

(i) Printed Pages : 8

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(ii) Questions : 14

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**Bachelor of Commerce 3rd Year**

**1046**

**DIRECT TAX LAWS**

**Paper : III**

**Time Allowed : Three Hours]**

**[Maximum 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 sections B and C of 15 marks each.

**SECTION-A**

- I. What do you mean by agriculture income ? What are the procedures of integration of agriculture income with non-agriculture income ?  
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- II. What are the assets which are included for wealth tax ?  
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- III. What are the special provisions for the assessment of firms covered under section 184 ?  
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- IV. Mr. Sandeep Rampal is the owner of two houses, for one house (M.V. is Rs. 25,000) occupied by him for his residence and for other house (M.V. Rs. 12,000) is let out @ Rs. 1,200 per month. His expense for two houses were Municipal tax Rs. 1,000 & Rs. 2,000, Interest on loan to repair of the residential house Rs. 4,000, fire insurance premium Rs 370, cost of extension of electric fitting in his residence Rs. 2,000, expense on recovery of rent Rs. 1,000. Calculate Income from House Property where house is vacant for 1 month and unrealized rent for 2 months.  
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V. Sh. Rajeev Sharma has gross total income of Rs. 10,50,000 for the previous year. He has contributed for the following donations during the previous year. Calculate amount of deduction available U/S 80G :

- (1) Sum paid Municipal Corporation for promotion of family planning Rs. 42,000 .
- (2) Amount given to National Children's Fund Rs. 5,000.
- (3) Sum paid towards Africa Fund Rs. 10,000.
- (4) Sum paid to the Chief Minister's Earthquake Relief Fund, Maharashtra Rs. 50,000.
- (5) Donations made to Zila Saksharta Samitie Rs. 20,000.
- (6) Sums paid to an Indian Olympic Association (with limit 100%) Rs. 20,000.
- (7) Donations given for repair/renovation of Temple Rs. 10,000.
- (8) Donation given to a corporation constituted for promoting the interest of Minority community Rs. 5,000.

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VI. Sh. Vinod Kumar Sharma, who is the Karta of a HUF furnishes the following particulars of the income of the HUF for the assessment year 2015-16 :

	Rs.
(1) Interest on Securities (Gross)	25,000
(2) Interest from Bank FD	18,000
(3) Income from House Property (Computed )	25,000
(4) Profit from Business	2,45,000
(5) Long term Capital Gains	1,05,000

The family paid Rs. 15,000 by way of insurance premium on the life policies of its members and donated Rs. 75,000 for charitable purpose.

Compute the Total Income of the HUF.

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## SECTION-B

VII. Mr. Raghav Sharma a resident individual is serving in X Ltd. Kolkata [population more than 25 lakhs ] furnishes the following particulars of his income earned during the year March, 2015 :

	Rs.
Salary	1,60,000
Bonus (out of this Rs. 6,000 is gratuitous)	22,000
Dearness Allowance (50% enters for service benefits)	24,000
Employer's contribution to R. P. F.	25,000

He availed leave travel concession during the previous year and visited Goa by air along with his wife and two major children. His employer paid him a lump sum amount of Rs. 92,000. The normal one way air fare for economy class is Rs. 9,500 per person.

He is provided with rent-free unfurnished accommodation the fair rental value of which is Rs. 1,50,000 p.a. and actual rent of hired furniture is Rs. 1,200 p.m. He was provided with the services of gardener, watchman, and a domestic servant and salary of each them was Rs. 800 p.m.

He is also provided with the facility of Gas & Electricity Bill which is paid by the employer : Rs. 12,000.

He is provided with a motor car of 1.5 lt capacity which is owned by the employer, all expenses of maintenance and running being met by employer. He is also provided with a driver for the said car for which no charge is made to him by the employer. Mr. Raghav Sharma uses the car for his personal purpose also.



His Life insurance premium paid by the employer amounting to Rs. 15,000. He insured life of his wife and paid Rs. 22,000 as premium in May 2014 out of his agricultural income.

Compute his Income under the head salary.

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VIII. Given below is the Profit and Loss Account of Sharma Textile Mills Ltd. for the year ended 31<sup>st</sup> March 2015.

Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,00,000	By Sales	4,50,000
To Purchase	25,00,000	By Rent of Staff	
To Salaries and Wages	5,00,000	Quarters	2,00,000
To Audit fees (paid in cash)	25,000	By Closing Stock	3,00,000
To Legal Expenses	32,000		
To Repairs to Building	13,000		
To Welfare Expenses	10,000		
To General Charges	25,000		
To Underwriting	10,000		
commission paid for issue of share capital			
To Reserve for Bad Debts	7,000		
To Annual Contribution to Debenture Sinking Fund	20,000		
To Provision for Taxation	6,00,000		



To Contribution of Staff Welfare Fund	3,00,000	
To General Reserve	1,00,000	
To Proposed Dividend	2,00,000	
To Net Profit	4,58,000	
	50,00,000	50,00,000

Compute taxable business income for the A.Y. 2015-16 after considering the following information :

- General charges include Rs. 9,000 as donation to P.M. relief fund, Rs. 5,000 as Emergency Insurance Risk Premium and Rs. 3,500 as Family Planning expenditure amongst company employees.
- Welfare expenses include Rs. 15,000 as cost of pucca well built by company for employees.
- Legal expenses include Rs. 5,000 paid to a chartered accountant for conducting income-tax appeal and Rs. 5,000 paid to lawyer in connection with prosecution of Managing Agents for smuggling goods from Nepal. The company made a profit of Rs. 50,000 on these smuggled goods.
- Repairs to Building include Rs. 8,000 running cost of additions to business premises.
- Depreciation including addition to business premises as per I.T. rule is Rs. 50,000.
- Opening Stock has been valued at cost minus 10% whereas Closing Stock has been valued at cost plus 10%.

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- IX. What are the assets which are not included in Capital Gain ?  
Explain the capital gains which are exempted. 15
- X. Write a note on set-off and carry forward of losses. 15

### SECTION-C

- XI. Explain the powers of Income Tax Officer relating to search and seizure. 15
- XII. Explain the provisions of Income Tax Act relating to advance payment of tax. 15
- XIII. Profit and Loss Account of a firm of X, Y and Z for the year ending March 31, 2015 is as under :

	Rs.		Rs.
To Cost of Goods sold	7,90,000	By Sales	13,50,000
To Remuneration to Partners :		By Rent of the House Property (Half portion)	50,000
X	1,50,000	By Interest on Debentures (Non-trade investment)	60,000
Y	1,00,000		
Z	55,000		
To Interest to partners @ 15%			
X	45,000		
Y	15,000		
Z	60,000		
To Municipal Tax of House Property (entire property)	5,000		
To Other expenses	2,10,000		
To Net Profit	30,000		
	14,60,000		14,60,000



**Other Information :**

- (a) Out of other expenses Rs. 44,500 is not deductible U/S 36, 37(1) and 43(B).
- (b) On January 15, 2015 the firm pays an outstanding sales tax liability of Rs. 1,700 for the previous year 2012-13. As this amount pertains to the previous year 2012-13, it has not been debited to the aforesaid Profit and Loss Account.
- (c) Z is not a working partner.
- (d) The firm owns a house. The ground floor is used for business purpose, and the first floor is given on rent. Municipal tax is paid in April 5, 2015.

Find out the net income of the firm and treatments of payments to partners in their hands for the assessment year 2015-16. The firm fulfilled and conditions of section 184.

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XIV. XYZ Ltd. is a construction company selling residential flats. The assets of the company are as follows :

	Market Value
	Rs.
(i) Land in rural area	18,90,000
(ii) Land in urban area (construction not permitted as per Municipal laws )	19,00,000
(iii) Land in urban area being held as stock in trade (construction will commence during June,2016)	60,00,000
(iv) Foreign made motor cars (not being held as stock in trade)	22,00,000



(v) Jewellery (not being as stock in trade)	32,00,000
(vi) Aircraft	5,55,00,000
(vii) Bank Balance	6,85,000
(viii) Cash in hand as per cash book	4,25,000
(ix) Guest house and land appurtenant thereto	19,00,000
(x) Residential flats of identical size provided to 6 employees for their use (Salary of two of them exceeds Rs. 10,00,000)	42,00,000
(xi) Residence provided to Managing Director (salary exceeds Rs. 12,00,000)	32,00,000
(xii) Flats constructed and remain unsold (not being held as stock in trade)	35,00,000
(xiii) Residence provided to a whole time director (salary Rs. 16,00,000, the director owns 35% equity capital)	38,00,000
(xiv) The company has taken a loan of Rs. 7,00,000, Rs. 10,00,000, and Rs. 80,000 for acquiring property numbers (i), (iii) and (xii).	

Compute the net wealth and tax liability of the company.

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