

[This question paper contains 6 printed pages.]

Sr. No. of Question Paper : 172

Roll No.....

Unique Paper Code : 101636

Name of the Course : **Bachelor of Business Studies**

Name of the Paper : Income Tax and Planning

Semester : VI (2014)

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt 5 questions in all.
3. Question No. 1 is compulsory.

1. X has been in service of Y and Co. Ltd since 1st February 1985, in Delhi. During the financial year ending 31.3.2013, X received from the company :

Salary @ Rs. 90,000 p.m.

Dearness allowance @ 15,000 p.m. (100% of which is part of retirement benefits)

City compensatory allowance @ Rs. 2000 p.m.,

Education allowance (for three children) @ Rs. 5,200 p.a..

Entertainment allowance @ Rs. 5,000 p.m. and X has been in receipt of entertainment allowance from company since February 1985.

He was given cloth worth Rs. 1,000 by his employer free of cost.

The employer paid his telephone bills of Rs. 22,200.

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House rent allowance @ Rs. 25,000 p.m.. X resides in the house property owned by his HUF for which he pays a rent of Rs. 30,000 p.m.

X retires from the service on 31.12.2012 when he was allowed a gratuity of Rs. 9,00,000 and pension of Rs. 40,000 p.m. On 1.2.2013, he got one half of the pension commuted and received Rs. 15,00,000 as commuted pension. Mr. X pays Rs. 27,000 as life insurance premium (sum assured : Rs. 3,00,000) on the life of his major son.

Compute his tax liability under the head salary for the A.Y. 2013-14. (15)

2. Attempt any **three** of the following :

- (a) "Tax Management is essential, tax planning is desirable, and tax evasion is objectionable." Comment.
- (b) Discuss the deduction under section 80 G.
- (c) Define assessment year. Give instances of the income of any year which is assessed to tax in the same year.
- (d) 'A', a citizen of India left India on 6.6.2000 for employment abroad. He did not come to India upto previous year 2009-10. During 2010-11 and 2011-12, he visited India for 145 days and 195 days respectively. In the previous year 2012-13 he came to India on 7.4.2012 and left on 30.11.2012. Determine his residential status for assessment year 2013-14. (15)

3. X furnishes the following particulars for the assessment year 2013-14 :

Profit and Loss Account for the year ending March 31, 2013

	Rs.		Rs.
Salary to staff	22,000	Gross profit	2,50,000
Entertainment expenses	13,000		
General expenses	11,000		
Bad debts	4,500		
Reserve for bad debts	10,000		
Advertisement expenses	7,000		
Interest on X's capital A/c	3,000		
Expenditure on acquisition of patent's rights	28,000		
Telephone expenses	12,000		
Depreciation	10,000		
Provision for Income-tax	4,000		
Net profit	<u>1,25,500</u>		
	<u>2,50,000</u>		<u>2,50,000</u>

Other information :

1. Salary to staff includes salary paid to a relative which is unreasonable to the extent of Rs. 3,100.
2. Provision for Income-tax is excessive to the extent of Rs. 3,000.
3. Depreciation on tangible assets according to income tax provision comes to Rs. 9,500.
4. Advertisement expenses included cost of 20 gifts packs of Rs. 100 each presented to leading esteemed customers on occasion of Diwali.
5. Patents were acquired on 4.11.2012.

6. During the previous year 2012-13 the following payments were made and the same have not been debited to profit and loss account of 2012-13.

(a) Rs. 3,000 paid on 10.9.2012 on account of outstanding custom duty of the previous year 2011-12 and

(b) Rs. 5,000 paid on 15.12.2012 on account of outstanding sales tax of the previous year 2011-12.

Find out the taxable income of X under the head of Business and Profession for the assessment year 2013-14. Due date of filing return of income of assessment years 2012-13 and 2013-14 is 30th September of the relevant assessment year. (15)

4. (a) X transfers the following assets :

(i) Rural agricultural land situated in Tamil Nadu (date of transfer : April 20, 2012, sale consideration : Rs. 20,00,000, purchase consideration: Rs. 18,000, year of acquisition: 1983-84, after purchasing the land is lying vacant and has not been used for any purpose, although it is agricultural land).

(ii) Agricultural land within the municipal limits of Delhi (date of transfer : May 10, 2012, sale consideration: Rs. 12,00,000, Stamp Duty Value : Rs. 12,15,000, year of acquisition: 1986-87, Indexed cost of acquisition : Rs. 5,70,000, after purchasing it is used by X for agricultural purposes).

(iii) Shares in A Ltd. (Shares are quoted in Bombay Stock Exchange, transferred to a friend outside stock exchange on June 1, 2012 for Rs. 32,00,000, cost of acquisition: Rs. 3,00,000, year of acquisition: 1987-88)

Find out the capital gain chargeable to tax and the tax liability of X for the assessment year 2013-14.

Cost Inflation Index for different previous year :

Previous Year	CII	Previous Year	CII
1981-82	100	1986-87	140
1982-83	109	1987-88	150
1983-84	116	1988-89	161
1984-85	125	2011-12	785
1985-86	133	2012-13	852

- (b) For the assessment year 2013-14, net agricultural income of Mrs. X (age: 37 years) is Rs. 8,10,000 and gross non-agricultural income is Rs. 2,28,300. Mrs. X pays Rs. 40,000 as life insurance premium (sum assured : Rs. 3,00,000) on the life of her major son. Determine her tax liability. (10+5=15)
5. (a) X owns a residential house property. It has two equal units- Unit 1 and Unit 2. While Unit 1 is self-occupied by X for his residential purpose, Unit 2 is let out (rent being Rs. 6,000 per month, rent of 2 months could not be recovered). Municipal value of the property is Rs. 1,30,000, standard rent is Rs. 1,25,000 and fair rent is 1,40,000. Municipal tax is imposed @ 12 percent which is paid by X. Other expenses for the previous year 2012-13 being repairs: Rs. 250, insurance: Rs. 600, interest on capital (borrowed during 1998) for constructing the property : Rs. 63,000.
- Find the income of X for the assessment year 2013-14 on the assumption that income of X from other sources is Rs. 1,80,000.
- (b) Explain any five partially exempted income. (10+5=15)

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6. (a) Mrs. X (27 years) is resident in India. Find out the net income and tax liability for the information given below for the assessment year 2013-14 :

Winnings from lottery : Rs. 35,000 (Expenditure incurred : Rs. 500),

Long-term capital gain (on transfer of gold) : Rs. 2,25,000,

Salary income : Rs. 2,30,000,

Interest on debentures : Rs. 32,000;

Public provident fund contribution : Rs. 70,000.

- (b) Explain the provisions of Income-tax Act regarding the set-off and carry forward of losses under different heads of income. (8+7=15)