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Your Roll No.....

Sr. No. of Question Paper : 7351

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Name of the Paper : Income Tax Law and Practice

Name of the Course : B.Com (H)

Semester : V – DSC

Duration : 3 Hours

Maximum Marks : 90

समय : 3 घण्टे

पूर्णांक : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt all questions. Each question has internal choice.
3. All questions having two parts.
4. Use of Simple Calculator allowed.
5. Answers may be written either in English or Hindi; but the same medium should be used throughout the paper.

छात्रों के लिए निर्देश

1. इस प्रश्न-पत्र के मिलते ही ऊपर दिए गए निर्धारित स्थान पर अपना अनुक्रमांक लिखिए।
2. सभी प्रश्नों के उत्तर दें। प्रत्येक प्रश्न में आंतरिक विकल्प है।
3. सभी प्रश्न दो भागों वाले हैं।
4. साधारण कैलकुलेटर का उपयोग स्वीकार्य है।
5. इस प्रश्न-पत्र का उत्तर अंग्रेजी या हिंदी किसी एक भाषा में दीजिए, लेकिन सभी उत्तरों का माध्यम एक ही होना चाहिए।

P.T.O.

1. (a) Ms. Arpita Gupta, an Indian citizen, has been working as Deputy General Manager in Union Bank of India since 2010. She visits foreign countries regularly in connection with her banking profession. During the previous year 2023-24 she was out of India for 182 days and during seven immediately preceding previous years. Her stay in India was as given below:

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Stay in India Days	80	170	165	84	78	50	120

She reported the following income for previous year 2023-24 :

1) Income from her banking job in India	Rs. 2050000
2) Dividend from Adani Power Ltd. (Indian Co.)	Rs. 230000
3) Capital gains on sale of shares of foreign company, received in Australia.	Rs. 185000
4) Cash gift received in India from a friend on her wedding	Rs. 180000
5) Rental income from a property in Canada, half rent is received in India	Rs. 158000
6) Profits from a business carried on at Sri Lanka but controlled from India	Rs. 200000

Determine her residential status and taxable income for the assessment year 2024-25.

- (b) Define previous year as per section 3 of the Income Tax Act, 1961. "Income tax is charged on income of the previous year during the assessment year. Do you fully agree with this statement? If not, what are its exceptions? (6)

OR

(a) Mr. Aniket, a citizen of India, has been carrying on a profession in Bermuda a foreign country, where he is not liable to pay any income-tax. His income for the previous year 2023-24 is as follows :

(i) Salary income from India (before standard deduction)	Rs. 1400000
(ii) Dividend from US company 40% of which received in India	Rs. 400000
(iii) Cash gift received in India from his father on his birthday	Rs. 200000
(iv) Business income accrued and received in Bermuda	Rs. 600000
(v) Rental income from house property in India	Rs. 400000

Determine his residential status and taxable income, if during the previous year 2023-24 he has :

(a) Stayed in India for 10 days.

(b) Stayed in India for 200 days and in the four preceding years immediately preceding to the previous year 2023-24, was for 400 days. (12)

(b) Gross Total Income of Ms. Adya Gupta (age 35 years ordinary resident) as computed under Income-Tax Act, for the assessment year 2024-25 is Rs. 1000000. She paid medical insurance premium Rs. 30000 and deposited Rs. 40000 in Atal Pension Yojana. Compute her tax liability under old tax regime if she has agricultural income of Rs. 600000. (6)

(2) (a) The following are the details of Mr. Rajiv's income and benefits received from Z Ltd. during the financial year ending 31/03/2024 :

SN	Particulars	Amount (Rs.)
i	Basic Salary	Rs. 30000 p.m.
ii	Tiffin Allowance (actual expenditure: Rs.10000 per annum)	Rs. 12000 p.a.
iii	Monthly Commission	Rs. 1000 p.m.
iv	Reimbursement of medical expenses for treatment	Rs. 35000
v	Transport Allowance	Rs. 2200 p.m.
vi	Employer provided a flat to him in Mumbai (flat is taken on rent by the employer company, rent paid Rs. 15000 p.m.) (rent recovered from employee: Rs. 4000 p.m.)	
vii	Interest-free loan by the employer to purchase household appliances on 1/7/2023 of a sum of Rs. 400000. (SBI lending rate: 14% p.a. as on 1/4/2023). It is agreed that loan will be repaid in Rs. 20000 pm installments started from 1/10/2023	
viii	Employer and employee contributions to Recognized Provident Fund	12% of Basic Salary
ix	Interest earned on RPF @ 12.5%	Rs. 55000

Employer sold assets to Mr. Rajiv as on 10/01/24 :

Particulars	Computer	Fridge
Cost of asset to employer	60000	20000
Date of purchase	10/6/21	10/6/21
Sale price	10000	10000

Determine the Net Income of Mr. Rajiv for the assessment year 2024-25 under old tax regime. (12)

- (b) Discuss the provision to calculate exemption for house rent allowance u/s 10(13A) of the Act, and valuation in respect of free refreshment and lunch facility (perquisites) under the head salary. (6)

OR

- (a) Calculate the total income and tax liability of Mr. Mohan Gupta under the Old Tax Regime for assessment year 2024-25 (previous year 2023-24).

Employer Name:	ABC (P) Ltd.
Date of retirement:	31 st December 2023
Service tenure:	28 years and 11 months
Leave Salary received on 01/01/2024:	Rs. 558400
For un-availed leaves for 210 days credited in his account. He was entitled for 25 leaves for each completed year of service.	
Gratuity under Payment of Gratuity Act:	Rs. 793154
Uncommuted Pension:	Rs. 14000 pm w.e.f. 1/1/2024.
Commuted Pension :	Rs. 450000 for 2/3 of his pension w.e.f. 1/1/2024.

Income before retirement (till 31/12/2023)

1. Basic salary Rs. 38000 pm.
2. D.A. Rs. 6000 pm (not forming part of retirement)
3. Commission on sales 4% on achieved target of Rs. 400000.
4. Travelling allowance Rs. 1000 pm (fully spent for official duties)
5. Car facility 1800CC car with driver till 31.12.2024.
Car owned and exp. paid by employer.
6. Gift from employer (a wristwatch of Rs. 7000) on silver jubilee of the employer company. (12)

(b) List down six exempted incomes under section 10 of the income tax with suitable examples. (6)

3. (a) Following is the Profit and Loss Account of Mr. A for the previous year ended on 31/03/2024.

Particulars	Amount	Particulars	Amount
To Opening Stock	445500	By Sales	2450800
To Purchases	1619000	By Rent Received on Property (Let out)	320000
To Wages & Salaries	874500	By Interest on Debentures (X Co. Ltd.)	42000
To General Expenses	128500	By Gift from Father	65000
To Sales Promotion Expenses	145800	By Interest on Income Tax Refund	3000
To Provision for Depreciation	32500	By Recovery of Doubtful Debts	15000
To Debenture Redemption Reserve	40000	By Closing Stock	360000
To Central Excise Duty	55000	By Net Loss	85000
Total	3340800	Total	3340800

Other Information :

1. Wages included bonus of Rs. 150000 which is not paid till due date of filing of income tax return.
2. Purchases included payment made for acquiring a machinery of Rs. 300000. Payment was made by account payee cheque.
3. General expenses included a sum of Rs. 60000 on repair of car which is used (3/4th) for business and personal purposes. 1/4th is used for personal purposes.
4. General expenses further included payment of Rs. 10000 municipal taxes paid for house property (let out) which rental income is credited to business income. The rent received credited to P&L account is a gross amount without claiming any deduction.

5. Sales promotion expenses included Rs. 45000 spent on free distribution of samples to customers. And Rs. 15000 to gifts to relatives of Mr. A.
6. Recovery of doubtful debts are pertaining to previous year 2021-22 which were allowed as deduction during that year.
7. Depreciation as per calculation of section 32 is Rs. 25000 (including depreciation on new acquired machinery)
8. Opening stock is overstated by 10% and closing stock is understated by 10%.

You are required to compute taxable income of Mr. A for the assessment year 2024-25 assuming that he invested Rs. 180000 in public provident fund during the previous year, and due date of filing of return is 31st July, 2024. Mr. A is not opting for alternative tax regime. (12)

- (b) Determination of income of business on estimated basis is possible under section 44AD. Explain the provisions of section 44AD and its advantages.

OR

- (a) Mr. X own a business of goods carriage. He furnishes following data for the previous year 2023-24.

Particulars (on 01/04/2023)	Heavy goods vehicle	Light goods vehicle
Number	5	3
Weightage description	16 ton	6 ton

During the previous year he sold one heavy goods vehicle (truck) on 23/5/2023 and bought another truck of same capacity on 17/7/2023. He purchased a light goods vehicle (truck) of 6 tons capacity on 10/10/2023.

Other relevant information for the year 2023-24 is shown below.

Expenditure	Amount	Receipts	Amount
Operational expenses	625000	Freight charges	1280000
Office expenses	25000	Interest on deposits (gross)	200000
Depreciation	165000		
General expenses	40600		
Profit	624400		
Total	1480000	Total	1480000

Mr. X wanted to compute his income from business or profession head under presumptive income scheme i.e., 44AE. You are required to compute business income under section 44AE. (12)

- (b) Section 37(1) is a residuary section to determine whether an expense is admissible or inadmissible. Explain conditions of section 37(1) with suitable examples. (6)

4. (a) Ms. X owns three houses. All houses are self-occupied. From the following information, suggest which houses should be opted as self-occupied and accordingly determine the income under the head house property for previous year 2023-24 :

Particulars	House I	House II	House III
Municipal Valuation	700000	1000000	800000
Fair Rent	650000	1000000	750000
Standard Rent	900000	900000	900000
Municipal Taxes	10%	11%	12%
Repairs & Insurance	36000	65000	180000
Interest on borrowed capital (Capital was borrowed for construction of properties)			
Date of Borrowing	11/8/2022	1/1/1998	2/4/2020
Current Year's interest	160000	100000	30000
Aggregate of Pre-construction period interest	340000	NA	420000

Ms. X wants to opt old tax regime.

(12)

~~(b)~~ Describe the provisions of :

- (i) Section 50C concerning the computation of capital gains for the transfer of immovable property.
- (ii) Treatment of forfeited amount of advance money received under the head capital gains.

(6)

OR

(a) Calculate capital gain in the following cases

- (i) Mr. Singh holds 1000 shares in Tata Motors Ltd, acquired in the year 2001-02 at the cost of Rs. 75000. He has been offered right shares by the company in the month of August 2023 at Rs. 160 per share, in

the ratio of 2 shares for every 5 shares held. He retains 50% of the rights and renounces the balance right shares in favor of Mr. Qureshi for Rs. 30 per share in September 2023. All the shares are sold by Mr. Singh for Rs. 300 per share in January 2024. Calculate Capital Gain taxable in the hands of Mr. Singh.

- (ii) Ms. Khushi had purchased residential house in the previous year 1999-2000 for Rs. 400000. This house has a market value of Rs. 635000 on 1/4/2001. Ms. Khushi did the improvement for Rs. 500000 in the previous year 2007-08. On 01/01/2024, this house has been sold for Rs. 6300000 and a new house was purchased for 6000000 on 15/03/2024. On 15/11/25, this new house has been sold for Rs. 8800000. Selling expenses on both the occasions have been 1% of sale price. Calculate capital gain and exemption (if any) for the assessment year 2024-25 and 2025-26.
- (iii) Mr. Rajeev Khurana is the owner of jewellery which was purchased by him for Rs. 2500000 in 2009-10. On 01/01/2022, he converted that jewellery into stock-in-trade when FMV of the jewellery was Rs. 6500000. The jewellery held in stock-in-trade sold on 25/09/2023 for a sale consideration of Rs. 7000000. Compute capital gain and business income for the assessment year 2024-25.

CII: 2001-02=100, 2007-08= 129, 2009-2010=148, 2021-22= 317,
2022-23= 331, 2023-24=348 (12)

- (b) Explain the provision of section 24(b) in respect of interest on borrowed capital for self-occupied and let out properties, also highlight calculation of pre-construction period interest amount under old tax and new tax regime. (6)

5. (a) Ms. Kiran (age 60 years), submits her income for previous year 2023-24 as follows :

Income from her profession	Rs. 900000
Income from house property situated in Germany (computed)	Rs. 400000
Short-term capital gains on sale of plot of land	Rs. 300000
Long-term capital gains on diamond	Rs. 80000
Income from other sources	Rs. 25000
➤ Interest on Fixed Deposits (Tenure: 5 years)	Rs. 15000
➤ Interest on Post office saving	Rs. 5000
➤ Interest on Saving Banks	Rs. 5000
Gross Total Income	Rs. 1705000

She made following investments/savings :

1) Contribution towards National Pension Scheme	Rs. 180000
2) Interest payment on account of loan taken for her daughter's MBA education.	Rs. 15000
3) Medclaim premium paid by (cash:40%) for herself	Rs. 32000
4) PM CARES Fund	Rs. 8000
5) National foundation for communal harmony	Rs. 6000
6) Donations of blankets to a local temple in her locality	Rs. 20000
7) Investment by her towards Equity Linked Saving Scheme Mutual Fund	Rs. 16000

Compute her tax liability for the assessment year 2024-25 under old tax regime. (12)

- (b) Discuss the provisions of section 71 of the Income Tax Act, 1961 regarding set-off losses on the basis of intra-head and inter-heads.

OR

(a) Ms. Tannu (age: 28 years, residential individual) furnished the following information pertaining to previous year 2023-24. Compute her taxable income and tax liability for assessment year 2024-25. Assume, Ms. Tannu has opted to be taxed under new tax regime.

1) Income from salary head	Rs. 300000
2) Fixed Deposit bank interest	Rs. 40000
3) Received a gift from her brother on her marriage	Rs. 70000
4) Purchased a house property from her close friend Ms. Karishma	Rs. 700000
However, stamp value of the property is	Rs. 1050000
5) Winnings from Kaun Banega Crorepati, (net of TDS @ 30%)	Rs. 490000
6) Dividend of from Microsoft Co.	Rs. 300000
7) Long term capital loss of FY 2021-22 on account of listed equity shares	(Rs. 75000)
8) Short term capital gain on listed equity shares and STT is paid	Rs. 140000

(12)

(b) "An assessee is not only liable in respect of his own income for the tax purposes, but his liability may extend to some other incomes also". Comment on this statement in reference to section 64(1A) of the Act. (6)