

Income Tax Law and practice (OC)

Paper code: 52414304 Open Book Examination-2020

Time: 3 hours Monday, 21-12-2020

Mark: 55

Attempt any four Questions
All Questions carry equal Marks

Q1. "The income tax act gives absolute exemptions in respect of certain income, while some income is included in the total income for determining the rate only". In the light of above statement, state ten incomes (along with their sections) which are exempt from tax.

Q2. Anamika, aged 59 years, is employed with XYZ Ltd. Her remuneration includes:

- (i) Basic salary: Rs.80, 000 p.m.
- (ii) Dearness allowance: 10% of basic salary (forming part of retirement benefits)
- (iii) House rent allowance: Rs.24,000 p.m. (rent paid Rs.20,000 p.m. in Delhi)
- (iv) City compensatory allowance: Rs.375 p.m.
- (v) Family allowance: Rs.225 p.m.
- (vi) Tiffin allowance: Rs.100 p.m.
- (vii) Servant allowance: Rs.1050 p.m.
- (viii) Over time allowance: Rs.500p.m.
- (ix) Motor car facility for official and private use. The car, 1200 cc, (cost Rs.7, 00,000), is owned by employer, Running and maintenance cost of Rs.1, 10,000 p.a. is also incurred by employer. Anamika pays Rs.600 p.m. to the employer for use of this facility.
- (x) Employer's contribution to National pension scheme (NPS): 10% of salary. Anamika also contributes an equal amount.
- (xi) The only other income of Anamika is interest on fixed deposit (net of TDS): Rs.73,800.

She paid/deposited: (a) tuition fee of Rs.30, 000 for 2 children (b) Rs.40, 000 in Sukanya Samridh scheme (III) Rs. 10,000 in Kishanvikashpatra (iv) paid med claim premium Rs.10, 000 each for herself, husband & her brother in law.

Compute Anamika's tax liability for the assessment year 2020-21.

Q3. Ms. For the assessment year 2020-21, X (age 65 years) submit the following information:

Particulars	HOUSE :1 (Rs)	HOUSE:2 (Rs.)
Fair rent	7,00,000	6,40,000
Municipal valuation	7,20,000	7,00,000
Standard rent	6,00,000	10,00,000
Annual rent	12,00,000	8,40,000
Unrealized rent of the previous year 2019-20	20,000	1,60,000
Unrealized rent of the previous year 2018-19	-	6,00,000

Vacancy period (months)	2	4
Municipal tax paid	80,000	10%
Loss on account of vacancy	2,00,000	2,80,000
Repairs	15,000	14,000
Fire insurance	25,000	25,000
Land revenue	55,000	85,000
Ground rent	56,000	28,000
Interest on capital borrowed by mortgaging house-1 but funds used for construction of house - 2	2,80,000	-
Nature of occupation	Let out for business	Let out for residence

Determine the taxable income and tax liability of X for the assessment year 2020-21 assuming that X paid Rs.1, 40,000 as life insurance premium on the life of his wife for Rs. 20, 00,000 policy is taken on 11-8-2011 and invested Rs.20,000 in Indira Vikas patra & Rs.50, 000 in PPF account in his own name.

Q4. "There are certain expenses those can be claimed as deduction, under the head profits from business and profession, even if paid after end of previous year". Explain. Also discuss the treatment of expenditure on scientific research under section 35?

Q5. Explain the term capital gains under the income tax act. Distinguish between short term and long term capital gains. Also explain the provision of section 54 & 54 B of the income tax act 1961?

Q6. Explain the provisions of income tax act regarding, the set off and carry forward and set off of losses under different heads of income.

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