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Name of the Paper : Income Tax Law and Practice

Name of the Course : B.Com. (II)

Semester : V - DSC

Duration : 3 Hours

Maximum Marks : 90

I
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09:30 am to 12:30 pm

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Mobile: 9811116835 www.taxclasses.in**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt all questions. Each question has internal choice.
3. All questions having two parts.
4. Use of Simple Calculator allowed.
5. Answers may be written either in English or in Hindi; but the same medium should be used throughout the paper.

छात्रों के लिए निर्देश

1. इस प्रश्न-पत्र के मिलते ही ऊपर दिए गए निर्धारित स्थान पर अपना अनुक्रमांक लिखिए।
2. सभी प्रश्नों को हल करें। प्रत्येक प्रश्न में आंतरिक विकल्प है।
3. सभी प्रश्नों के दो भाग हैं।
4. साधारण कैलकुलेटर का उपयोग करने की अनुमति है।
5. इस प्रश्न-पत्र का उत्तर अंग्रेजी या हिंदी किसी एक भाषा में दीजिए, लेकिन सभी उत्तरों का माध्यम एक ही होना चाहिए।

1. (a) Mr. Ranjan was born in 1980 in India. His father was also born in India in 1950. His grandparents were born in USA. Ranjan was residing in India till 18.03.2020. He left India first time on 18.03.2020 to USA and took citizenship thereof. He visited India during the previous year 2023-24 for 90 days. His income details of the previous year 2023-24 are as below:

1) Interest on German Development bonds, 40% received in India	Rs. 180000
2) Dividend from a British Company received in USA	Rs. 272000
3) Cash gift received in India from a friend on his birthday	Rs. 100000
4) Rent received from a property situated at Delhi	Rs. 300000
5) Income from profession (set up in Delhi) in USA and received in Germany	Rs. 150000
6) Royalty from a foreign company (received in London). Royalty pertains to a project of the foreign company situated in India	Rs. 250000

Determine his residential status and taxable income :

- (i) As per details given above.
- (ii) If he had left India on 01/04/2020 keeping no change in his income. (12)
- (b) What do you mean by "Person" as per section 2(31) of the Income Tax Act, 1961? How is the term "person" different from the term "assessee"? (6)

OR

- (a) Mr. Ankit, a citizen of India, has been carrying on a profession in Singapore, where he is not liable to pay any income-tax. His income for the previous year 2023-24 is as follows :

(i) Interest from deposits in India

Rs. 200000

(ii) Dividend from UK company received in India	Rs. 300000
(iii) Winnings from lottery in India	Rs. 1200000
(iv) Professional income accrued and received in Singapore	Rs. 600000
(v) Business income in Singapore but business is controlled from India	Rs. 400000

Determine his residential status and taxable income, if during the previous year 2023-24 he has :

(a) not visited India.

(b) visited India for 200 days during 2023-24, and 200 days in every preceding financial year since 2015-16.

(c) visited India for 121 days and in the four preceding years immediately the previous year 2023-24, he was in India for 300 days. (12)

(b) Gross Total Income of Mr. Vinod (age 50 years ordinary resident) as computed under Income-Tax Act, for the assessment year 2024-25 is Rs. 620000. He deposited Rs. 120000 in a PPF account. Compute his tax liability under old tax regime if he has agricultural income of Rs. 400000. (6)

2. (a) Mr. Rahul (with 50% hearing impairment certified by a medical authority) is a 50-year-old resident individual employed as an Assistant Manager at Diamond Pvt Ltd in Mumbai. He provides the following information for the previous year 2023-24. Calculate his total income for the assessment year 2024-25 under the old tax regime.

SN	Particulars	Amount
(i)	Basic Salary	Rs. 90000 pm
(ii)	Dearness Allowance (50% forms part of salary for retirement benefits)	Rs. 12000 pm
(iii)	Fixed commission of 5% on a turnover of Rs. 720000 achieved during the previous year. (Commission spread equally over the year)	Rs. 36000
(iv)	House Rent Allowance (Rent paid Rs. 18000 pm, changed to Rs. 26000 w.e.f. 01/11/2023)	Rs. 24000 pm
(v)	Transport Allowance (Expenses incurred Rs. 1200 per month)	Rs. 3500 pm
(vi)	The company provided him with an interest-free loan on 01/09/2023. As per the loan repayment terms, he will pay Rs. 15000pm from November 2023 onwards (SBI Lending Rate on 1/4/2023 is 9% for the same purpose)	Rs. 250000
(vii)	He contributed Rs. 13000 per month to a recognized provident fund, with an equal contribution from his employer	
(viii)	Interest credited to the recognized provident fund during the previous year @10.5%p.a.	Rs. 40000
(ix)	He has been provided with car (more than 1600cc) facility by employer for both office and personal purposes. Car expenses are paid by the employer.	Rs. 3500pm
(x)	Lunch coupon for 250 days during the previous year	Rs. 100 each coupon per day

(12)

- (b) Describe the provisions for calculating the value of rent-free accommodation provided to non-government employees. (6)

OR

- (a) Mr. Ravi, a Senior Manager at Global Solutions Ltd, retired on 31/10/2023 after serving 18 years and 7 months. He submitted his income details of the previous year 2023-24 as follows :

- (i) Basic salary Rs. 70000 per month at the time of retirement.
- (ii) Dearness allowance 60% of the basic salary, 50% of which was eligible for retirement benefits.

- (iii) Increment of Rs. 6000 per month effective from 1/4/2023.
- (iv) Medical allowance Rs. 3000 pm. He spent Rs. 25000 on his medical treatment.
- (v) Gratuity received Rs. 650000 (not covered under Gratuity Payment Act). Earlier he worked with ABC Co. Ltd., where he also received gratuity which was exempted up to Rs. 120000.
- (vi) Pension fixed at Rs. 30000 pm w.e.f. 01/11/2023. He commuted 2/3rd of his pension for a sum Rs. 510000 w.e.f. 01/01/2024.
- (vii) He contributed Rs. 10400 pm to recognized provident fund (RPF), with an equal contribution made by employer. Interest credited to provident fund during the year amounted to Rs. 54000 @ 12% p.a.
- (viii) A lump sum amount of Rs. 1800000 received on account of accumulated balance of RPF on retirement.
- (ix) Leave salary at the time of retirement Rs. 350000.
 - (a) Leaves entitlement = 35 leaves for each completed year of service (630 leaves)
 - (b) Leaves availed = 420 days
 - (c) Leaves credited = 210 days

You are required to compute his income chargeable under the head salary for the assessment year 2024-25 under old tax regime. (12)

- (b) Explain the provisions under Section 17(2) regarding valuation of perquisite in respect of sale of movable assets, sold by employer to an employee. (6)
3. (a) Mr. A prepared his books of accounts on accrual basis and submitted the Profit and Loss Account as on 31st March 2024.

Particulars	Amount	Particulars	Amount
To Opening Stock	171000	By Sales	2060000
To Purchases	1325500	By Short Term Capital Gains	810000
To Wages & Salaries	749100	By Discounts Received	40000
To Depreciation	55400	By Income Tax Refund	25000
To Advertisement	110000	By Interest on Income Tax Refund	1500
To Provision for Doubtful Debts	32500	By Dividend from PQR Co. Ltd.	12000
To Advance Income Tax Paid	40000	By Closing Stock	180000
To Custom Duty	75000		
To Profit	570000		
Total	3128500	Total	3128500

Other information:

- (i) Purchases included expenses of sum of Rs. 50000 spent on household expenses of Mr. A.
- (ii) Purchases further includes a payment of sum of Rs. 18000 paid to a creditor in cash.
- (iii) Wages included outstanding amount of gratuity of a sum of Rs. 150000 to be paid on retirement of an employee. The said amount is paid as follows:
 - (a) Rs. 30000 on 15/05/2024
 - (b) Rs. 50000 on 30/07/2024
 - (c) Rs. 70000 on 25/09/2024
- (iv) Salaries included a sum of Rs. 200000 paid to spouse of Mr. A on account of her services being sales manager, she is qualified MBA (Marketing). Earlier she was working with XYZ Ltd. and entitled to withdraw Rs. 200000 for same services.

- (v) Depreciation as per section 32 is Rs. 52000.
- (vi) Advertisement expense includes a sum of Rs. 34000 spent on organizing a party for A's friend who visited India after a long time.
- (vii) Both opening stock and closing stocks are undervalued by 10%.

Compute Taxable Income of Mr. A assuming that he contributes Rs. 120000 to PPF on 20/01/2024 and due date of filing of return is 31/07/2024. Mr. A is not availing benefit of section 115BAC. (12)

- (b) Explain the provisions to compute income on estimated basis in case of assessee is engaged in profession under section 44ADA of the Income Tax Act. (6)

OR

- (a) Mr. X is a practicing Chartered Accountant in Delhi prepared his books of accounts on receipt and payment basis. He submitted receipt payment details as below for the previous year 2023-24.

Particulars	Amount	Particulars	Amount
Balance b/d	513000	Purchase of Furniture	300000
Fees from Clients		Car Expenses	267750
P.Y. 2023-24	1431000	Salary to Staff	529200
P.Y. 2022-23	65950	Office Rent	48000
Presents from Clients	36000	Office Expenses	22500
Loan from PPF	325000	Income Tax Paid	18000
		Professional Tax	2000
		Contribution to PPF	65000
		Contribution to Sukanya Samridhi	20000
		Balance c/d	1098500
Total	2370950	Total	2370950

Other Information :

- (i) The fee pertaining to the financial year 2022-23 is received in the previous year 2023-24.
- (ii) Presents from clients included a gift of Rs. 15000 from his friend.
- (iii) Rate of depreciation on furniture 10% as per section 32 of the Act. The furniture was purchased on 01/12/2023.
- (iv) The depreciation on car as per section 32 is Rs. 12000 which is not shown in above details.
- (v) 1/4th of the car is used for personal purposes.
- (vi) Office expenses included household expenses a sum of Rs. 5000.
- (vii) A sum of Rs. 50000 paid to brother of Mr. X for computer related work who does not hold any requisite qualification for that work.

Compute net taxable income of Mr. X for the assessment year 2024-25 under old tax regime. (12)

- (b) Discuss the provisions relating to amount not deductible in respect of certain unpaid liabilities under section 43B of the Act. (6)
4. (a) Mr. Ramesh purchased a plot of vacant land at a cost of Rs.10 lakhs in the financial year 2008-09. He constructed a residential building on that land for Rs. 5 lakhs in the financial year 2011-12. In July 2023, he entered into an agreement to sell the land and building to Mr. Aman for a sale consideration of Rs.60 lakhs, received Rs.500000 as an advance payment in cash. However, Mr. Aman failed to pay the remaining amount by the due date, so Mr. Ramesh forfeited the advance payment. He then entered into an agreement with Mr. Karan, in January 2024, to sell the property for Rs.70 lakhs. The sale deed was executed and registered on 10 March 2024 for the agreed consideration, but the stamp duty valuation of the property was set at Rs.75 lakhs. Mr. Ramesh paid a 1% brokerage on the received sale consideration.

Following the sale, Mr. Ramesh made the following investments :-

- (i) Acquired a residential property in Bengaluru for Rs.25 lakhs (on 28/03/2024).
- (ii) Deposited Rs. 5 lakhs in Special Capital Gains Account Scheme (on 31/03/2024) to construct building on the land.
- (iii) Subscribed to NHAI bonds with Rs.3 lakhs on 25 May 2024.

Compute Mr. Ramesh's income chargeable under the head "Capital Gains" for the assessment year 2024-25. What would be the treatment of advance money forfeited by him during 2023-24.

$$\text{CII: } 2023-24 = 348, 2011-12 = 184, 2008-09 = 137 \quad (12)$$

- (b) Explain the term "Net Annual Value" in respect of house property income u/s 23 of the Act. State the deductions available from net annual value in case of Let-Out property under new tax regime. (6)

OR

- (a) Mr. X (Date of Birth: 30/12/1958) has three independent houses, details are given below :

Particulars	H-1	H-2	H-3
Purpose	Self-Occupied	Let Out	Let Out
MV	500000	500000	500000
FRV	600000	800000	450000
SR	450000	610000	580000
Monthly Rent	Nil	70000	50000
Unrealized Rent	-	140000	-
Vacancy Loss (in months)	-	Nil	2
M. Taxes paid by Mr. X for 2023-24	10%	10%	10%

Mr. X took a loan to construct house-2 and house-3 details are given below.

Houses	Date of Loan taken	Amount of Loan	Rate of Interest	Construction completion date	Last date of repayment of loan
H-2	1/4/2020	2000000	10%	10/6/2023	31/3/2035
H-3	1/4/2012	2000000	10%	10/10/2015	31/1/2024

Compute his taxable income under the head house property for the A.Y. 2024-25 under new tax regime. (12)

(b) Briefly explain the provisions relating to exemption of capital gain on transfer of any long-term capital asset other than house property under section 54F of the Act. (6)

5. (a) Mr. Lokesh (age 46 years), submits his income for previous year 2023-24 as follows :

Income from salary (before standard deduction)	Rs. 650000
Income from house property (computed)	Rs. 225000
Short-term capital gains on gold	Rs. 200000
Long-term capital gains on house property	Rs. 400000
Income from other sources	Rs. 25000*
➤ Interest on Fixed Deposits Rs. 14000	
➤ Interest on Saving Banks Rs. 11000	
Gross Total Income	Rs. 1500000

He made following investments/savings :

1) Contribution towards public provident fund	Rs. 180000
2) Life insurance premium for married son not dependant on him, policy is issued after April 2012, sum assured is Rs. 260000.	Rs.15000
3) Mediclaim premium paid by cheque for himself	Rs. 32000
4) He made the donation towards National Defence Fund	Rs. 10000
5) He made donation towards Swachh Bharat Kosh	Rs. 15000
6) PM CARES Fund	Rs. 5000
7) Zila Saksharta Samiti	Rs. 8000
8) Donations of blankets to an orphanage	Rs. 12000
9) Contribution by him towards National Pension Scheme	Rs. 36000

Compute his tax liability for the assessment year 2024-25 under old tax regime. (12)

- (b) Explain provisions relating to set off and carry forward of house property, short-term capital loss, and long-term capital losses as per Income Tax Act 1961. (6)

OR

- (a) Mr. Pankaj Singh (age: 64 years, residential individual) furnished the following information pertaining to previous year 2023-24. Compute his taxable income and tax liability for assessment year 2024-25. Assume, Mr. Pankaj Singh has opted to be taxed under new tax regime.

1) Income from house property	Rs. 300000
2) Saving bank interest	Rs. 40000
3) Received a gift from his father's friend	Rs. 180000
4) Purchased a house property from his close friend Mr. Dinesh	Rs. 300000
However, stamp value of the property is	Rs. 1500000
5) Winnings from lotteries (net of TDS @ 30%)	Rs. 1400000
6) Dividend on shares in ABC Limited (domestic company)	Rs. 100000
7) Rental income from letting of furniture (not charged as business income)	Rs. 20000
8) Long term capital gain on listed equity shares and STT is paid	Rs. 90000

(12)

- (b) Explain the provisions relating to clubbing of income of a minor child u/s 64(1A) of Income Tax Act, 1961. (6)