

COO 314 : DIRECT TAXES (OA-18 A)

Duration: 2 Hours

Max. Marks: 60

Instructions: 1) This paper consists of **nine** questions

2) Question No.1 consists of **5 compulsory** questions of **2 marks** each

3) Answer **any 5** questions from Question **2,3,4,5,6,7,8 and 9**

4) Figures to the **right** indicate **marks**.

1. Answer the following questions. (5x2=10)

- Explain two types of Tax Planning.
- State any two cases when capital gains is exempt under section 10.
- Differentiate between Perquisites and Allowances.
- Mr. Vicky a Government employee has a car (1.7 litres) used for office as well as for personal purpose. During the year, he incurred Rs.30,000 on maintenance and Rs. 10,000 on driver's salary. The entire cost is reimbursed by the employer. Find the amount of taxable perquisite.
- What are the rules of clubbing of income from asset transferred to spouse under Sec 64 (1) (iv)?

2. Mr. Shahid owns a residential property. It has two identical units-Unit I and Unit II. While Unit I is self-occupied by Mr. Shahid and his family members, Unit II is let out (rent being Rs.7,000 per month, this unit remained vacant for one month during which it was self-occupied.) Municipal Value of the property is Rs.1,25,000. Standard Rent is Rs. 1,35,000 and Fair Rent is Rs.1,50,000. **10**

Municipal tax is imposed @12% (on Municipal Value) which is paid by Mr. Shahid. Other expenses for the Previous Year 2019-20 being repairs Rs.5,000 and insurance Rs.6,000.

Mr. Shahid borrowed Rs.8,00,000 on 1-7-2016 from LIC @12% p.a. to construct the property. The construction of the house was completed on June 30,2018. The entire amount is still unpaid.

Compute the Income of Mr. Shahid for the assessment Year 2020-21 on the assumption that income of Mr. Shahid from other sources is Rs.3,00,000.

3. a) Mr. Rishikanth retired on 15.6.2019 after completion of 26 years 8 months of service and received Gratuity of Rs.15,00,000. At the time of retirement his salary was **03**

Particulars	Amount
Basic Salary	Rs.50,000 p.m.
Dearness Allowance	Rs.10,000 p.m.(60% of which is for retirement benefits)
Commission	1% of Turnover (Turnover in the last 12 months was Rs.12,00,000)
Bonus	Rs.25,000 p.a

Compute his Taxable Gratuity assuming that he is non-government employee and covered by the Payment of Gratuity Act, 1972

b) Mr. Das is working in ABC Ltd. and has given details of his income for the P.Y. 2019-20. **07**

You are required to compute his Gross Salary from the details given below.

Particulars	Rs.
Basic Salary	Rs.10,000 p.m
Dearness Allowance (50% is for retirement benefits)	Rs.8,000 p.m
Commission as a percentage of turnover	0.1%
Turnover during the year	Rs.50,00,000
Bonus	Rs.40,000
Gratuity	Rs.25,000
His own contribution in the RPF	Rs.20,000
Employer's contribution to RPF	20% of his Basic Salary
Interest accrued in the RPF@ 13% p.a	Rs.13,000

4. a) Elaborate the Deductions u/s 24. 05
b) Differentiate between Tax Evasion and Tax Avoidance. 05

5. a) Discuss the provisions relating to the determination of Residential Status of Individuals. 05
b) Explain the Deductions from Salaries u/s 16. 05

6. Mr.Ajay (44 years old) is a businessman. For the year ending March 31, 2020, net profit as per profit and loss account is Rs. 78,86,400. It is calculated after debiting the following expenses. 10
 - i) Goods purchased from Y Ltd. of Rs. 90,000 which is paid by a bearer cheque
 - ii) Bonus of Rs. 28,600 paid to employees on September 13, 2020
 - iii) Rs. 40,000 is paid outside India on which tax is not deducted at source
 - iv) Capital expenditure of Rs. 6,100 incurred for promoting family planning amongst employees
 - v) Expenditure on scientific research, includes Rs. 30,000, being cost of land and Rs. 24,000 paid to an approved National Laboratory for undertaking scientific research under an approved programme
 - vi) Club bills for entertaining customers: Rs. 9,000
 - vii) Rs. 16,000 paid for advertisement which appeared in a newspaper owned by a political party;
 - viii) Wealth-tax of Rs. 86,400 paid on May 31, 2020
 - ix) Opening stock is valued at cost plus 10% basis, whereas closing stock is valued at cost minus 10% basis (opening and closing stock as given in P&L a/c are Rs.4,80,000 and Rs.7,40,000 respectively).

Determine the amount of net income of Mr. Ajay for the assessment year 2020-21.

7. On April 1, 2019, X (34 years) owns two house properties at Agra apart from investment in gold. During the previous year 2018-19, X sells the following assets: 10

	Gold	Residential house property at Agra
Date of sale	July 10, 2019	June 15, 2019
Date of purchase	June 9, 2003	May 17, 2007
Sale Consideration	Rs. 40,00,000	Rs. 38,00,000
Cost of acquisition	Rs. 10,00,000	Rs. 7,00,000

Assuming that X makes the following investments during the previous year 2019-20, compute the value of his capital gains:

- i) Purchase of a residential house property: Rs. 30,00,000.
- ii) Purchased REC bonds on October 10, 2019 for Rs. 4,27,000.
- iii) Purchased NHAI of Rs. 6,78,900 on February 27, 2020.

8. Briefly discuss the maximum period of carry forward of losses and the manner of set-off of brought forward losses. **10**
9. For the assessment year 2020-21, Mr. Jain (32 years), a resident of Mumbai, submits the following particulars: **10**

Gross Salary	1,95,850
Income from house property	-63,617
Gross earnings (before deducting depreciation)	65,800
Current depreciation	48,000
Unabsorbed depreciation	97,000
Net profit from the business of dealing in equity shares	2,16,000
Net profit from the business of dealing in preference shares, Government securities and bonds	89,000
Gain on sale of shares (Long term)	-2,000
Gains on sale of land (short-term)	15,000
Loss on sale of shares (short-term)	20,000
Gains on sale of non-listed shares (Long term)	4,000
Gains on sale of land (Long term)	4,500
Gift received from father	40,000
Winning from lotteries (gross)	80,000
Contribution to recognised provident fund	16,000
Contribution to public provident fund	28,000
LIC payment for own life policy of Rs. 70,000 (policy taken in 2001)	8,000
Medical insurance premium on the health of dependant mother	9,970
Donation to PM's National Relief Fund	7,000
Donation to notified charitable institute	8,000
Donation to Government for promoting family planning	3,000

Compute his taxable income for the assessment year 2020-21 and net tax liability.
