

GVM'S GGPR College of Commerce & Economics, Ponda – Goa

M.Com Semester III End Examination, November 2022

COO339 – Direct Taxes

Duration: 3 Hours

Maximum Marks: 60

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- Instructions:
1. This paper consists of **9 questions** carrying equal marks.
 2. Question no. 1 consist of **5 compulsory questions** of **2 marks each**.
 3. Answer **any 5 questions** from question Nos. 2 to 9.
 4. Each question carries 10 marks. Figures to the **right indicates marks**.
 5. All **working** should form part of your **answer**.
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Q.1. Answer the following questions in brief: (2 Marks each)

- a) Define Assessee [Sec. 2(7)].
- b) Enumerate Residential status of a company [Sec. 6(3)].
- c) Elaborate Tax Management.
- d) Ravi joined the service on 1.6.2003. He retired from his service on 29.12.2021 and received ₹ 15,12,000 as gratuity. At the time of retirement his basic salary was ₹ 95,000 p.m. and dearness allowance ₹ 30,000 p.m. (60% of which was part of salary). Compute the amount of gratuity exempt from tax and the amount to be included in gross salary. He is not covered under the Payment of Gratuity Act.
- e) List down minimum six scope of tax planning.

Q.2. Describe the Types of Companies under Income Tax Act. (10 Marks)

Q.3. Explain the provisions of Income-tax Act regarding the intra-head and inter-head set off of losses. (10 Marks)

Q.4. Mr. Jay is Asstt. Manager of a Textile Company of Pune since 2000. He has submitted the following particulars of his income for the financial year 2021-22: (10 Marks)

- i. Basic salary ₹ 2,40,000
- ii. Dearness Allowance ₹ 5,000 p.m. (₹ 200 p.m. enters into retirement benefits).
- iii. Education allowance for two children at ₹ 150 p.m. per child.
- iv. Commission on sales 1% of turnover of ₹ 10,00,000

- v. Entertainment allowance ₹ 700 p.m.
- vi. Travelling Allowance for his official tours ₹ 30,000. The entire amount is spent on the official tour.
- vii. He was given cloth worth ₹ 2,000 by his employer free of cost.
- viii. He resides in the flat of the company. Its market rent is ₹ 12,000 p.m. A watchman and a cook have been provided by the company at the bungalow who are paid ₹ 400 p.m. each.
- ix. He has been provided with a motor car of 1.8 Itr engine capacity for his official as well as personal use. The running and maintenance costs are borne by the Company.
- x. Employer's contribution to R.P.F. is ₹ 40,000 and the interest credited to this fund at 13% rate amounted to ₹ 16,250.
- xi. Contribution by Mr. Jay to recognised provident fund ₹ 40,000.
- xii. Rent of house recovered from Mr. Jay ₹ 1,500 p.m.

Compute income from salaries for the assessment year 2022-23. Assume the population of Pune is 31 lakhs as per 2011 census and Mr. Jay:

- a) does not opt to be taxed under section 115BAC
- b) opts to be taxed under section 115BAC

Q.5. Xavier owns two houses - House I and House II. While House I is let out throughout the previous year, House II is used by him for the residential purposes for the first 8 months (i.e., from April 01, 2021 to December 31, 2022) and let out on monthly rent of ₹ 40,000 for remaining part of the year. His business income is ₹ 4,35,000. Determine the taxable income of Xavier for the assessment year 2022-23 on the basis of the following information in respect of House property income: **(10 Marks)**

	House I (₹)	House II (₹)
Municipal valuation (MV)	3,00,000	4,50,000
Fair rent (FR)	3,15,000	4,62,000
Standard rent (SR)	NA	NA
Composite rent payable by the tenants for house and amenities	3,50,000	
Municipal taxes		
• paid by Xavier		45,000
• due but not paid	30,000	

Repairs (met by the tenant)	18,000	
Insurance	14,700	16,000
Collection charges	6,300	

<p>The composite rent of ₹ 3,50,000 has been fixed on the basis of computation given below:</p> <ul style="list-style-type: none"> • Rent of the building ₹ 2,85,000 • Electricity charges ₹ 15,000 • Water charges ₹ 7,000 • Lift charges ₹ 18,000 • Guard and security charges ₹ 25,000 	<p>For providing the aforesaid services to the tenants of House 1, the following expenses are incurred by Xavier:</p> <p>Expenses/depreciation</p> <ul style="list-style-type: none"> • Electricity bills ₹ 13,500 • Water bills ₹ 5570 • Lift maintenance (including salary paid to lift operator) ₹ 12990 • Depreciation on lift (according to section 32) ₹ 4750 • Salary of guard ₹ 9,000 • Expenses on providing security ₹ 8,000
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Q.6. Solve the following:

(05 Marks each)

a) Relieve Ltd. has started a new business of manufacturing paints on 1.4.2021. The company has purchased the following assets during the financial year 2021-22:

Asset	Actual cost of acquisition (₹)	Date of Purchase	Rate of Depreciation	Date on which the asset is put to use
Furniture	1,45,000	15/05/2021	10%	15/05/2021
Air-conditioner installed in office	80,000	15/05/2021	15%	20/05/2021
Car	12,00,000	29/06/2021	15%	30/06/2021
Plant A	52,00,000	03/04/2021	15%	10/04/2021
Plant B	20,00,000	02/10/2021	15%	15/10/2021
Plant C	95,000	04/08/2021	40%	14/09/2021
Computer for office	1,25,000	01/05/2021	40%	01/05/2021
Computer for factory	98,000	06/06/2021	40%	09/06/2021

Compute the amount of normal and additional depreciation for the assessment year 2022-23.

b) Bikaji Ltd. has an industrial plot which was purchased on 14.10.2006 for ₹ 10,00,000. It has since been used for its industrial purposes as an open stockyard. This plot was compulsorily acquired by the Government on 15.11.2014 and a sum of ₹ 21,90,000 was determined as compensation which was received by the company on 4.4.2018. The company, not being satisfied with the compensation appealed against the above award and the compensation was enhanced by ₹ 1,00,000 on 30.1.2021 but the enhanced compensation was received on 5.4.2021. Meanwhile, the assessee purchased another industrial plot on 15.9.2018 for ₹ 8,00,000. On receipt of the enhanced compensation, the company deposited the entire amount under the Capital Gains Accounts Scheme on 30.9.2022. Till the time the amount was deposited, the company used the said amount of ₹ 1,00,000 for its business purposes. Compute the capital gains for various assessment years arising on this transaction.

Cost inflation index	2006-07	2014-15	2018-19	2021-22
		122	240	280

Q.7. Find out the gross total income of Shri Abhi on the basis of the following particulars:
(10 Marks)

Dr. Profit and Loss Account for the year ended 31.3.2022 Cr.

Particulars	₹	Particulars	₹
Interest	1,800	Gross profit b/d	1,22,700
Repairs and Renewals	2,200	Interest on debenture of an	10,000
Insurance	4,200	Institution (Gross)	
Depreciation	5,600	Rent from House property	36,000
Compensation	10,200		
Law charges	5,100		
Labour Welfare expenses	3,800		
Subscriptions	5,800		
Net Profit	1,30,000		
	1,68,700		1,68,700

- Interest includes ₹ 200 on loan taken for purchasing debentures of a company and ₹ 300 on loan taken for reconstruction of house property let out.
- The expenses relating to house property let out are 40% of the repairs and renewal expenses.
- Depreciation includes ₹ 1,200 on house property let out.

- iv. Compensation was paid to an employee whose dismissal was in business interest.
- v. Insurance includes 30% for fire insurance of the house property let out, 30% for workers accident insurance and the balance for life insurance.
- vi. Law charges includes ₹ 2,000 relating to a petition filed against breach of contract and the balance regarding GST appeal.
- vii. Subscriptions includes ₹ 2,000 given for election purpose to political parties.
- viii. The amount not debited to profit and loss account are as follows:
 - Expenses incurred on the occasion of Diwali ₹ 500
 - Theft of cash from iron safe ₹ 1,500.
 - Expenses for new telephone connection in the business ₹ 2,000

Q.8. Anant has computed his income under various heads for the previous year 2021-22 as under: **(10 Marks)**

Part	₹	₹
Income under the head salary		2,90,000
Income under the head house property		80,000
Profits and Gains of business or profession		1,40,000
Capital Gains		
• short-term	30,000	
• long-term	2,10,000	2,40,000
Income from other sources		
• Winnings of lotteries	13,000	
• Interest on Government Securities	12,000	25,000

Anant also submits the following information:

1. Deposits ₹20,000 in his PPF Account during the previous year
2. Payment made by credit card for Mediclaim policy ₹8,000
3. Expenses on Medical treatment of dependent son being a person with disability ₹12,000
4. Payment of interest to Canara Bank, which was taken for pursuing approved higher education ₹15,000
5. Donations to:
 - i. Prime Minister's Drought Relief Fund ₹2,000
 - ii. Clean Ganga Fund ₹1,000

- iii. Jawaharlal Nehru Memorial Fund ₹1,000
- iv. Prime Minister's National Relief Fund ₹15,000
- v. Government for Family Planning ₹3,000
- vi. Approved Charitable Institution ₹3,000

Compute the Tax liability for assessment year 2022-23. (Assume he does not opt to be taxed under section 115BAC.)

Q.9. Solve the following (05 Marks each)

a) From the following details, compute the Gross Total Income of Vibhav for the assessment year 2022-23, if Vibhav

- a) does not opt to be taxed under section 115BAC
- b) opts to be taxed under section 115BAC:

Particulars	₹
Taxable income from salary	3,12,000
Income from house property	
House 'A' (let out)	(-) 2,15,000
House 'B' (self-occupied, interest on borrowed money)	(-) 12,000
Short-term capital gain	12,000
Loss from long-term assets	25,000
Interest on securities (Gross)	10,000

b) Mrs. Sarika received the following amounts during financial year 2021-22:

	₹
Gross Salary	4,71,000
Family Pension 8,000 x 12	96,000
Income of a minor child	52,200
Accumulated balance in PF of her husband after his death	1,00,000
Gratuity received after the death of husband	1,00,000

Calculate taxable income of Mrs. Sarika and tax liability for the assessment year 2022-23.

-----*Best of Luck*-----