

Applied Component Group - paper I  
Direct and Indirect taxes paper I - Direct Tax

Q.P. Code : 27005

( 2½ Hours)

[ Total Marks : 75

- N.B. :** (1) All questions are compulsory.  
(2) **Figures** to the **right** indicate **maximum marks**.  
(3) Working should form part of the **main answer**.

1. (a) Rewrite the following statements by choosing correct option as per the provisions of income tax laws (**any eight**) : 08

(1) A new business was set up on 01-10-2016. It's first previous year will end on \_\_\_\_\_.

- 31-03-2017 • 30-09-2017 • 31-03-2018

(2) Unrealised rent is a deduction from \_\_\_\_\_.

- Net Annual Value • Municipal Value • Gross Annual Value

(3) Share of income received by a member of HUF from the HUF is \_\_\_\_\_.

- Fully exempt • Fully Taxable • 50% Taxable

(4) Agricultural income from land in Nepal is \_\_\_\_\_ for an ordinarily resident individual.

- taxable • tax free • partly taxable

(5) Mr. Pankaj paid fees for his school going daughter to King George school; Fees consisted of tuition fees ₹5,000 and development fees ₹2,000. He is entitled to a deduction u/s 80C equal to \_\_\_\_\_.

- ₹5,000 • ₹2,000 • ₹7,000

(6) If the owned building is let-out to be used as show room for display of goods, rent will be taxed as \_\_\_\_\_.

- Business income  
• Income from house property  
• Income from other sources

(7) Profit arising on sale of personal platinum jewellery is \_\_\_\_\_.

- Taxable as capital gains  
• Not taxable being personal asset  
• Not taxable being non-recurring in nature

(8) Mr. Desai contributed for his girl child under the Sukanya Samridhi account scheme. He is entitled to a deduction \_\_\_\_\_.

- u/s 80C • u/s 80CCC • u/s 80D

(9) Interest received on company debentures is \_\_\_\_\_.

- taxable • taxfree • partly taxable

TURN OVER

- (10) \_\_\_\_\_ is not taxable.
- profits in lieu of salary
  - gift from father
  - illegal income

(b) State whether the following statements are True or False (any Seven) : 07

- (1) Income tax is an example of direct tax.
- (2) Capital gain arises on transfer of any asset.
- (3) Loan received from employer against salary is taxable.
- (4) Stock of finished goods of a business, is not a capital asset.
- (5) Previous year means financial year.
- (6) All pensions are exempt from tax.
- (7) Award received from employer by an employee is taxable in the hands of the employee.
- (8) Exemption and deduction are not some.
- (9) Municipal Taxes paid in advance are deducted from Gross Annual Value in the year of payment.
- (10) Service Tax paid is disallowed as business expenditure.

2. Sonam Chandratre, an Indian resident, joined ABC Ltd. on 1<sup>st</sup> July, 2016 after completing her MBA in finance. The terms of employment were as follows; 15  
The salary for each month became due on the last date of the month.

Basic salary : ₹20,000 per month.

Dearness Allowance : @ 25% of Basic salary

Childrens' Education Allowance covered u/s 10(14) : ₹8,000 received in August 2016 (No expenditure on childrens' education)

Bonus : Equal to One month basic salary received in October 2016.

She had availed an higher education loan of ₹4,00,000 from a bank. She paid ₹45,000 to the bank during the year against the loan, of which ₹39,000 was interest for the year 2016-17 and ₹6,000 principal repayment.

She received the followings :

- (i) Interest of ₹25,000 on her PPF A/c,
- (ii) Annual interest on 9% Debentures issued by X Ltd. of the nominal value of ₹1,00,000,
- (iii) Dividend from Indian companies ₹36,000,
- (iv) Interest on her savings bank account with a co-operative bank ₹12,000.

Compute the Taxable Income of Sonam Chandratre for Assessment Year 2017-18.

OR

TURN OVER

2. Following details are available for the year ended 31<sup>st</sup> March 2017, for the house 15 properties owned by Homesick, an Indian resident :

Particulars	Mumbai (₹)	Delhi (₹)
Municipal Valuation	94,000	72,000
Fair Rent	92,000	78,000
Actual Rent Received	96,000	76,000
Building Maintenance Charges	7,000	2,400
Fire Insurance Premium	0	4,200
Municipal Tax @ 10% of Municipal valuation	Paid	Due but not paid

He borrowed ₹ 5,00,000 for the renovation of Delhi Property on 01.07.2016. Interest for the year 2016-17 amounted to ₹ 45,000.

He received interest of ₹ 65,000 on term deposits with bank and savings accounts interest of ₹ 8,000. He has a dependent son who is suffering from 'severe physical disability' (88%) and he has incurred expenses on his maintenance.

Compute the Taxable Income of Homesick for Assessment Year 2017-18.

3. Mr. Padmpani provides the following information for the previous year ended 31<sup>st</sup> March, 2017. You are required to compute his net taxable income for the Assessment Year 2017-18. 15

**Profit & Loss Account for the year ended 31<sup>st</sup> March, 2017**

Particulars	₹	Particulars	₹
To Office Salaries	2,80,000	By Gross Profit	10,00,000
To General Expenses	80,000	By Interest on National Saving Certificate	15,000
To Interest on Capital	30,000	By Winning from Lotteries	65,000
To Advance Income Tax	25,000		
To VAT paid	10,000		
To Income Tax	5,000		
To Donations	20,000		
To Bad Debts	70,000		
To Depreciation	45,000		
To Drawing	30,000		
To Net Profit	4,85,000		
<b>Total</b>	<b>10,80,000</b>	<b>Total</b>	<b>10,80,000</b>

TURN OVER

**Additional Information :**

- (1) He spent ₹26,000 as medical expenditure on his father "a very senior citizen", who is not covered under medical insurance scheme and he paid ₹4,000 to Star Health Insurance Co. in respect of Medical Insurance for self.
- (2) Depreciation as per Income Tax Act is ₹50,000.
- (3) General expenses include ₹12,000 spent on Birth-day celebration of his son.

OR

3. Dr. Amitabh provides the following information for the previous year ended 31<sup>st</sup> March, 2017. You are required to compute his net taxable income for the Assessment Year 2017-18 : 15

**Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2017**

Expenditure	₹	Income	₹
Salaries to Staff	45,000	Consultation fees	2,50,000
Laboratory expenses	35,000	Visiting fees	67,000
Rent of operation room	26,000	Gift from Patients	5,000
Purchase of Medicines	15,000	Sale of Medicines	19,000
Income Tax	9,000	Dividend from foreign companies	30,000
Motor car expenses	23,500		
Membership fees	500		
Charity and Donations	12,500		
Surplus	2,04,500		
<b>Total</b>	<b>3,71,000</b>	<b>Total</b>	<b>3,71,000</b>

**Additional Information :**

- (1) He paid ₹15,000 to GIC for medical insurance of self, his wife and children.
- (2) Depreciation as Motor Car is ₹14,000 as per Income Tax Act.
- (3) He paid Life Insurance Premium for his son ₹55,000 by cash.
- (4) Investment made in units of a Mutual fund approved u/s 80C of the Income Tax Act ₹40,000.

TURN OVER

4. Mr. Anil has earned the following incomes during the financial year ended on 31<sup>st</sup> March, 2017. Compute his Gross Total Income for the Assessment Year 2017-18 assuming that he is :

- (i) Resident and ordinarily resident
- (ii) Resident but Not ordinarily resident
- (iii) Non-resident

Sr. No.	Particulars	Amount ₹
1.	Rent from a property in Delhi received in USA	80,000
2.	Income from a business in USA controlled from Delhi	90,000
3.	Income from a business in Mumbai controlled from USA	1,00,000
4.	Rent from a property in USA received there but later remitted to India	1,10,000
5.	Interest from deposits with Indian Bank in Mumbai	1,20,000
6.	Income received in USA for services rendered in India	1,30,000
7.	Income from agriculture in Sri Lanka	1,40,000
8.	Past untaxed profit earned outside India, brought to India	1,50,000

OR

4. (a) Mr. Rajesh provides the following particulars of asset transferred by him during the previous year ended 31<sup>st</sup> March, 2017. You are required to compute his Income from Capital Gains chargeable to tax for Assessment Year 2017-18. 08

A Residential house in Madurai was purchased on 12<sup>th</sup> December, 2000 at a cost of ₹18,00,000.

He incurred expenses on improvement of ₹3,00,000 on the above house during the financial year 2009-10. He sold the above house on 16<sup>th</sup> March, 2017 for ₹1,21,00,000.

He incurred transfer expenses of ₹1,00,000 on the sale transaction.

He purchased 3 years bonds issued by Rural Electrification Corporation (REC) for ₹50,00,000 on 26<sup>th</sup> March, 2017.

Cost Inflation Index are as follows :

Financial Year	Cost Inflation Index
2000-2001	406
2009-2010	632
2016-2017	1125

TURN OVER

- (b) Mr. Joseph is a French citizen (not being a person of Indian origin). Since financial year 2001-2002, he visits India every year in the month of June for 101 days. Determine his Residential Status for the Assessment Year 2017-18. 07
5. (a) State and explain any eight exemptions under section 10 of Income Tax Act, 1961. 08
- (b) Explain the provisions of Section 37 of Income Tax Act, 1961 in respect of General Expenses allowed in computing Business Income. 07

OR

5. Write short note on (any three) : 15
- (1) Profits in lieu of salary.
  - (2) Person.
  - (3) Indexed Cost of Acquisition.
  - (4) Basis of charge for "Income from other sources".
  - (5) Deduction under section 80DD.

TURN OVER