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Bachelor of Commerce 5th Semester
(2122)

INCOME TAX LAWS

Paper : BCM-501

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :—(1) Attempt any four questions from Section A. Each question carries 5 marks.

(2) Attempt any two questions each from Section B and Section G. Each question carries 15 marks.

SECTION—A

1. Calculate the tax liability of H.U.F. whose computed total income is Rs. 4,94,000 and Net Agricultural Income is Rs. 50,000 for the Assessment Year 2022-23.
2. The following investments are held by Hardika on 1-4-2021 :
 - (a) Rs. 40,000, 10% Punjab Government Loan.
 - (b) Rs. 35,000, 8% Debentures of a Sugar Mill Co., Sangrur.
 - (c) Rs. 50,000, 12% Debentures of Ugly Trading Co.

On 1-9-2021, she sold the debentures cum interest of Ugly Trading Co. and purchased Rs. 60,000, 15% debentures cum interest of Beauty Trading Co. Interest on investment is received half yearly on 1st July and 1st January every year. Calculate income from securities for the previous year 2021-22.

3. Mr. Deep came to India for the first time from U.S.A. on 30th June, 2015. He stayed in India for three years and left for Japan on 1st July, 2018. He returned to India on 1st April, 2019, and remained in India till 31st July, 2021 when he went back to U.S.A. He again came to India taking up an employment with an American Concern, on 21st January, 2022. What is his residential status for the previous year ended on 31st March, 2022 ?
4. From the following particulars you are required to ascertain the depreciation admissible and other liabilities in respect of the previous year relevant to assessment year 2022-23 :

	Plant & Machinery	Building
Written down value at the beginning of year	Rs. 2,50,000	Rs. 10,00,000
Addition during the year	Rs. 3,00,000	Nil
Sales during the year (a part of the assets)	Rs. 6,00,000	Rs. 2,00,000

Rate of depreciation for Plant & Machinery is 15% and Building is 10%.

5. What do you mean by profits in lieu of salary ?
6. Discuss the incomes which are taxable u/s 56(1).

SECTION—B

7. Mr. Sanjay, a resident individual, is serving in X Ltd., New Delhi (population above 25 lakhs) and furnishes the following particulars of his income earned during the year ended on 31st March :

	Rs.
Salary	4,20,000
His own contribution to a RPF	58,800
Employer's contribution to the said fund	58,800
Bonus (out of this Rs. 6,000 is gratuitous)	30,000

- (i) He is provided with a 1.4 litre cubic capacity engine motor car which is owned by the employer, all the expenses of maintenance and running met by the employer. He is also provided with a driver for the said car for which no charge is made to him by the employer. Mr. Sanjay uses the car for his personal purposes also.
- (ii) LIC premium paid by the employer amounting to Rs. 15,000.
- (iii) He is provided with rent free unfurnished accommodation, the fair rental value of which is Rs. 96,000 per annum. The actual rent of hired furniture is Rs. 800 p.m.
- (iv) Gas and electricity bill paid by employer Rs. 12,000.
- (v) He was provided with the services of gardener, watchman and a domestic servant and salary of each of them was Rs. 500 p.m.
- (vi) He availed leave travel concession during December, 2021 and visited Goa by air along with his wife and two major children. His employer paid him a lump sum amount of Rs. 84,000. The normal one way air fare for economy class is Rs. 7,500 per person.

(vii) He insured his own life and life of his wife and paid Rupees 12,000 as premium in May, 2021 out of his Agricultural Income.

(viii) He deposited Rs. 20,000 in ELSS and another Rs. 30,000 in PPF in March, 2022.

Compute his income under the head salary and qualifying amount for deduction under Section 80C.

8. Miss Muskan owns three house properties at Khanna. Property I is self occupied. Property II is let out for residential purpose and Property III has three identical units. Unit 'X' is let out for full year, Unit 'Y' is used for own business and Unit 'Z' is let out for 5 months and self occupied for 7 months.

The particulars of these properties are given below :

	Property I	Property II	Property III
Municipal Rental Value	60,000 p.a.	90,000 p.a.	1,80,000 p.a.
Actual Rent	Nil	7,000 p.m.	6,000 p.m. each for Unit X and Z
Fair Rental Value	72,000	1,02,000	—
Date of Completion	1-6-2017	1-2-2018	1-5-2018
Municipal Taxes (paid)	12,000	8,000	24,000
Repairs	7,600	6,000	28,000
Collection Charges	Nil	3,000	3,600
Fire Insurance	3,000	5,000	6,000
Interest on loan taken for construction	30,000 p.a.	48,000 p.a.	50,000 p.a.

Miss Muskan had taken loan for construction of Property I on 1-4-2013. The amount of loan was Rs. 3,00,000 @ 10% p.a. During the year 2019-20 a tenant of Property II failed to pay rent of Rs. 18,000 in spite of all efforts. The Assessing Officer is satisfied about the claim of this rent. Compute the total income of Miss Muskan for the assessment year 2022-23 if her income from all other sources was Rs. 2,40,000.

9. What do you mean by Assessee ? How we can compute the residential status of a person other than individual ?
10. Discuss the incomes which are not included in total income nor income tax payable on them.

SECTION—C

11. Miss Vanshika is the proprietor of a business. Her Profit and Loss Account for the year ending March 31, 2022 is as follows :

	Rs.		Rs.
To Establishment	4,800	By Gross Profit	50,840
To Rent, Rates and Taxes	2,900	By Interest on Government Securities	5,200
To General Charges	750	By Rent from House Property	5,400
To Household Expenses	1,730		
To Commission	1,500		

	Rs.	Rs.
To Discount and allowance	450	
To Provision for bad debts	1,200	
To Postage and Telegrams	270	
To Law Charges	450	
To Advertising	1,550	
To Gifts and presents (personal)	150	
To Fire Insurance premium (for goods)	360	
To GST	1,250	
To Repairs and Renewals (not for business premises)	480	
To Loss on sale of motor car (used for private purposes)	1,800	
To Life Insurance Premium	2,530	
To Interest on Capital	350	
To Audit Fee	300	

	Rs.	Rs.
To Interest on Bank Loan	1,380	
To Provision for Depreciation	2,500	
To Provision for Income Tax	3,900	
To Net Profit transferred to Capital Account	30,840	
	<u>61,440</u>	<u>61,440</u>

Following further information is given :

- (i) Actual Bad Debts written off during the year amount to Rs. 550.
- (ii) Amount of Income Tax actually paid during the year is Rs. 4,200.
- (iii) Depreciation allowable is Rs. 1,700 as per Income Tax Rules.
- (iv) Advertising expenses include Rs. 550 spent on special advertising campaign to open a new shop in the market.
- (v) Law charges for defending the trade mark of her business.
- (vi) Miss Vanshika carries on her business from rented premises, half of which is used as her residence. Rent, rates and taxes include Rs. 2,400 paid as rent of the premises during the year.

Compute business income of Miss Vanshika for the assessment year 2022-23.

12. Mr. Rehansh owns two residential houses – one at Ludhiana and other at Chandigarh. He submits the following information about sale of assets during the previous year 2021-22 (C.I.I. 317) :

Asset	Residential house	Plot	Jewellery
Date of acquisition	1-3-1979	1-11-2002	3-4-2004
Cost of acquisition	1,10,000	3,50,000	80,000
FMV on 1-4-2001	6,80,000		
C.I.I.	100	105	113
Date of sale	15-6-2021	16-6-2021	17-6-2021
Sale price	25,00,000	12,90,000	2,80,000
Investments	Date of acquisition	Amount invested	
Residential House	19-12-2021	13,00,000	
Bonds of National Highway Authority of India	12-12-2021	1,00,000	

13. Mention the different kinds of incomes specifically mentioned as chargeable to tax under the head Income from Other Sources.
14. What do you mean by the term depreciation ? What are the rules regarding the claim of deduction of depreciation ?