

B. Com (P) Semester III

Duration: 3 Hours

Max marks: 55

| Course/ Mode | Semester | Paper Name and Code   |
|--------------|----------|---|
| B.Com (p)    | III      | <b><u>Income Tax Law</u></b><br><b><u>&amp;Practice</u></b><br><b><u>52414304</u></b> |

1. A financial year has a double role to play: it is a previous year as well as an assessment year. Explain. Define Previous year as per section 3 of Income Tax Act, 1961. Enumerate the cases when income of previous year is not taxable in the immediately following assessment year. What will be the relevant previous year to the AY 2020-21, if the new business is established on 28.03.2018? What will be the answer if the new business is set up on 28.03.2019?
2. Mr. Satish Kapoor (55 years, a resident individual) is working as a Chief Manager (Materials Department) with M/s Kiteflying in Nasik, Maharashtra. He furnishes the following information for the Previous Year 2019-20. Compute his taxable income for the Assessment Year 2020-21.

| S. No. | Particulars  | Amount (Rs.)            |
|--------|--|-------------------------|
| (i)    | Basic Salary   | 2,00,000 p.m.           |
| (ii)   | Dearness Allowance (40% forms part of all retirement benefits)   | 10% of basic salary     |
| (iii)  | Fees   | 80,000                  |
| (iv)   | House Rent Allowance (Rent paid 50,000 p.m. upto November, 2019. From 01.12.2019, he shifts to his own accommodation in Nasik, Maharashtra.)   | 72,000 p.m.             |
| (v)    | Employer company provides two watchmen   | 4,000 p.m. per watchman |
| (vi)   | Reimbursement of Medical expenses for treatment of Mr. Satish and his wife in Kailash Private Hospital.  | 45,000                  |
| (vii)  | Employer contributed towards Recognised provident fund. Mr. Satish also makes a matching contribution.   | 15% of Salary           |
| (viii) | Leave Travel Concession availed (Actual expenditure: Air fare Rs. 56,000)  | 46,000                  |
| (ix)   | Innova Car (engine capacity = 2494 c.c. owned by Employer company, expenses met by employer, used for partly official and partly personal purposes. Expenditure recovered from Mr. Satish is Rs. 25,000) | 9,500 p.m.              |
| (x)    | Gift of Phillips Airfryer on his birthday by employer in November  | 25,000                  |
| (xi)   | Credit card provided by employer company used only for official purposes.  | 36,000                  |
| (xii)  | Dividend received from Tata Corporation, an Indian Company   | 6,00,000                |
| (xiii) | Interest on Savings account (in his own name) with Post  | 26,500                  |

|        |  |
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| office |  |
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During the Previous Year 2019 – 20, he has made the following investments, deposits or payments:

- Life insurance premium (policy taken in 2017) on the life of his independent daughter (Sum assured: Rs. 2,00,000): Rs. 10,000
- Life insurance premium (policy taken in 2018) on his father's life (father is a senior citizen) (Sum assured: Rs. 1,40,000): Rs. 15,000
- Mediclaim insurance premium for parents in law (both senior citizens): Rs. 60,000
- Donation to political party in bearer cheque: Rs. 10,000

3. Mr. Pawan (a resident Individual, age 68 years) owns three houses which are used by him for his residential purposes. From the following information, suggest which house should be opted as self-occupied and accordingly determine the taxable income of Mr. Pawan for AY 2020-21.

| Houses  |  | A          | B          | C          |
|---|--|------------|------------|------------|
| Municipal value   |  | 3,80,000   | 5,00,000   | 6,50,000   |
| Fair Rent   |  | 3,88,000   | 5,00,000   | 6,30,000   |
| Standard Rent   |  | 4,00,000   | 5,00,000   | 6,00,000   |
| Municipal taxes paid by him   |  | 10%        | 10%        | 10%        |
| Repairs and Insurance premium   |  | 16,000     | 35,000     | 80,000     |
| Interest on Borrowed capital. Capital was borrowed for construction of the properties. Construction was completed within stipulated time.                               | Date of borrowing  | 20.08.2017 | 10.02.1999 | 15.10.2015 |
|   | Current year's interest  | 85,000     | 1,00,000   | 1,36,000   |
|   | Pre construction period interest instalment for year 2019-20 (20% of the total PCP interest) | 28,000     | 10,000     | 78,000     |
| He receives a Tagore Painting on his birthday from a family friend. Fair market value of the painting is Rs. 5,90,000. No other gift is received during the PY 2019-20. |  |            |            |            |
| Donation made through account payee cheque to Prime Minister National Relief fund: Rs. 25,000   |  |            |            |            |
| Interest on loan for higher education of his daughter: Rs. 25,000.  |  |            |            |            |

4. Explain the concept of Block of Assets. Also, explain the provisions applicable to set off and carry forward and set off of unabsorbed depreciation and non-speculative business losses.
5. Mr. Rahul Sharma purchased a flat (residential house property) in Ghaziabad, India on 01.07.2002 for Rs. 12,00,000. During June 2010, he gifted the property to his nephew Mr. Ratan Grover. However, Ratan passes away in August 2016 and the property is transferred through his will in the name of his son Mr. Sanchit Grover. Mr. Sanchit incurred Rs. 2,20,000 during October 2016 and Rs. 1,80,000 during December 2017 on the improvement of this

property. He sells the property to Mr. Abhishek on 12.10.2019 for a consideration of Rs. 85,00,000 (Stamp Duty Value is Rs 90,00,000). He paid commission Rs. 20,000 to the agent for arranging this deal.

He utilised the net sale proceeds as follows:

- (i) Purchased Rural Electrification Corporation bonds worth Rs. 18,00,000 on 22.12.2019
- (ii) Purchased a residential house property in NOIDA for Rs. 15,00,000 on 05.01.2020.
- (iii) Subscribed units of Notified Mutual funds (Equity Linked Savings Scheme) worth Rs. 1,95,000 on 11.02.2020.

Compute the taxable income and tax liability of Mr. Sanchit (age 47 Years, resident individual) for AY 2020-21.

| <i>PY</i> | <i>Cost Inflation Index</i> |
|-----------|-----------------------------|
| 2001-02   | 100                         |
| 2002-03   | 105                         |
| 2009-10   | 148                         |
| 2010-11   | 167                         |
| 2016-17   | 264                         |
| 2017-18   | 272                         |
| 2018-19   | 280                         |
| 2019-20   | 289                         |

6. Explain the provisions applicable to gifts in different circumstances u/s 56(2). Also, explain the deductions available u/s 80C and 80D.