



# CBCS SCHEME

20MBAFM304

## Third Semester MBA Degree Examination, Dec.2023/Jan.2024 Direct Taxation

Time: 3 hrs.

Max. Marks:100

- Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.  
2. Question No. 8 is compulsory.**

- 1 a. Who is an "Assessee" as per Sec2(7) of Income Tax Act 1961? (03 Marks)
- b. A purchases a house property for Rs.26,000 on May 10, 1982. He gets the first floor of the house constructed in 1987-88 by spending Rs.40,000. He dies on September 12, 1998. The property is transferred to Mrs. X by his will. Mrs. X spends Rs.30,000 and Rs.26,700 during 1999-00 and 2005-06 respectively for renewals/reconstruction of the property. Mrs. X sells the house property for Rs.21,50,000 on March 15, 2022 (brokerage paid by Mrs. X is Rs.11,500). The fair market value of the house on April 1, 2001 is Rs.1,60,000. Compute the capital gain for assessment year 2022-23.  
(Cost inflation index for 2001-02 : 100, for 2005-06:117, 2021-22:317) (07 Marks)
- c. Mr. Dinesh (55 yrs) is a lecturer in a private college in Delhi. He submits the following particulars of income and payments for the assessment year 2022-23:  
Basic salary : Rs.22,500 pm  
Dearness allowance : Rs.9000 pm  
Wardenship allowance: Rs.1600 pm  
Examinership remuneration from Jaipur University: Rs.29,000  
Royalty on books for university students: Rs.73,921  
(i.e. @17.5% of Rs.455,500, being sales turnover of books minus Rs.5,792 expenses)  
Reimbursement by the Delhi university of cost of books purchased by S for preparing lectures : Rs.14,250  
Income from house property : Rs.16,000 pm (expenses being house tax Rs.13,000; during 2021-22, he has received a sum of Rs.32,000 being advance rent of April and May 2022; municipal valuation Rs.1,60,000, fair rent Rs.1,64,000, unrealized rent-Nil; house remained vacant for one month)  
Interest on Government Securities: Rs.52,000  
Interest on company deposits (received on May 1, 2021) : Rs.12,600  
Contribution to statutory provident fund: Rs.17,000  
Contribution to public provident fund: Rs.42,000  
Medical insurance premium on the health of dependent mother : Rs.28,000  
Donation to an approved charitable institution: Rs.50,000  
Determine the net income of Dinesh for the A.Y. (10 Marks)
- 2 a. Mention the conditions to be satisfied to avail deduction U/S 32. (03 Marks)  
b. Explain the deductions available U/S35AD for specified business. (07 Marks)  
c. Explain the procedure for set off and carry forward of losses under Income Tax Act. (10 Marks)

- 3 a. Explain any three incomes exempt U/S 10 of Income Tax Act. (03 Marks)
- b. Nithin, who is not covered by the payment of Gratuity Act, 1972 retired on November 20, 2021 from ABC Ltd. and receives Rs.1,86,000 as gratuity after service of 38 years and 10 months. His salary is Rs.8,000 pm upto July 31, 2021 and Rs.9000 pm from August 1, 2021. Besides he gets Rs.500 pm as dearness allowance (69% of which is part of salary for computing all retirement benefits but 100% of DA is considered for computing provided fund). What amount of gratuity will be exempt from tax? (07 Marks)
- c. Briefly explain the provisions and exemptions available U/S 54B and 54 D of capital gains. (10 Marks)
- 4 a. How is the income from card games and winnings from Lottery treated under income tax? (03 Marks)
- b. Explain the permissible deductions U/S 80 IA and 80 IB. (07 Marks)
- c. The following are the incomes of Deepak for the A.Y.
- Dividend from Indian company : Rs.10,000
  - Profit from business in Japan received in India Rs.12,000
  - Profit from business in Pakistan deposited in a bank there. This business is controlled from India : Rs.20,000
  - Profit from business in Indore (controlled by London Head Office) : Rs.11,000
  - Interest received from a non-resident Mr. Amar on the loan provided to him for a business carried on in India : Rs.5000
  - Income was earned in America and received there, but brought in India Rs.8000.
  - Share of income from Indian partnership firm : Rs.15,000
  - Income from house property in India received in America: Rs.12,000
  - Interest on debentures of an Indian company received in Dubai : Rs.5000
  - Capital gain on sale of agricultural land situated in Ajmer (urban area)
- Compute his taxable income if he is: (1) ROR (2) RNOR (3) NR (10 Marks)
- 5 a. Explain the deductions U/S 24 of Income Tax Act. (03 Marks)
- b. Explain the tax treatment of the perquisite in respect of rent free furnished accommodation provided to the employee by the employer. (07 Marks)
- c. Satish (64 years) is Director HRD of A Ltd.; since May 1986. He gets Rs.110,000 pm as salary (upto Sep 30, 2021), it was Rs.100,000 pm and Rs.3000 pm as incentive. He owns a car which is used by him for official and private purposes. The entire expenditure of car and driver Rs.195,000 is borne by the employer company. As per log book of the car, 70% of the expenditure is attributable towards official use of car.
- Company reimburses Rs.20,200 on account of personal telephone bills and Rs.8,000 on account of personal water bills during the financial year 2021-22. Employer company contributes 12% of salary towards RPF (Satish also makes a matching contribution) and 15% of salary towards approved superannuation fund.
- He retired from the company on Feb 28, 2022, and gets gratuity of Rs.22,00,000 (the company is covered by the payment of Gratuity Act). Satish, after retirement, gets a fixed pension of Rs.10,000 pm. Salary and pension become due on the last day of each month and generally paid on the same day. Assuming that income of Satish from other sources is Rs.3,60,500, find out net income and tax liability of Satish for the A.Y. 2022-23. (10 Marks)

- 6 a. What do you mean by domestic company? (03 Marks)
- b. Mr. X is a foreign citizen (not being a person of Indian origin), leaves India for the first time in the last 20 years on November 20, 2019. During the calendar year 2020, he comes to India on September 1, for a period of 30 days. During the calendar year 2021, he does not visit India at all but comes to India on January 16, 2022. Determine the residential status of X for the A.Y. 2022-23. (07 Marks)
- c. Mahesh (age 26 years), a leading tax consultant who maintains books of accounts on cash basis furnishes the following particulars of income and expenditure for the assessment year 2022-23.

## Receipts and Payment Account for the year ending 31-3-2022

Particular	Rs.	Particular	Rs.
Balance b/d	12,400	Purchase of typewriter	6,000
Fees from clients:		Car expenses	18,000
Of 2021-22	7,30,500	Office expenses	40,000
Of 2020-21	1,11,500	Salary to staff:	
Of 2022-23	1,13,000	2021-22	32,000
Presents from clients	24,000	2022-23	11,000
Interest-free loan from a client for purchase of a car	2,38,000	Expenses in respect of let-out property (municipal taxes:2000, repairs:100, insurance:Rs.3000)	6,000
Winnings from lottery	46,000	Car purchased on 10/12/21	2,40,000
Interest from UTI (received on 11/9/21)	12,000	Repairs of office	12,000
Rent of let out property	60,000	Interest on loan	10,000
Share of income from a firm	15,000	Income tax payment	2,000
		Life Insurance premium	2,08,000
		Balance credit down	7,77,400
	13,62,400		13,62,400

Car is partly used for official purpose (40%) and partly for private purpose (60%). Determine his taxable income and tax liability. (10 Marks)

- 7 a. Who is a specified employee? (03 Marks)
- b. What do you mean by provident fund? Explain the types with their tax treatment. (07 Marks)
- c. X Ltd. is engaged in the business of manufacturer of garments.

	Rs.
Sale proceeds of goods (domestic sale)	22,23,900
Sale proceeds of goods (export sale)	5,76,100
Amount withdrawn from general reserve (Reserve was created by 1996-97 by debiting P & L A/C)	2,00,000
Amount withdrawn from revaluation reserve	1,50,000
<b>Total</b>	<b>31,50,000</b>
Less: Expenses	
Depreciation (normal)	6,16,000
Depreciation (extra because of revaluation)	2,70,000
Salary and wages	2,10,000
Wealth tax	10,000
Income tax	3,50,000
Outstanding customs duty (not paid as yet)	17,500
Proposed dividend	60,000
Consultation fees paid to a tax expert	21,000
Other expenses	1,39,000
<b>Net Profit</b>	<b>14,56,500</b>

For tax purposes the company wants to claim the following:

- Deduction U/S 80-IB (30% of Rs.14,56,500)

- Depreciation U/S 32(Rs.5,36,000)

The company wants to sell off the following losses/allowance:

	For tax purpose	For accounting purpose
Brought forward loss of 2015-16	Rs.14,80,000	Rs.4,00,000
Unabsorbed depreciation	-	Rs.70,000

Compute the net income and tax liability of X Ltd. for the A.Y 2022-23 assuming that X Ltd has a (deemed) long term capital gain of Rs.60,000 under Sec. 54D(2) which is not credited in statement of Profit and Loss A/C. (10 Marks)

8 **Compulsory:**

X Ltd. owns an industrial undertaking at Nagpur which is situated in urban area. As per the policy of the state government, the industrial undertaking is shifted to a rural area. In the process of shifting, the company sells the following assets:

Particulars	Plant & Machinery	Building	Furniture	Land
Rate of depreciation	15%	10%	10%	-
Year of acquisition	1977	1978	1976	1975
WDV of the block on 1/4/21	Rs.9,50,000	Rs.10,75,000	Rs.25,000	-
Cost of acquisition of land (fair market value on 1/4/21 = Rs.2,45,000)	-	-	-	Rs.80,000
Sale proceeds (date of sale June 25, 2021)	Rs.47,92,000	Rs.88,90,000	Rs.17,32,000	Rs.45,00,000
Value for stamp duty	NA	Rs.80,00,000	NA	Rs.60,00,000
Cost of assets acquired during April-May 2022 for the purpose of shifting the undertaking to a rural area	Rs.30,50,000	Rs.4,00,000	Rs.3,70,000	Rs.50,70,000

Assuming the industrial undertaking is transferred to rural area by June 15, 2022, ascertain the capital gains chargeable to tax for the A.Y. 2022-23. Does make any difference if the assets are acquired by March 31, 2022? (20 Marks)

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