

Reg. No. :

Code No. : 12042 E Sub. Code : SECO 6 A

B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2022.

Sixth Semester

Commerce

Major Elective — INCOME TAX LAW AND
PRACTICE — II

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Short term capital gain arises from the transfer of an asset which is held by the assessee for not more than _____
 - (a) 12 months in case of share
 - (b) 12 months in case of zero coupon bonds and any other listed securities
 - (c) 36 months in case of capital assets mentioned in (a) and (b) above
 - (d) all of the above

2. If unlisted securities are sold after 12 months, the capital gain arising from such sale is a _____
 (a) STCG
 (b) LTCG
 (c) Income from other sources
 (d) All of the above
3. Arun earned certain interest income, which he want to offer to tax under the head "income from other sources" on cash basis. However, he wants to claim deduction for certain expenditure on accrual basis. He can claim deduction _____
 (a) Only on accrual basis
 (b) Only on cash basis
 (c) Accrual or cash basis, whichever is more beneficial to him
 (d) None of the above
4. Which of the following conditions need to be satisfied, so that an income can be taxed under the head "Income from other sources"?
 (a) assessee has an income
 (b) income should not be tax exempt
 (c) income should not be taxable under any of the other heads
 (d) all of the above

5. 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 _____
 (a) inter-head adjustment
 (b) intra-head adjustment
 (c) carry forward of loss
 (d) clubbing of income
6. If income from a particular source is _____ from tax, then loss from such source cannot be set off against any other income which is chargeable to tax.
 (a) Exempt (b) Not exempt
 (c) Partially exempt (d) Fully exempt
7. The maximum deduction allowable u/s 80EE for interest on loan for house property from financial institution for AY 2019-20 is _____
 (a) 50,000 (b) 1,00,000
 (c) 1,50,000 (d) 2,00,000
8. Deduction u/s 80C is not available, where the amount paid by an individual for insurance is on the life of _____
 (a) His/her spouse (b) Dependent parents
 (c) Independent son (d) Married daughter

9. Which of the following can be corrected while processing the return of income under section 143(1)?
- (a) any arithmetical error in the return
 - (b) any mistake in the return of income
 - (c) any error in the return of income
 - (d) any claim by the taxpayer which is against law
10. Assessment under section 143(1) can be made within a period of _____ year from the end of the financial year in which the return of income is filed.
- (a) four
 - (b) three
 - (c) two
 - (d) one

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Compute long term capital gains covered U/S 112A for A.Y. 2012-22. Actual cost of acquisition as on April 1, 2016 - Rs. 100 FMV as on January 31, 2018 - Rs. 50, sale price as on June 25, 2020 - Rs. 150.

Or

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- (b) Find out the indexed cost in following cases (separately for each case) for the assessment year 2021-22.
- (i) Cost of plot acquired in 2006-07 for Rs. 80,000
 - (ii) Cost of house purchased in 1998-99 for Rs. 90,000. Fair market value on 1.4.2001 being 1,50,000.
12. (a) Mr. X received the following gifts during the previous year 2020-21. Compute his taxable income under the head "Income from other sources"
- (i) Received Rs. 30,000 as gift from his sister on 1.1.2021
 - (ii) Received Rs. 40,000 as gift from his friend Mr. D on 1.12.2020
 - (iii) Received Rs. 1,60,000 as gift from his non-resident friend on 1.2.2021.

Or

- (b) Mr. Ankit received the following gifts during P.Y. 2020-21.
- (i) He received a gift in cash of Rs. 20,000 from his uncle on 30.6.2020
 - (ii) He received a cheque of Rs. 30,000 as a gift from his brother on 10.11.2020

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- (iii) He received a gift of Rs. 21,000 on his wedding from Mr. X on 1.12.2020.

Calculate the amount of taxable gifts chargeable under the head 'Other sources'.

13. (a) Mr. A (aged 35 years) submits the following particulars pertaining to the A.Y. 2020-21.

Particulars	Rs.
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. 2020-21.

Or

- (b) Compute taxable income and loss to be C/F :

- (i) Business profit for the P.Y. 2020-21 - Rs. 20,000
- (ii) B/F business loss of 2018 - 19 - Rs. 10,000
- (iii) Capital loss on shares - Rs. 60,000
- (iv) Loss from self-occupied house (U/S 24) - Rs. 5,000.

14. (a) Mr. Raja Naidu is carrying on the profession of chartered accountancy and his professional gain for the year was Rs. 1,62,000. During the year 2020-21 he gave Rs. 20,000 to National rural development fund. what will be the treatment of this donation?

Or

- (b) ABC, a partnership firm, owns an industrial unit manufacturing motor spare parts since 2005 employing 50 employees. On 1st May, 2020 it employed 20 additional employees to meet the increased demand. Total emoluments paid to each additional employees is Rs. 9,00,000 p.m. find out the deduction available u/s 80JJAA for the assessment year 2021-22.

15. (a) From the following information, compute the tax liability of R, for the assessment year 2021-22.

Business income - Rs. 4,60,000

Receipt from sale of trees of spontaneous growth - Rs. 1,00,000

Agricultural income - Rs. 60,000.

Or

- (b) The total income of an individual (45 years old) computed under the normal provisions of income tax act is Rs. 10,00,000. However, the 'adjusted total income' of the individual [compute as per section 115JC(2)] amounted to Rs. 30,00,000. Calculate the final tax liability of the individual for A.Y. 2021-22.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) Compute the taxable capital gain from particulars given below :
- Net consideration of a residential house Rs. 10,00,000 (2.6.2020) (C.I.I. : 301)
 - Cost of acquisition of this house Rs. 2,10,000 (1.5.2007) (C.I.I. : 129)
 - New house acquired on 1.9.2020 for Rs. 2,00,000.

Or

- (b) Mr. H submits the following particulars about sale of asset during the year 2020-21. Jewellery - sale price = Rs. 5,00,000. expenses on sale = Rs. Nil, cost of acquisition Rs. 1,50,000. Year of acquisition 2007-08, C.I.I. 129. He has purchased a house for Rs. 12,00,000 on 1.3.2021. Calculate the amount of taxable capital gain if C.I.I. for 2020-21 is 301.

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17. (a) Mr. X has the following income during the year ending 31.3.2021:

- Dividend declared by M.Co. on 31.3.2020 (Indian Co.) = Rs. 6,000
- Dividend declared by Z.Co. on 31.3.2020 (Indian Co.) = Rs. 9,000
- Interim dividend received on 1.5.2020 (Indian Co.) = Rs. 3,000. Compute income from other sources for the assessment year 2021 - 22.

Or

- (b) Mr. G. Bedi owns horses at Bombay. These horses run for races at the race course. During the year 2021-21. Mr. Bedi submits the following information : (i) expenses on race horses at Bombay = Rs. 2,60,000 (ii) Stake money earned by horses at Bombay = Rs. 1,20,000 (iii) Mr. Bedi received Rs. 1,05,000 on 1.7.2020 on betting during horse races at Bombay. Compute his taxable income under other sources.

18. (a) The following are the particulars of income / loss of Mr. A. You are required to set-off losses and carry forward and set-off where necessary.

Particulars	A.Y. 2020-21 (Rs.)	A.Y. 2021-22 (Rs.)
Income from salary (computed)	15,000	15,000

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Income from interest on securities (Gross)	5,000	5,000
Loss from business	53,000	15,000
Short-term capital gain	2,000	-
Long-term capital gain (land)	21,000	-

Or

- (b) The following are the particulars of income and loss of an individual under different head of income. Set off losses in the A.Y. 2021-22 and find out gross total income :

Particulars	Rs.
Income from house property A	5,000
Income from house property B	(-)8,000
Income from interest on securities	20,000
Income from a cycle business	(-)20,000
Profit from speculation business	20,000
Loss from short-term capital asset	6,000
Long-term capital loss	25,000
Long-term capital gain (investment)	21,000

19. (a) Mr. X is a government employee and he, his 65 years old father (who is not dependent on him) and his son are suffering from notified illness. He has incurred the following expenses on treatment :

Particulars	Rs.
On his own treatment	50,000
Amount reimbursed by employer	20,000
On treatment of his son	40,000
Insurance claim received	18,000
On treatment of his father	60,000
Insurance claim received	16,000

Calculate the amount of deduction u/s 80DDB. Also calculate the amount of this deduction in case his father is dependent upon him.

Or

- (b) (i) Mr. Raja Naidu is carrying on the profession of chartered accountancy and his professional gain for the year was Rs. 1,62,000. During the year 2020-21 he gave Rs. 20,000 to national rural development fund. What will be the treatment of this donation?

- (ii) Mrs. Raja Naidu is serving with a company and her income computed under the head 'salaries' for the year ending 31.3.2021 was Rs. 1,39,000. She gave Rs. 10,000 to Ganga development board which is carrying on a project approved u/s 35AC. What will be the treatment of this donation?

20. (a) From the following receipts and payments account for the year ended 31st March 2021 Dr. Handa and from further particulars given below, compute his total income and tax payable.

Receipts	Rs.	Payments	Rs.
To opening cash balance		By consulting room expenses	12,000
To consultation fees	90,000	By cost of X-ray machine	60,000
To salary form medical college	2,66,000	By car expenses	6,000
To short term capital gain on sale of shares (STT not paid)	38,976	By life insurance premium	22,000
To interest from bank (fixed deposit)	23,200	By son's marriage expenses	5,000
To loan from bank	10,000	By advance income tax	5,000
To cash gifts on son's marriage	10,000	By household expenses	1,72,000
		By closing cash balance	1,57,200
	<u>4,39,200</u>		<u>4,39,200</u>

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Particulars :

- 1/2 of car expenses are treated as personal
- He deposited Rs. 5,000 in P.P.F on 30.3.2021 and Rs. 10,000 in NSC VIII issue
- A household expense includes interest on loan of Rs. 5,000 for purchase of office computer
- He has insured himself for Rs. 2,00,000 on 1.5.2020.

Or

- The following are particulars of the income of the GND university teacher during the year ending 31st March 2021 :
 - Salary Rs. 37,400 p.m plus Rs. 9,000 p.m as grade pay from which 10% is deducted for statutory provident fund to which the university contributes 12%
 - Rent - free bungalow of the annual letting value of Rs. 18,000
 - Wardenship allowance Rs. 2,000 p.m
 - 12% interest on government loan of Rs. 65,000
 - Income from house property (computed) Rs. 29,560

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- (vi) He received Rs. 3,500 for writing articles in a journal
- (vii) He paid Rs. 2,000 (by cheque) to G.I.C under mediclaim
- (viii) Interest on postal saving bank deposit Rs. 6,500
- (ix) Interest (gross) Rs. 2,500
- (x) Examinership remuneration Rs. 3,500
- (xi) During the year, he sold his plot and earned a long term capital gains of Rs. 40,900.

During the year he paid Rs. 14,000 as life insurance premium on his own policies and spent Rs. 600 on books purchased for his own use. Find out his total income, tax and exempted income. Population of Amritsar is 12 Lakhs.
