed as expenditure for calculation of Income from Business or Profession.
- 10 Foreign Income of ordinary resident is fully taxable.

Q2 Mr. Sanjay an Indian citizen furnishes the following information of his Income earned during the previous year 2018-19 [15]

Sr No	Particulars	Amount
1	Professional fees received in India.	10,000
2	Income earned in India and Received in France	15,000
3	Dividend on shares on Indian co-operative bank received in India	25,000
4	Salary earned and received in France	35,000
5	Past untaxed profit brought into India during Previous Year.	85,000
6	Income from a business in USA controlled from India	1,00,000
7	Rent from property in Delhi received in USA	75,000
8	Profit from a business in Delhi managed from Mumbai	1,50,000
9	Interest from bank account in India	30,000

Compute his total Income for the Assessment Year 2019-20 assuming:

- a) He is Resident and Ordinarily Resident
- b) He is Resident but not ordinarily Resident
- c) He is Non-Resident

OR

- Q2 Professor Rajesh, a UK citizen (not a person of Indian Origin) is a visiting faculty at JNO University, provides you the details of his visit to India during the last 7 years. [15]

Previous Year	No. of Days stay in India
2018-2019	179
2017-2018	195
2016-2017	15
2015-2016	130
2014-2015	190
2013-2014	100
2012-2013	125

Prior to 01.04.2012 he did not visit India. Find out his Residential status for the Assessment year 2019-2020.

- Q3 Mr. Kamlesh purchased a house property for Rs. 1, 00,000 on 27th August, 1998. He made the following additions/ alternations to the house property. [15]

Cost of construction of 1st floor in F.Y. 2003-04 Rs. 13,00,000

Cost of construction of 2nd floor in F.Y. 2010-11 Rs. 14,00,000

Fair Market Value of the property on 01/04/2001 was Rs 15, 00,000; He sold the property on 20th October, 2018 for Rs. 1, 95, 00,000. He paid the brokerage of Rs. 55,000 for the sale transaction. The cost inflation index for F.Y. 2001-02 is 100, for F.Y. 2003-04 is 109, for F.Y. 2010-11 is 167 and for F.Y. 2018-19 is 280.

Compute the capital gain of Mr. Kamlesh chargeable to tax for the assessment year 2019-20

OR

- Q3 Following is the Profit & Loss Account of Mr. Prakash for the year ended 31st March, 2019. [15]

Profit & Loss Account for the year ended 31st March, 2019.

Particulars	Amount	Particulars	Amount
To Salaries and Bonus	1,54,000	By Gross Profit b/d	5,76,000
To Provision for Doubtful Debts	12,000	By Agriculture Income	25,000
To Printing & Stationery	18,500	By Dividend from Indian Co.	10,000

To Advertisement Expenses	80,000	By Interest on company deposit.	15,000
To Entertainment Expenses	25,000	By Interest on Bank Deposit	10,000
To Miscellaneous Expenses	48,500		
To Staff Welfare Expenses	51,500		
To Bad Debts	4,500		
To Interest on Capital	50,000		
To Income Tax	34,000		
To Depreciation	25,000		
To Drawing	5,000		
To Net Profit	1,28,000		
	6,36,000		6,36,000

Other Information:

1. Advertisement exps include Rs. 9,000 for advertisement in souvenir of a political party.
 2. Deprecation as per Income tax Rule is Rs 20,000
 3. Mr. Prakash has invested Rs 75,000 in Mutual fund which is eligible for deduction.
 4. Printing includes Rs. 2,500 paid for printing marriage invitation cards of his daughter.
- You are required to compute his taxable income for the assessment year 2019-20.

Q4 Mr. Amit owns house at Delhi which is let out . Fair rent of the house Rs 24,000 Municipal Valuation is Rs 20,000, Standard Rent of the house is Rs 30,000. Actual rent received is Rs 2,500. per month for all 12 months. He also received Rs 10,000 from tenants for charges towards life, Generator etc. he makes following expenditure for his house property. Municipal Tax paid by Mr. Amit Rs 4,000. Fire insurance Rs 2,400 Repairs Rs 2,000 Ground Rent Rs 2,000. Funds borrowed on 1st April 2014 Rs 40,000 @10% interest p.a. were used for construction of house which was completed on 31st March 2017. Interest on borrowed capital during the previous year 2018-19 is Rs 4,000. Compute the income from house property of Mr. Amit for the assessment year 2019-20. [15]

OR

Q4 Mr Anand an employee of XYZ ltd at Mumbai and covered by Payment of Gratuity Act retires at the age of 64 years on 31/12/2018, after completing 33 years and 7 month service. At the [15]

time of retirement his employer pays Rs 20,51,640 as gratuity. He is also entitled to monthly pension of Rs 8,000. He gets 75% of pension commuted for Rs 4,50,000 on 1st February 2019. Calculate the taxable salary for the assessment year 2019-20 from the following details assuming he is covered by Payment of Gratuity Act.

Basic salary 80000 p.m.

Bonus Rs 36,000

HRA (Taxable) Rs 1,17,000

Employer contribution to recognized provident fund Rs 1, 10, 000 (Exempt Rs 86,400).

Professional tax paid by Mr Anand Rs 2,000

Q5A Explain different items eligible for deduction Under Section 80C.

[08]

B Explain different income chargeable under the head income from other sources.

[07]

OR

Q5 Write a short notes (Any Three)

[15]

- 1 Long term capital gain
- 2 Deemed to be let out property
- 3 Gross Annual Value
- 4 Pension
- 5 Profit in Lieu of salary
