

Time: 2:30 Hours

Marks: 75

- N.B. 1. Q.1 is compulsory
2. Q2. To Q.5 are compulsory with internal choice
 3. Figures to the right indicate full marks.
 4. Workings should form a part of your answer.
 5. Use of a simple calculator is allowed.

Q1.A. State true or false (Any 8)

08

- a. Income means any receipt in cash.
- b. Previous year always indicates a period of 12 months starting from the first day of April to the last day of March.
- c. Foreign income of an ordinary resident is wholly taxable.
- d. An Indian citizen maybe a non-resident in India.
- e. Leave encashment received while in service is fully exempt.
- f. The net annual value of a self-occupied property is always nil.
- g. Bad debts arising out of fixed assets sold on credit cannot be deducted from profits of business.
- h. Jewellery held as stock in trade is treated as capital assets for capital gain purpose.
- i. Any gift received by an individual from his relatives is fully exempt.
- j. Maximum deduction u/s 80C is Rs. 1,50,000.

Q1 B. Fill in the blanks (Any 7)

07

- a. The legal status under the income Tax Act of Mumbai Port trust, is _____.
- b. A person by whom any tax is payable under the Income Tax Act is known as _____.
- c. Amount notified as exempt gratuity for a non-government employee is _____
- d. Salary received by the partner from the firm in which he is a partner is taxable under the head _____.
- e. Expenses exceeding _____ paid in cash are disallowed as a business expenditure.
- f. Transfer of depreciable assets gives rise to _____ capital gains.
- g. Amount exceeding Rs. _____ received without consideration from no relatives is taxable under the head income from other sources.
- h. Maximum deduction that an individual can claim u/s 80DD is Rs. _____.
- i. The maximum amount of interest that an assessee can claim on loan taken for repairs of self-occupied house property is Rs. _____.
- j. Profits in lieu of salary is taxable under the head _____.

Q2 A.

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From the following Profit & Loss Account of Mr. Jinen who was born on 30th March 1958 and severely disabled since birth, compute his total taxable income for Assessment year 2018-2019

Profit and Loss Account for the year ended 31st March, 2018

Payments	Rs.	Receipts	Rs.
To Opening Stock	3,34,000	By Sales	10,00,000
To Purchases	9,00,000	By Closing Stock	3,02,000
To Office Salaries	71,000	By Income Tax Refund (Including Interest Rs. 2,000)	15,000
To Bad Debts written off	25,000	By Dividend from U.T.I	50,000
To Advertisement	10,500	By Lottery Prize Received (net of TDS of Rs. 45,000)	1,05,000
To Fire Insurance Premium	4,500	By Old Debts Recovered	8,000
To Conveyance	6,000	By Gift from friend	40,000
To Interest on Proprietor's Capital	15,000		
To Provision for gratuity	10,000		
To General Expenses	55,000		
To Wealth Tax	5,000		
To Sales Tax Penalty	4,000		
To Depreciation	30,000		
To Medical Health Insurance Premium (Self)	27,000		
To Net Profit	23,000		
Total	15,20,000	Total	15,20,000

Additional Information:

1. General Expenses include Advance Income Tax Rs. 10,000 and Rs. 500 for purchase of lottery tickets.
2. Depreciation allowable as per Income Tax Rules Rs. 37,000.
3. Purchases include Rs. 41,000 of which Rs.26,000 was paid in cash on 17-12-17 and balance on 31-01-18 by a crossed cheque.
4. Office salaries include Bonus due but not paid Rs. 16,500.
5. Old debts in respect of which recovery is made were not allowed as deduction in the past, though they were written off in books.
6. Advertisements includes advertisements of Rs. 500 in a souvenir of a political party.
7. He has incurred expenditure of Rs. 2,000 relating to an exempt income and the same was charged to personal account and not debited to P&L account.
8. General expenses also includes Rs. 15,000 paid for the tuition fees of his school going child.

Compute his gross total income for assessment year 2018-19

OR

Q2 P. From the following information, compute the gross total income of Mr. Darbar for assessment year 2018-19 :

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- a. Income from agricultural land in India was Rs. 12,000
- b. Income from agricultural land in Nepal was Rs. 10,000
- c. Mr. Dilip is a tenant of Mr. Sunil in respect of a bungalow in Goa. Mr Dilip has in turn rented the Bungalow to Kapil for a rent of Rs. 1,000 per month. Dilip pays rent of Rs.500 per month to Mr. Sunil.
- d. Brokerage paid on Hundi Loan was Rs. 2,000
- e. Interest paid on Hundi & other loans which were given as deposit on interest to others – Rs. 75,000.
- f. Interest earned on deposits was Rs. 1,17,000.
- g. Lottery prize – Net Rs. 50,000 ; TDS Rs. 20,000. The cost of the lottery tickets was Rs. 2,000.
- h. He received a refund from the income tax department pertaining to assessment year 2009-10, amounting to Rs. 2,800 (inclusive of interest of Rs. 600)
- i. Dividend from Indian Co. was Rs. 4,750
- j. He received a gift of Rs. 1,00,000 from his mother's brother on the occasion of his birthday. Of which he spent Rs. 10,000 to pay his life insurance premium, Rs. 30,000 for medical insurance premium of himself and his mother (10,000 and 20,000 respectively) and the balance he invested in PPF.
- k. Income from UTI MF was Rs. 10,000.
- l. Examiners fees from his college was Rs. 2,000.
- m. Salary from college was Rs. 12,000 p.m.
- n. Royalty received from a publishing house for writing a text book was Rs. 10,000.
- o. Examinership fees from University of Mumbai for setting papers was Rs. 2,500.

Q3 A.

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Nitin submits you the following particulars:

Particulars	Acquisition	Cost	FMV as on 1/4/2001	Sale Date	Sale Price
Urban Agricultural land	5 th June 1999	90000	180,000	16-08-2017	1,800,000
Rural Agricultural land	5 th May 2003	180000	126,000	17-10-2017	2,160,000
Shares	6 th August 2010	108000	36,000	05-07-2017	144,000 (STT paid)
Gold	7 th September 2003	90000	81,000	06-03-2018	932,000
Residential HP	9 th July 1980	54000	1,080,000	01-03-2018	9,560,000

Brokerage has been paid at 1% on sale value.

He also had silver utensils which he purchased on 01-04-1982 for Rs. 20,000 which he sold on 31-03-18 for Rs. 2,00,000.

Improvements of Rs. 2,00,000 were made to residential house property on 30-09-2002.

[CII: 2001-02 : 100 ; 2002-03 : 105 ; 2003-04 : 109 ; 2010-11 : 167 ; 2017-18 : 272]

Compute taxable Capital Gains for the assessment year 2018-19.

OR

Q3 P.

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Mr. AB who is totally blind received the following from CP Ltd., a government company, as employee for the year ended 31st March 2018. He retired on 31st March 2018 on which date he was gratuity of

Rs. 1,00,000 and a commuted pension of Rs. 3,00,000 thereafter which he was entitled to monthly pension of Rs. 7,000 p.m.

Basic Salary (Net of Profession tax & TDS):

01-04-17 to 31-12-17 – Rs. 10,000 p.m.

01-01-18 to 31-03-18 – Rs. 15,000 p.m.

Tax Deducted at Source

01-04-17 to 31-12-17 – Rs. 500 p.m.

01-01-18 to 31-03-18 – Rs. 1,000 p.m.

Profession Tax – Rs. 2,500 p.a. (Deducted evenly in each month except in Feb where Rs. 300 is deducted).

- ❖ Dearness Allowance – Rs. 40% of basic salary (Gross).
- ❖ Bonus equal to two months basic was declared & paid on 30-09-2017.
- ❖ Entertainment allowance – Rs. 2,000 p.m.
- ❖ Amount spent on entertainment – Rs. 1,000 p.m.
- ❖ Interest free loan received from employer for sons marriage – Rs. 25,000
- ❖ Contribution of employer to RPF in excess of prescribed limits – Rs. 2,300
- ❖ Interest on RPF in excess of prescribed limits – Rs. 780
- ❖ Conveyance allowance received – Rs. 1,500 p.m.
- ❖ Conveyance allowance spent – Rs. 800 p.m.
- ❖ LIC premium on life of Mr. AB paid by company – Rs. 6,000
- ❖ Mediclaim insurance paid to National Insurance company by cheque by Mr. AB Rs. 26,000.
- ❖ He also paid Rs. 12,000 as tuition fees for his children. He received interest of Rs. 5,000 on investments.

Compute his total income for previous year 2017-18

Q4. A

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Mr. Alok is a foreign citizen. His father was born in Malaysia in 1964 and mother was born in England in 1960. His grandfather was born in Karachi in 1940. Mr. Alok is coming to India to see Taj Mahal and visit other historical places in India. He comes to India on 1st November, 2017 for 200 days. He has never come to India before.

He had the following income during the previous year ended 31st March, 2018:

- Salary Received in India for three Months - Rs. 9,000
- Income from house property in India- Rs. 13,470
- Interest on Saving Bank Deposit in State Bank of India- Rs. 1,000
- Amount brought into India out of the past untaxed profits earned in Germany- Rs. 20,000
- Income from agriculture in Indonesia being invested there-Rs. 12,350
- Income from business in Bangladesh, being controlled from India- Rs. 10,150
- Dividends received in Belgium from French companies, out of which Rs. 2,500 were remitted to India- Rs. 23,000
- Loss from foreign business, controlled from India, sales being received in India (-) 2,00,000
- Dividends declared but not received from an Indian company- Rs. 20,000
- Agricultural income from Burma not remitted to India-Rs. 40,000

You are required to compute his residential status & total income for the assessment year 2018-19.

OR

Q4P

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Amar owns three houses one each at Mumbai, Delhi and Vadodara, the details of which for the year ended 31-03-2018 are as follows :

- a. The house at Mumbai has an annual rental value of Rs 75,000 and is occupied by Amar for his residence. He has to pay Rs 10,000 p.a for municipal taxes. For constructing this house, he had borrowed money of which Rs 2,00,000 is still outstanding. Interest is payable @ 9.5 % p.a. The house was vacant for 3 months.
- b. The house at Delhi has an annual rental value of Rs 1,25,000 and is also occupied by Amar for his residence whenever he comes to Delhi. The municipal ground rent @ Rs 500 per month is also payable. Amar had borrowed Rs 3,00,000 on 01-07-17 for carrying out repairs for the house on which interest @ 12% p.a is payable. He has also paid fire insurance premium of Rs 2,500 for the above house.
- c. The construction of the house at Vadodara has been completed on 31-03-18 and it has 4 flats, all of which have been rented out for residential purposes. The fair rent of each flat is Rs 5,000 per month whereas the actual rent received is Rs 6,000 p.m for 2 flats and Rs 4,500 p.m for the other 2 flats. Municipal taxes for each flat amount to Rs 3,500 p.a. Other expenditure incurred for the above house is as follows :
 - a. Salary to rent collector Rs 1,500 per month
 - b. Fire insurance premium Rs 1,000 per flat
 - c. Interest payable on loan taken for construction of the house for the current year is Rs. 36,000.
 - d. Total interest from date of loan taken i.e. 01-01-2016 to 31-03-2017 is Rs. 1,00,000.

Compute the Income from House Property of Amar for assessment year 2018-19.

Q5A. Describe in brief, the cases when cost of acquisition for the purpose of calculating capital gains, is taken on deemed basis. 08

Q5B. What are the provisions of the Income Tax Act, 1961 for determining the residence of an individual? 07

OR

Q5 Write Short Notes on: (Any 3) 15

- a. Deduction for Medical Insurance Premium paid.
- b. Deduction of interest from income from house property including pre construction interest.
- c. Capital Asset
- d. Any 5 perquisites which are taxable in case of all employees
- e. Person as defined u/s 2(31)
