Reg.No. \_\_\_\_\_\_\_\_\_\_\_\_\_



**End Semester Examination – Nov / Dec – 2019**

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| **Code :** | **17BB2010 / 17BC2020** | **Duration :** | **3hrs** |
| **Sub. Name :** | **DIRECT TAXATION** | **Max. Marks :** | **100** |

**ANSWER ALL QUESTIONS (5 x 20 = 100 Marks)**

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| **Q. No.** | **Sub Div.** | **Questions** | **Course**  **Outcome** | **Marks** |
| 1. | a. | Discuss the provisions of section 2(31) which defines the term “Person”. | CO1 | 10 |
| b. | Enumerate the rates of Income Tax for the assessment year 2017-18 in the case of different assesses. | CO1 | 10 |
| **(OR)** | | | | |
| 2. |  | X is a foreign citizen (not being a person of Indian origin). During the financial year 2016-17, he came to India for 70 days. Determine his residential status for the assessment year 2017-18 on the assumption that during financial years 2002-03 to 2016-17, he was present in India as follows:   |  |  |  |  | | --- | --- | --- | --- | | 2015-16 | 100 days | 2008-09 | 181 days | | 2014-15 | 80 days | 2007-08 | 90 days | | 2013-14 | 60 days | 2006-07 | 71 days | | 2012-13 | 126 days | 2005-06 | 4 days | | 2011-12 | 80 days | 2004-05 | 8 days | | 2010-11 | 70 days | 2003-04 | 55 days | | 2009-10 | 23 days | 2002-03 | 298 days | | CO2 | 20 |
|  |  |  |  |  |
| 3. | a. | Explain the provisions of Gratuity as a retirement benefit u/s 10(10) for every status of employee. | CO1 | 10 |
| b. | X, who is not covered by Payment of Gratuity Act, 1972, retires on November 20, 2016 from ABC Ltd., and receives Rs. 1,86,000 as gratuity after service of 38 years and 10 months. His salary is Rs. 8,000 per month up to July 31, 2016 and Rs. 9,000 per month from August 1, 2016. Besides, he gets Rs. 500 per month as dearness allowance (69 per cent of which is part of salary for computing all retirement benefits but 100 per cent of dearness allowance is considered for computing providend fund). What amount of gratuity will be exempt from tax? | CO2 | 10 |
| **(OR)** | | | | |
| 4. |  | X purchases a property on April 1, 1976 for Rs. 95,000. He enters into an agreement for sale of the property to A on November 1, 1983 and receives Rs. 10,000 as advance. A could not, however, keep his promise and advance of Rs. 10,000 given by him is forfeited by X. Later on he gifts the property to his friend Y on May 15, 1985. The following expenses are incurred by X and Y for renewal of the property:   |  |  | | --- | --- | |  | **Cost in Rs.** | | Addition of Two rooms by X during 1978-79 | 25,000 | | Addition of First floor by X during 1983-84 | 40,000 | | Addition of Second floor by Y during 1990-91 | 1,15,000 | | Fair market value of the property on April 1, 1981 | 1,15,000 |   Y enters into an agreement to sell the property for Rs. 8,50,000 to B on April 1,1993 after receiving an advance of Rs. 50,000. B could not pay the balance within the stipulated time of two months and Y forfeits the advance of Rs. 50,000 as per agreement with B. Y ultimately finds a buyer C to whom property is transferred for Rs. 18,75,000 on December 1, 2016.  Compute the capital gain chargeable to tax in the hands of Y for the assessment year 2017-18.  **Cost Inflation Index:**   |  |  | | --- | --- | | **Previous Year** | **CII** | | 1981-82 | 100 | | 1983-84 | 116 | | 1990-91 | 182 | | 2016-17 | 1125 | | CO3 | 20 |
|  |  |  |  |  |
| 5. |  | State the conditions on clubbing of income in the following cases :   1. Transfer of income without transfer of asset 2. When an individual is assessable in respect of remuneration of Spouse. | CO4 | 20 |
| **(OR)** | | | | |
| 6. |  | X, an individual submits the following information relevant for the assessment year 2017-18:   |  |  |  | | --- | --- | --- | |  | **Profit (Rs.)** | **Loss (Rs.)** | | Salary income | 1,42,000 |  | | Income from House Property: |  |  | | House A | 1,15,000 |  | | House B |  | 1,17,000 | | House C |  | 1,21,000 | | Profits and Gains of Business or Profession: |  |  | | Business A | 1,08,000 |  | | Business B |  | 1,18,000 | | Business C (Speculative) | 1,11,000 |  | | Business D (Speculative) |  | 1,23,000 | | Capital Gains: |  |  | | Short term capital gains | 1,06,000 |  | | Short term capital loss |  | 1,28,000 | | Long term capital gains on sale of building | 12,500 |  | | Income from other sources: |  |  | | Income from card games | 1,08,000 |  | | Loss from card games |  | 1,07,010 | | Loss on maintenance of race horses |  | 1,06,000 | | Interest on securities | 1,04,000 |  |   Determine the net income of X for the assessment year 2017-18. | CO5 | 20 |
|  |  |  |  |  |
| 7. |  | Explain the provisions relating to the computation of taxable income and the determination of tax liability of an Individual and state the steps involved in the levy of alternate minimum tax (AMT). | CO5 | 20 |
| **(OR)** | | | | |
| 8. |  | X & Co is a Partnership firm. The firm is eligible for deduction under section 35AD of Rs. 14,00,000 (because of this deduction the firm cannot claim depreciation under section 32 of Rs. 80,000). Business income of the firm before deduction under section 35AD and before depreciation of Rs. 80,000 is Rs. 15,00,000. Deduction available under section 80-IB is Rs. 50,000. Income from other sources is Rs. 1,00,000. The firm has given a donation of Rs. 90,000 to a political party. Find out the liability of the firm for the assessment year 2017-18. | CO6 | 20 |
|  | | **Compulsory**: |  |  |
| 9. |  | X owns a residential house property. It has two equal residential 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 Rs. 1,40,000. Municipal tax is imposed @ 12 per cent which is paid by X. Other expenses for the previous year 2016-17 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 2017-18 on the assumption that income of X from other sources is Rs. 1,80,000. | CO6 | 20 |