

**PGDFT (SEMESTER I) Examination, February 2021**

**DFTC 101: DIRECT TAXES**

**Duration: 3 hours**

**Instructions:**

1. This paper consists of **Nine** Questions carrying **Equal** marks.
2. Question No. **1** consists of **5 compulsory** Questions of 2 marks **Each** .
3. Answer **any 5** Questions from Question **2,3,4,5,6,7,8 and 9**.
4. **Each** question carries **10** marks. Figures to **right** indicate marks.
5. All the answers should be accompanied with **Notes** wherever necessary. If the required notes and assumptions are not incorporated, the marks **will be reduced proportionately**.

1. Answer the following:

**(5x2=10)**

a) i) The process of adjustment of loss from a source under a particular head of income against income from other source under the same head of income is called \_\_\_\_\_.

(I) Inter-head adjustment

(II) Intra-head adjustment

(III) Carry forward of loss

(IV) Clubbing of income

a) ii) While making intra-head adjustment, loss from the business of owning and maintaining race horses can be set off against \_\_\_\_\_ only.

(I) Income from winnings from lotteries

(II) Income from crossword puzzles

(III) Income from business of owning and maintaining race horses

(IV) Income from card game

b) Define the term "Person" as per section 2(31) of the Income Tax Act 1961.

c) Calculate the tax of a partnership firm if the profit is 400000.

d) Explain the rebate u/s 87A.

e) Which head of income would you categorise the following items?

- i) Fixed deposit interest
- ii) Income Tax Refund
- iii) Interest earned on Employers contribution to PF
- iv) Income from sale of land.

2. Indicate whether the following acts can be considered as tax evasion/tax avoidance or otherwise:

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(i) Dinesh deposits Rs. 65,000 in the term deposit of 5 years with the Post Office to avail tax deduction under section 80C.

(ii) Ritesh is using a motor car for his personal purposes, but charges as business expenditure.

(iii) PQR industries Ltd installed an air-conditioner costing Rs. 75,000 at the residence of a director as per terms of his appointment but treats it as fitted in quality control section in the factory. This is with the objective to treat it as plant for the purpose of computing depreciation.

(iv) SQL limited maintains a register of tax deduction at source affected by it to enable timely compliance.

(v) R. Ltd issues a credit note for Rs.90,000 for brokerage payable to Suresh who is son of R, managing director of the company. The purpose is to increase his total income from Rs.1,60,000 to Rs.2,50,000 and reduce its income correspondingly.

3. Discuss whether TDS will be applicable in following cases?

If Yes, Kindly explain by stating the section and rate at which tax is to be deducted.

And if No, kindly give a valid justification.

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- a) X Ltd. pays ` 50,000 per month as rent to the ABC Ltd. for a building in which one of its branches are situated.
- b) A television company pays ` 80,000 to a cameraman(considered as professional) for shooting of a documentary film
- c) Max Limited pays ` 1.20 lakhs to Mini Limited, a resident contractor who, under the contract dated 15th October, 2018, manufactures a product according to specification of Max Limited by using materials purchased from Max Limited.
- d) Mr. X earns an FD interest of Rs. 65000 and his age is 45.
- e) The insurance agent gets a commission of Rs. 25000.

4. Calculate the tax payable for Mr. Rahul as per old & new tax regime after taking into consideration following data for the AY 2021-2022 (age of Mr. Rahul is 58 years): **10**

Income from salary = Rs. 1660000

Standard deduction = 50000

Deduction u/s 80C = 150000

Deduction u/s 80CCD (1B) = 50000

Deduction u/s 80CCD (2) = 25000

Deduction u/s 80D = 75000.

- a) Calculate the tax based on old and new tax regime as stated above.
- b) Based on the calculation which scheme would you advise Mr. Rahul to opt for?
- c) Also state whether Mr. Rahul can switch from one regime to another?

5. Mr. Narendra completed his studies on 1-04-2019 and was immediately employed by the Government on the following terms – Basic Salary Rs. 20,000 p.m. DA Rs. 5,000 p.m. (forming a part of retirement benefit) Bonus Rs. 40,000.



During the year, his employer contributed Rs. 33,000 to the pension scheme being notified u/s 80CCD of the Income Tax Act, 1961. Narendra also contributed similar amount.

His income from house property is Rs. 50,000. During the year he contributed Rs. 15,000 to pension plan of LIC, to PPF Rs. 1,00,000 and paid LIC premium of Rs. 12000

Compute his total income.

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6. Mr. B a resident individual furnishes the following particulars:

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Particulars	Amount
Income from salary	45000
Income from House property	-24000
Income from non speculation business	-22000
Income from speculative business	-4000
STCL	-25000
LTCG	19000

What is the total income chargeable to tax for the AY 2021-2022?

Kindly give proper notes/ justification wherever necessary.

7. Prem owns a house in Madras. During the previous year 2020-21, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of

Rs. 8,000 p.m., Municipal value of the property is Rs. 3,00,000 p.a., Fair rent is

Rs. 2,70,000 p.a. and standard rent is Rs. 3,30,000 p.a.

He paid municipal taxes @10% of municipal value during the year.

A loan of Rs. 25,00,000 was taken by him during the year 2016 for acquiring the property. Interest on loan paid during the previous year 2020-21 was Rs.1,20,000.

Compute Prem's income from house property for the A.Y. 2021-22.

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8. Answer the following questions based on the case study:

Mr X wants to file his returns for the first time. He has a business to which presumptive taxation is applicable u/s 44AD.

He also earns income from horse races.

He has Short term and long term capital gains as well.

He has many questions about the return filings.

You are requested to answer all the below queries raised by him.

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I) What is the due date for filing Income Tax returns that is applicable to him?

II) State the section under which original returns pertaining to individuals are filed ?

III) Can losses from horse races be set off against normal business losses?

IV) Which ITR is to be filed in case of presumptive income exceeds 50 lakhs

V) Can he opt for new regime of income tax? If yes then can he shift in the next year?

VI) Can short term losses be set off against long term capital gains?

VII) Assuming that Mr X would prepare Profit & loss account, can he debit his salary in the Profit and Loss account?

VIII) If Mr. X has to pay short term capital gain tax , then what is the rate of tax applicable to him in case of shares where STT is paid?

IX) What is the rate of tax ,If the above short term gain is pertaining to asset where STT is not applicable

X) For how many years can business losses be carried forward?

9. Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years.

Find out his residential status for the assessment year 2021-22.

Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?

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