

Roll No.

BBA-503(N)

B. B. A. (Fifth Semester) EXAMINATION, Dec., 2017

(New Course)

Paper Third

INCOME TAX LAWS AND ACCOUNTING

Time : Three Hours] [Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A

(Short Answer Type Questions)

Note : All questions are compulsory. Each question carries 3 marks.

1. (A) Define agricultural income.
- (B) Who is called assessee as per Income Tax Act, 1961 ?
- (C) While calculating taxable income from salaries, what are the deductions allowed ?
- (D) Define tax avoidance and tax evasion.
- (E) When is a company said to be non-resident ?

- (F) Discuss the treatment under Income Tax Act, 1961 of Tax Free Government Securities and Tax Free Non-Government Securities .
- (G) Distinguish between taxable perquisites and tax free perquisites giving *four* examples of each.
- (H) How is Unrecognised Provident Fund different from Recognised Provident Fund ?
- (I) Shri Ganeshan living in Coimbatore is getting basic salary per annum ₹ 78,000, dearness allowance per annum ₹ 7,800, house rent allowance per annum ₹ 11,700 and he has paid rent for his residence ₹ 13,200 per annum. Dearness allowance is forming part of salary. Calculate the amount of taxable House Rent Allowance and exempted House Rent Allowance.
- (J) Mr. Dinesh takes a loan of ₹ 45,000 @ 15% per annum for constructing a house on 1-6-2011. Construction of house is completed on 20-1-2017. Date of loan repayment is 30-9-2014. Compute the duration of preconstruction period and the amount of interest.

Section—B

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

2. "Tax planning is an Act within the four corners of the Act to achieve certain social and economic objectives and it is not a colourable device to avoid tax." Elucidate this statement and discuss the limitations of tax planning.

purpose of the residence of his son-in-law. On March 1, 2017 Shri Ishwari Prasad sells the house in Mumbai for ₹ 12,10,000.

Compute the capital gains arising on the above two transactions. Is Shri Ishwari Prasad eligible for exemption u/S 54 in respect of the second sale ? Cost inflation indices for the financial years 1987-88 and 2016-17 are 150 and 1125.

amount liable to income tax namely ₹ 2,50,000. He has sent this declaration duly certified by the Assessing officer in the beginning of the year to each one of the officers responsible for paying interest on the following securities held by him along with the particulars of these securities :

- (i) ₹ 1,20,000, 6% tax-free debentures of a Textile company.
- (ii) ₹ 54,000, 10% tax-free debentures issued by Rajasthan Financial Corporation.
- (iii) ₹ 2,50,000, 5% U. P. Government Loan.
- (iv) ₹ 12,000, 5% debentures of Delhi Development Authority.
- (v) ₹ 60,000, 12% Tax-free debentures of M/s Mahendra and Mahendra Company listed in a recognised stock exchange.

Bank charged 2% commission on amount of interest collected.

Calculate Mr. Ajay Mohan Narottam's taxable income under the head "Income from other sources" for the Assessment Year, 2017-18. Interest is payable in each case on 30th June and 31st December.

9. Shri Ishwari Prasad is the owner of three houses. He sells a residential house in Chennai for ₹ 31,00,000 on May 23, 2016. This house was purchased by him on April 1, 1987 for ₹ 3,00,000; on May 30, 2016 he purchased a flat in Mumbai for ₹ 8,70,000 for the

3. Discuss the scope of total income on the basis of residence. When is an individual said to be resident and not-ordinarily resident ?

Or

Following are the particulars of taxable income of Mr. Shyamal Banerjee for the previous year ending 31st March, 2017 :

- (i) Income from House Property in Australia ₹ 1,00,000 which was deposited in a bank in Australia. Out of this ₹ 40,000 were remitted in India.
- (ii) Royalty received in India ₹ 2,40,000.
- (iii) Income from business in Malaysia ₹ 2,50,000 of which ₹ 1,50,000 were received in India. The business is controlled from India.
- (iv) Income from investment in Paris ₹ 1,00,000.
- (v) Interest received from a Non-resident ₹ 50,000 against a loan given to him to run a business in India.
- (vi) Royalty received from Mr. Animesh a resident for technical services given to him to run a business outside India ₹ 2,00,000.
- (vii) Income from business in India ₹ 4,00,000. This business is controlled from Australia.
- (viii) Income from sale of house property in Gwalior ₹ 3,00,000.

Calculate the total income of Shri Shyamal Banerjee for the assessment year 2017-18 if he is a :

- Resident
 - Not-ordinarily Resident
 - Non-resident in India
- What do you mean by incomes which do not form part of total income ? Give examples of *ten* items of incomes which are called exempted incomes.
 - Mr. Paritosh Mohan is an employee getting a monthly salary of ₹ 50,000 plus a dearness pay of ₹ 5,000 per month. He contributed 14% of his salary and dearness pay to a provident fund to which his employer contributes an equal amount. Interest on provident fund is determined at the rate of 12% per annum which amounted to ₹ 36,000 for the previous year. He also gets a house rent allowance of ₹ 2,000 per month. He has actually paid rent ₹ 6,000 per month of the house occupied by him for his resident. What shall be his taxable income from salary if the provident fund is :
 - Statutory
 - Recognised
 - Unrecognised Provident Fund

Section—C

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

- What do you mean by income from other sources ? Explain the items of incomes which are included under the head 'income from other sources'.

- What is meant by annual value of house property ? How will you determine annual value of buildings let out and buildings self occupied for residential purposes ? Explain.

Or

Mr. Mahesh is the owner of two houses which he uses for his residential purposes. He submits the following information in respect of these houses for the previous year 2016-17 :

	I House (₹)	II House (₹)
Municipal value	4,000	10,000
Fair Rent	5,000	12,000
Municipal Taxes paid	500	1,500
Fire Insurance Premium	100	200
Interest on loan taken for the construction of the house	3,000	15,000

His other incomes are ₹ 2,50,000. Advise Mr. Mahesh which house he should opt for self-occupation concession.

- What are the provisions of Income Tax Act, 1961 regarding computation of taxable profits and gains of a business ? Explain in brief.

Or

Shri Ajay Mohan Narottam is resident for income tax purposes and his estimated total income for the financial year 2016-17 will not exceed the minimum