

2020

DIRECT TAX LAWS AND PRACTICE — HONOURS

Sixth Paper

(T-32-A)

Full Marks : 100

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group – A

Answer *any two* questions

10×2

1. How would you determine the residential status of a company? When is a company said to be non-resident in India? 6+4
2. G. Ltd. is an Indian company. It carries on its entire business in Canada. All shareholders are residents of Canada. Board's meetings and general meetings of the shareholders are held in Canada. Determine the residential status of G. Ltd. (for the assessment year 2019-20). 10
3. Who is eligible to enjoy exemption u/s 10AA and what is the quantum of such exemption? 4+6
4. Discuss in brief the provisions of clubbing of income from assets transferred to the benefit of spouse. 10
5. What do you mean by revocable transfer of asset? 10
6. Who can claim deduction under section 80-IAB from gross total income? Is it necessary to avail deductions for 10 consecutive assessment years? State the amount of deduction available u/s 80-IAB. 4+4+2

Group – B

Answer *any three* questions

20×3

7. Mr. S. K. Grewal engaged in the business of plying, hiring or leasing goods carriages. He owned 5 heavy goods vehicle having gross weight of 13,000 kilograms and 4 other goods vehicle during the previous year 2018-19.
Depreciation as per income tax rule ₹ 3,90,000. Compute his taxable income from business for the A.Y. 2019-20 as per the provisions for section 44AE. 20

Or,

Discuss the assesses who are compulsorily required to get their books of account audited u/s 44AB. 20

Please Turn Over

8. X is the owner of a house, which he purchased for ₹ 7,50,000 in 1999. He spent ₹ 30,000 during 2002-03 towards addition and alteration of the house. On 15th April 2018 the house was acquired by the Government in the public interest and ₹ 52,30,750 was paid to him as compensation by the Govt. The fair market value of the house on 01.04.2001 was ₹ 8,20,000. On 20th August 2018 X died and his son Y received ₹ 5,00,000 on 1st March 2019 as additional compensation in consequence of a suit filed by X. Y had to incur legal expenses amounting to ₹ 25,000 in connection with the suit. You are required to compute capital gains for the relevant assessment year.
[CII for 2000-01 : 100; 2002-03 : 105; 2018-19 : 280] 20

Or,

- (a) Mrs. Roy purchased 1000 shares of A Ltd. on 15.04.18 @ ₹ 50 per share. She received bonus shares on 15.06.18. On 15th March, 2019 she sold all the shares for ₹ 65 per share. Compute capital gain in the hands of Mrs. Roy for the A.Y. 2019-20.
- (b) X acquires a capital asset on April 01, 2002 for ₹ 90,000. He converts the capital asset into stock-in-trade on April 01, 2007 (Fair market value on the day of conversion ₹ 2,00,000). The stock-in-trade is sold by X on March 10, 2019 for ₹ 3,50,000. Determine the amount of chargeable profit indicating separately business income and capital gains.
[CII for the P.Y. 2007-08 : 129, 2002-03 : 105] 10+10

9. (a) State the different cases of deemed dividend u/s 2(22).
- (b) Mr. P received the following gifts during the financial year 2018-19 :
- (i) Gifts from friend at the time of marriage ₹ 48,000.
 - (ii) Gifts of jewellery from friend without consideration (fair market value) ₹ 40,000.
 - (iii) Cash gift from father-in-law ₹ 35,000
- State the taxability of these gifts in the hands of Mr. P. 10+(3+4+3)

10. Mr. Ramkumar has furnished the following information :

Total income (excluding salary received ₹ 10,00,000 in arrears) for the P.Y. 2018-19

Arrear salary for 2015-16 received ₹ 2,00,000 P.Y. 2018-19

Total income of P.Y. 2015-16 (excluding ₹ 6,00,000 salary in arrears)

Tax slab for the P.Y. 2015-16 and 2018-19 are as follows :

P.Y. : 2015-16		P.Y. : 2018-19	
Upto ₹ 2,50,000	Nil	Up to ₹ 2,50,000	Nil
₹ 2,50,000 to ₹ 5,00,000	10%	₹ 2,50,000 to ₹ 5,00,000	5%
₹ 5,00,000 to ₹ 10,00,000	20%	₹ 5,00,000 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%	Above ₹ 10,00,000	30%
Education cess and Higher Education cess	3%	Health and Education cess	4%

Calculate the amount of relief, if any, available to Mr. Ramkumar u/s 89(1) for the A.Y. 2019-20. 20

Or,

- (a) Mr. Khan an Indian resident has earned substantial amount of income from country 'A' with which India has no agreement for avoidance of double taxation. Discuss whether Mr. Khan can claim any relief for tax paid in that 'A' country. How such relief can be calculated? 10
- (b) Mr. R, an Indian resident, earned income in India ₹ 5,20,000. He also earned income from foreign country 'B' ₹ 2,00,000. Tax paid in foreign country 'B' ₹ 20,000. There is double taxation avoidance agreement between Govt. of India and country 'B'. How much tax relief Mr. R could claim u/s 91 and how much tax he sell required to pay assuming full credit? 10

11. Discuss the provisions u/s 35D of Income Tax Act regarding amortisation of preliminary expenses. 20

Group – CAnswer *any one* question

20×1

12. From the following Profit & Loss Account and additional information of X, Y and Z Co. (a firm where X, Y and Z are partners) for the year ended March 31, 2019, compute total income of the firm and taxable income of the partners from the firm :

	₹		₹
To Cost of Goods sold	17,62,500	By Sales	28,45,000
Depreciation	1,67,250	Commission	60,000
Income tax	60,000	Bank Interest	1,18,900
Remuneration to partners :			
X	2,40,000		
Y	2,10,000		
Z	<u>30,000</u>		
	4,80,000		
Interest on capital to partner's (@ 13%)			
X	97,500		
Y	65,000		
Z	<u>78,000</u>		
	2,40,500		
Other expenses	74,350		
Net Profit	<u>2,39,300</u>		
	<u>30,23,900</u>		<u>30,23,900</u>

Additional information :

- (a) Z is not a working partner.
- (b) The firm fulfils the conditions of section 184 and 40(b).
- (c) Payment of salary and interest to partners are authorized by the partnership deed.
- (d) Depreciation as per Income tax rule is ₹ 1,59,000.
- (e) Other expenses include ₹ 16,500 paid to an approved institution as donation. 12+8

Please Turn Over

13. Mr. X (36 years) is a visiting faculty of a private management institute. He furnishes the following particulars for the A.Y. 2019-20 :

	₹
(a) Total Salaries	7,44,000
(b) Remuneration from examinership of Institute of Chartered Accounts of India	1,90,000
(c) Income from house property (computed)	2,40,000
(d) Long term capital gain on sale of land	2,15,000
(e) Short term capital gain on sale of gold	1,10,000
(f) Dividend from foreign Co.	48,000
(g) Interest on fixed deposit with bank	1,20,000
(h) Contribution to public provident fund	1,00,000
(i) Medical insurance premium paid on the health of mother aged 72 years who is fully dependent on Mr. X	26,000
(j) Donation to Prime Minister National Relief Fund	30,000

Determine the taxable income and the tax liability of Mr. X for the A.Y. 2019-20.

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14. Mr. S. Roy (resident in India aged 52 years) furnishes the following particulars for the year ended march 2019 :

- (a) Pension ₹ 62,500 p.m.
- (b) Interest from Savings Bank Account ₹ 27,255
- (c) Interest from Fixed Deposits with Bank ₹ 1,20,250
- (d) Accrued Interest from deposit with a company ₹ 21,750
- (e) Accrued Interest from NSC ₹ 25,370 (including last year's interest of ₹ 3,250)
- (f) Dividend from UTI ₹ 11,230
- (g) Dividend from Indian company ₹ 16,350
- (h) Dividend from foreign company ₹ 7,325
- (i) Investment in PPF ₹ 1,30,000
- (j) An amount of ₹ 1,70,000 deposited in a fixed deposit in the name of his minor child with SBI on July, 2018. Interest accrued during the year from such deposit is ₹ 7,530.
- (k) Medical insurance premium paid on his own and spouse's health ₹ 29,500
- (l) Medical insurance premium paid on the health of his father (age 77 years) and mother (age 69 years) ₹ 47,500.

Compute the taxable income and tax liability of Mr. S. Roy for the A.Y. 2019-20.

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