

2021

DIRECT TAX : LAWS AND PRACTICES — HONOURS

Sixth Paper

(T-32-A)

Full Marks : 100

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group-A

1. Discuss the provisions (conditions and amount of deduction) of the Income Tax Act, 1961 regarding deduction in respect of profits and gains by an undertaking or enterprise engaged in development of Special Economic Zone u/s 80-IAB. 5

Or,

Explain the conditions to be satisfied for availing deduction in respect of profits and gains from business of Hotel / Convention Centre in NCR as per the provisions pertaining to section 80ID of the IT Act, 1961. 5

2. (a) Mr. A transfers without any consideration Fixed Deposit of ₹ 1,00,000 with a bank to his daughter-in-law Smt. X on 10.4.2019. Smt. X received interest income of ₹ 8,000 from such fixed deposit during the financial year 2019-20. Discuss the taxability of the above as per Income Tax Act.
- (b) Mrs. A transferred 10% Debentures of Star Co. Ltd. of ₹ 2,00,000 to her would be daughter-in-law Ms. X without any consideration. Interest on debenture of ₹ 20,000 was received by Smt. X after her marriage with the son of Mrs. A during the financial year 2019-20.

Explain with reason the taxability of the interest on debenture as per Income-tax Law. 3+2

3. From the following information, compute income from other sources of Mrs. Salma Parvin for the assessment year 2020-21:
- (a) Dividend received from Indian Company ₹ 10,000
- (b) Dividend received from Foreign Company ₹ 15,000
- (c) Family pension received ₹ 9,000 per month
- (d) Income from agricultural land situated in Nepal ₹ 10,000 5

4. State whether the following expenses are admissible for deduction in computation of income under the head 'Profits and Gains of Business or Profession' for the assessment year 2020-21: 5
- (a) Interest on capital paid to the proprietor of a sole proprietorship business ₹ 25,000
- (b) A cash payment made to a creditor on a single day ₹ 30,000
- (c) Cost of land purchased for carrying-out in-house research relating to its business ₹ 1,00,000

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(d) Contribution to University of Calcutta for carrying out approved social research project ₹ 25,000. 5

Or,

How will you compute depreciation under 'Block of Asset' concept? 5

Group-B

5. How will you determine the residential status of an individual? 10

Or,

(a) Smt. Sunita Ghatak retired from service on 31st January, 2020 after serving 18 years and received gratuity ₹ 3,00,000. At the time of retirement, she was drawing ₹ 20,000 per month as basic salary. She is entitled to dearness allowance @30% of basic salary (forming part of salary). Compute the taxable amount of gratuity for the assessment year if Smt. Ghatak is a non-government employee who is covered by the Payment of Gratuity Act.

(b) State the provisions of the Income-tax Act, 1961 for determination of residential status of a company.

(c) Give an example of income which is deemed to accrue or arise in India. 5+4+1

6. (a) Write short note on deemed dividend u/s 2(22).

(b) XYZ Pvt. Ltd. is a company where the public is not substantially interested. Rohit is one of the shareholders, who holds 15% shares. The company has accumulated profits of ₹ 15 lakhs as on 31st March, 2020. The company granted a loan of ₹ 1,00,000 to Rohit by way of an account payee cheque. Discuss the tax implications of the above. 6+4

Or,

Supratim is engaged in the business of plying, hiring or leasing goods carriages. He owned 5 heavy goods vehicles having gross weight of 13,000 kilograms and 4 other goods vehicles during the previous year 2020-21. What will be his taxable income as per the provisions of section 44AE? 10

7. (a) When a person can claim relief u/s 89(1)?

(b) Mention any five tax benefits which can be enjoyed by an amalgamated company.

(c) What do you mean by demerger under Income Tax Act? 3+5+2

Or,

(a) What is meant by double taxation relief?

(b) Mention the double taxation reliefs available under Income Tax Act.

(c) Discuss the steps to compute double taxation relief u/s 91. 3+2+5

8. Write short notes on *any two* of the following regarding receipts/capital gains under:

(a) Section 45 (1A)

(b) Section 45 (2)

(c) Section 45 (4) 4+4+2

9. (a) For whom the presumptive taxation scheme u/s 44AD is designed?
 (b) For which type of persons this scheme u/s 44AD can be adopted?
 (c) Discuss the manner of computation of taxable business income in case of a person adopting the presumptive taxation scheme of section 44AD. 2+2+6

Group-C

10. Mr. Rahul Sarkar (age 30 years), a resident individual, furnishes the following information for the previous year 2019-20:

- (a) Gross Salary ₹ 15,00,000
- (b) Professional tax paid ₹ 2,400
- (c) Profit from business A ₹ 2,00,000
- (d) Loss from business B ₹ 1,50,000
- (e) Long term Capital gain on sale of building ₹ 1,50,000
- (f) Short-term Capital loss on sale of jewellery ₹ 25,000
- (g) Winning from lottery (net after 31.2%) ₹ 68,800
- (h) He paid ₹ 25,000 for premium on life insurance policy
- (i) Mr. Sarkar deposited ₹ 60,000 to PPF during the P. Y.
- (j) He also paid ₹ 13,000 by cheque for medical insurance premium on his own health
- (k) He donated ₹ 10,000 to PM's National Relief Fund

Compute the total income and tax liability of Rahul Sarkar for the assessment year 2020-21. 15

11. Raja and Sayak are partners in a firm which is assessed as such. They share profits and losses equally. The firm's Profit and Loss Account for the year ended 31.3.2020 is as follows:

	₹		₹
To Salary to Partners:		By Gross Profit	2,85,000
Raja 90,000		By Interest on Bank	
Sayak <u>1,00,000</u>		Fixed Deposit	40,000
	1,90,000		
To Interest on Partner's Capital			
@15% p.a.:			
Raja 15,000			
Sayak <u>30,000</u>			
	45,000		
To Office Expenses	37,000		
To Provision for doubtful debts	3,000		

	₹	₹
To Depreciation	30,000	
To Net Profit:		
Raja	10,000	
Sayak	<u>10,000</u>	
	<u>20,000</u>	
	<u>3,25,000</u>	<u>3,25,000</u>

Additional Information:

- (a) Depreciation as per Income Tax Rule ₹ 19,000
- (b) Office expenses include penalty paid for infringement of Customs law ₹ 5,000

You are required to compute the following for the assessment year 2021-2022:

- (a) Book Profit of the firm
- (b) Total Income of the firm
- (d) Tax liability of the firm.

15

Or,

Sri Vijay Singh is the owner of a business. On the basis of the following information for the P.Y. 2019-20, compute the taxable income of Sri Singh for the A.Y. 2020-21:

- (a) Net Profit as per P/L A/c ₹ 6,50,000
- (b) The P/L A/c was debited by ₹ 5,000 as interest on capital of Sri Singh and ₹ 25,000 as his remuneration.
- (c) The P/L A/c was credited for ₹ 15,000 as dividend from an Indian company.
- (d) Actual depreciation is ₹ 5,000 less than that has been debited in P/L A/c.
- (e) He has taken goods for his personal consumption costing ₹ 12,000. However sales account was credited by ₹ 10,000 only.
- (f) Legal expenses debited to P/L A/c include ₹ 15,400 as penalty for infringement of customs rules.
- (g) Advertisement expenses debited to P/L A/c include payment of ₹ 12,000 to a party in cash.
- (h) Opening stock and closing stock of finished goods were valued at ₹ 9,000 and ₹ 18,000 respectively which were 10% below the cost.

15