

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao
PGDFT (Semester I) Semester End Examination- Special Exam, March 2022
DFTC101: DIRECT TAXES

Duration: 3 hours

Max. Marks 60

Instructions:

1. This paper consists of nine questions of equal marks.
2. Question 1 consists of five compulsory questions of two 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 the right indicate marks.

1. Answer the following:

(5X2=10)

- a. Compute the eligible deduction under section 80C for A.Y.2021-22 in respect of life insurance premium paid by Mr. Ganesh during the P.Y.2020-21, the details of which are given here under:

(i)	30/3/2012	Self	5,00,000	51,000
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- b. Mr. B has taken three education loans on April 1, 2020 the details of which are given below:

	Loan 1	Loan 2	Loan 3
For whose education loan was taken	B	Son of B	Daughter of B
Purpose of loan	MBA	B. Sc.	B.A.
Amount of loan (₹)	5,00,000	2,00,000	4,00,000
Annual repayment of loan (₹)	1,00,000	40,000	80,000
Annual repayment of interest (₹)	20,000	10,000	18,000

Compute the amount deductible under section 80E for the A.Y. 2021-22.

- c. Define the term person as per the Income Tax Act 1961
- d. Calculate tax for XYZ partnership firm having profit amounting to Rs. 25,00,000/-
- e. Advance tax is to be paid on a monthly basis. State whether the above statement is true or false. If false then state the installment pattern.

2. Examine the applicability of TDS provisions and TDS amount in the following cases:

- (a) Rent paid for hire of machinery by B Ltd. to Mr. Raman ₹2,60,000 on 27.9.2020.
- (b) Fee paid on 1.12.2020 to Dr. Srivatsan by Sundar (HUF) ₹35,000 for surgery performed on a member of the family.

- (c) ABC and Co. Ltd. paid ₹ 19,000 to one of its Directors as sitting fees on 01-01-2021.
- (d) Payment made by a company to Mr. Ram, sub-contractor, ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31-03-2021.
- (e) Winning from horse race ₹ 1,50,000 paid to Mr. Shyam, an Indian resident.

(10)

3. Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961 -

- a) Akhil HUF received ₹ 75,000 in cash from niece of Akhil (i.e., daughter of Akhil's sister). Akhil is the Karta of the HUF.
- b) Nitisha, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is ₹ 9,00,000.
- c) Mr. Akshat received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was ₹ 100 per share. He also received jewellery worth ₹ 45,000 (FMV) from his nephew on the same day.
- d) Kishan HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is ₹ 5,25,000.

(10)

4. Examine under which heads the following incomes are taxable:

- a) Rental income in case property held as stock-in-trade for 3 years
- b) Dividend on shares in case of a dealer in shares
- c) Salary received by a partner from his partnership firm
- d) Rental income of machinery
- e) Winnings from lotteries by a person having the same as business activity
- f) Salaries payable to a Member of Parliament
- g) Receipts without consideration
- h) In case of retirement, interest on employee's contribution if provident fund is unrecognized.
- i) Rental income in case of a person engaged in the business of letting out of properties.

(10)

5. Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2021 revealed the following information:

- 1) The net profit was ₹ 11,20,000.
- 2) The following incomes were credited in the profit and loss account:
 - (a) Dividend from UTI ₹ 22,000 (Gross)
 - (b) Interest on debentures ₹ 17,500 (Gross)
 - (c) Winnings from horse races ₹ 15,000 (Gross)

3) It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:

Opening stock ` 8,000.

Closing stock ` 12,000.

4) 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).

5) Salary includes ` 20,000 paid to his brother which is unreasonable to the extent of ` 2,500.

6) Advertisement expenses include 15 gift packets of dry fruits costing ` 1,000 per packet presented to important customers.

7) Total expenses on car was ` 78,000. The car was used both for business and personal purposes. $\frac{3}{4}$ th is for business purposes.

8) Miscellaneous expenses included ` 30,000 paid to A & Co., a goods transport operator in cash on 31-1-2021 for distribution of the company's product to the warehouses.

9) Depreciation debited in the books was ` 55,000. Depreciation allowed as per Income-tax Rules, 1962 was ` 50,000.

10) Drawings ` 10,000.

11) Investment in NSC ` 15,000.

Compute the total income of Mr. Y for the assessment year 2021-22.

(10)

6. Mr. A (aged 35 years) submits the following particulars pertaining to the A.Y. 2021-22

Particulars	` Amount
Income from salary (computed)	4,00,000
Loss from self-occupied property	(-)70,000
Loss from let-out property	(-) 1,50,000
Business loss	(-)1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. A for the A.Y. 2021-22.

(10)

7. The following is the Profit and Loss Account of the Raj Oil Mills for the financial year 2018-19. Compute its business income on the basis of additional information.

Profit and Loss Account

(For the year ended 31st March, 2019)

Particulars	Rs	Particulars	Rs
Office Salaries	15,000	Gross Profits	80,000
General Expenses	7,000	Profit on Sale of car	15,000

Bad Debts	1,000	Recovery of bad debts	5,000
Advertising Expenses	3,700	Interest on Govt. Securities	3,500
Insurance Premium (fire)	1,500	Dividends	3,500
Depreciation	5,000	Gifts on the occasion of Gruhapravesam	5,000
Reserve for bad debts	3,000		
Donation to a school	2,500		
Car Expenses	2,000		
Net Profit	71,300		
Total	1,12,000	Total	1,12,000

Additional information:

- (a) General expenses include:
- (i) Rs 2,500 as compensation paid to an accountant who had to be removed from service in the interest of business, and
- (ii) Rs 3,300 as contribution paid to the Govt. for laying electric cables for the company's plant.
- (b) Depreciation as regards to the relevant blocks of assets under the Income Tax Act was Rs 3,500.
- (c) In the assessment year 2015-16 the Assessing Officer had refused to allow deduction for the baddebts of Rs 5,000 now recovered.
- (d) Car expenses include Rs 500 attributable to use of car for personal work. (10)

8. Mr. Ashok owns two buildings which are let out during the financial year 2021-22. The relevant details are as under:

Particulars	House 1 Residential (₹)	House 2 Commercial (₹)
Municipal Value	1,80,000	3,60,000
Standard Rent	1,50,000	3,00,000
Actual Rent	2,40,000	6,00,000
Municipal Tax paid	20,000	30,000
Municipal Tax unpaid	10,000	15,000
Interest on money borrowed paid	60,000	20,000
Interest on money borrowed outstanding	1,00,000	1,60,000
Housing loan principal repaid to bank	50,000	30,000

You are requested to compute income of Mr. Ashok under the head income from house property for the assessment year 2022-23. (10)

9. Mr. Sree Sugi receives the following allowances during the P.Y.2019-20

Sr No	Particulars	Amount
1	High cost of living allowance	220,000
2	City compensation allowance	7,500
3	Subsidized lunch allowance	2,800
4	Marriage allowance	1,200
5	Helper allowance (Expenditure Rs.1,200)	1,280
6	Medical allowance (Expenditure Rs.9,800)	8,200
7	Travelling allowance (Expenditure Rs.150)	650
8	Children Education allowance (Expenditure Rs.15,000)	12,000
9	Overtime allowance	500
10	Education allowance grand children	5,000
11	Warden ship allowance	1,380
12	Entertainment allowance	13,800
13	Basic Pay (Rs.2,500 p.m.)	30,000

State the tax treatment of the above allowances in the following case: Mr. Sri Sugi is a Government Employee. (10)

*****The End*****