



**SB-4466**

**P. G. D. T. M. Examination**

**March / April - 2011**

**Law of Direct Taxes : Paper - I**

Time : Hours]

[Total Marks : 70

**Instructions :**

(1)

नीचे दर्शाविए निशानीवाणी विगतो उत्तरवही पर अवश्य लपवी. Fillup strictly the details of signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
<input type="text" value="P. G. D. T. M."/>	<input type="text"/>
Name of the Subject :	<input type="text"/>
<input type="text" value="Law of Direct Taxes : Paper - 1"/>	<input type="text"/>
Subject Code No. : <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/>	<input type="text" value="Student's Signature"/>
Section No. (1, 2,.....) : <input type="text" value="1&amp;2"/>	

- (2) Question No. 1 and 4 are compulsory.
- (3) Write both the section in separate answer books.
- (4) Figures to the right indicate full marks of question.
- (5) Show necessary calculation.

**SECTION - I**

1 Answer the following :

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- (i) Shri Manthan is not covered by payment of Gratuity Act, retires on 29<sup>th</sup> February 2010 after serving the employer company for a period of 18 years and 10 months. He was drawing a salary of Rs. 5000, upto Sept. 2009 and thereafter Rs. 6000 per month. On retirement gratuity of Rs. 67,500 is paid. Compute taxable gratuity on retirement.
- (ii) Mr. Ajay is a general manager of M/s. Vijay Gears Pvt. Ltd. He draws a salary at Rs. 11,000 per month. Employer paid Rs. 4,275 as school fees of Mr. Ajit's son. He paid Rs. 4,375 to General Insurance Corporation in respect of Medical Insurance for self and his wife.  
He owns a house property which was let out at Rs. 45,000 p.a. He paid Rs. 9000 as municipal taxes. During the year he donated.
  - (a) Rs. 5000 for construction of Dharmshala for Hindu Community only.

- (b) Rs. 3000 to a student
  - (c) Rs. 5000 to Jawaharlal Nehru Memorial Fund.
- Compute taxable income for A.Y. 2010-11.

(iii) Mr. Shyam purchased a residential house on 1.6.1979 for Rs. 1,00,000. He incurred expenses of Rs. 50,000 towards cost of improvement on 2.7.1983 on this house. The fair market value of the house on 1.4.81 was Rs. 1,50,000. He sold the house on 10.10.2009 for Rs. 40,00,000. He purchased a new residential house for Rs. 20,00,000 on 15.3.10. Compute taxable capital gain. (Cost Inflation Index 1981-82 100, 1983-84 116, 2009-10 - 632)

**2** Shri Jigar Mehta submits the following information **10**  
pertaining to the year ended 31.3.2010. Compute his taxable income :

- (i) Basic salary Rs. 5000 per month
- (ii) Dearness Allowance Rs. 3000 per month
- (iii) Bonus at 20% on salary + D.A.
- (iv) Employer's contribution to P.F. 13.5% of Basic + D.A. Same amount is contributed by employee.
- (v) House rent allowance Rs. 10000 p.a.
- (vi) He owned a residential house which is used for his own residence. Fair rent Rs. 30,000; Municipal Tax Rs. 3000 and Interest on loan for purchasing the house Rs. 7,000.
- (vii) Lunch allowance Rs. 500 per month.
- (viii) Education allowance Rs. 300 per month for 3 children
- (ix) Advance salary received Rs. 20,000
- (x) Loan from Employer Rs. 15,000
- (xi) Donation made to corporation for promoting family planning Rs. 5,000.

**OR**

- 2 (i) Shri Rajan Vora acquires gold ornaments on 1.5.1987 for Rs. 1,50,000 as an investment. He starts a business on Jewellery and ornaments on 1.6.1991 and converts the above as stock-in-trade on this date. The fair market value of ornaments on 1.6.1991 is Rs. 3,00,000. He sells these shares on 1.6.2009 for Rs. 10,00,000.

State the taxability of these transactions.  
(cost inflation index : 1987-88-150; 1991-92-199; and 2009-10 : 632)

- (ii) Shri Subhash has an industrial undertaking acquired by him in 1982-83 at Rs. 1,00,000 which was compulsorily acquired by the Government on 15.12.1989. The government pays Rs. 5,00,000 on 23.3.2010 as compensation. He filed a suit and additional compensation of Rs. 2,50,000 received on 2.4.2010. He incurred Rs. 10,000 as legal expenses for filing suit.

State the taxability

(cost inflation index 1982-83-109, 1989-90-172, 2009-10-632)

- 3 Answer any **four** from the following : 10

- (i) Krishna is getting a pension of Rs. 3000 p.m. from a company. During the previous year he got three-fourth of his pension commuted and received Rs. 2,40,000. Compute the exempted amount assuming that he also receives gratuity.
- (ii) Municipal value of the house is Rs. 9,000, Fair rent 14,000, standard Rent 12,000. The property has been let for Rs. 1,200 p.m. and was vacant for one month during the previous year 2009-10.

Municipal tax paid during the year Rs. 4,000.  
Compute Net Annual Value.

- (iii) Mr. Mohan has the following depreciable Assets.
- (a) Written down value of Block of Assets consisting of plants A, B and C at 15% depreciation as on 1.4.2009 Rs. 45,00,000

- (b) Cost of New Plant D acquired on 10-10-2009  
Rs. 15,00,000
- (c) Plant A, B and C transferred during the year at  
Rs. 30,00,000

Compute Capital Gain or depreciation allowable.

- (iv) From the following particulars compute total income of Shri Manoj Agarwal for A.Y. 2010-11.

Salary .....	Rs. 80,000
Dividend (Indian Companies) .....	Rs. 24,000
Interest on FD with Bank .....	Rs. 8,900
PPF Interest .....	Rs. 19,500
Royalty received .....	Rs. 67,500

He paid Rs. 5,000 as contribution to PPF, Rs. 3,500 as Medical Insurance for spouse.

- (v) From the information given below compute the Gross Total Income of Shri Paritosh and his wife Smt. Priti.

	<b>Rs.</b>
(a) Income from Business of Shri Paritosh .....	5,00,000
(b) Net taxable salary of Smt Priti .....	4,50,000
(c) Interest from Co. to Minor son Master Yash (The amount for investment was given from his grandfather) .....	10,000
(d) Amount received by Master Gaurav (Minor son) for acting .....	80,000
(e) Bank interest of Minor son Rajav (handicapped) .....	12,000

- (vi) Mr. Tony a foreign national, visited India for the first time during 2005-06 and stayed for 160 days. During the subsequent years, 2006-07, 2007-08, 2008-09 and 2009-10 his stay in India was for 50 days, 110 days, 65 days and 82 days respectively. Determine his residential status of A.Y. 10-11.

## SECTION - II

- 4 Following is the Profit and Loss Account of Shri Ramdev who is handicapped person. Calculate the taxable income and tax thereon : 15

To salaries	4,12,000	By Gross Profit	11,40,000
To Rent	48,000	By Discount	6,800
To postage	6,000	By NSC interest	48,000
To Printing and Stationary	22,000	By Dividends from Co-op Societies	28,000
To Advtg.	48,000	By income-tax refund	18,800
To repairs to office premises	85,200	By Prize Money received from T.V. game	1,00,000
To conveyance	16,000	(Gross) (TDS 3000)	
To Income-tax	36,000		
To Income tax fees paid to C.A.	10,000		
To miscellaneous expenses	25,000		
To Depreciation	16,000		
To Donations	25,000		
To Fringe Benefit Tax	5,000		
To Sales Tax	29,000		
To Net Profit	5,58,400		
	<b>13,41,600</b>		<b>13,41,600</b>

***Additional Information :***

- (i) Sales tax outstanding as on 31.3.2010 is Rs. 6000 which was paid on 4.10.2010.
- (ii) Rent paid is for Residence.
- (iii) Repairs Rs. 31,100 were paid in cash against painting bill dated 10.5.2009 and were paid on the same day.
- (iv) Miscellaneous expenses include purchase of new furniture on 1.1.2010 of Rs. 20,000 on which no depreciation has been claimed.
- (v) Purchase include processing charges paid of Rs. 22,000 on which no. TDS has been deducted.

- (vi) Depreciation allowable as per income-tax excluding new furniture is Rs. 14,500. Depreciation rate on furniture is 10%

- 5** Compute Gross Total Income of Shri Ram from the following particulars for the year ended 31.3.2010 : **Rs.** **10**
- (i) Net salary received per month ..... 28,000  
(ii) Profession Tax deducted per month ..... 100  
(iii) Income-tax deducted per month ..... 450  
(iv) Provident fund deducted per month ..... 1,500  
(v) Dearness Allowance ..... 20% of basic  
(vi) Reimbursement of Medical Expenses ..... 14,000  
(vii) Gas bill of residence paid by employer p.a. .... 6,250  
(viii) Sale of ornaments (gifted by mother on 1.1.2000, she had purchased the same on 10.2.1996 for Rs. 1,52,750) (CII : 2009-10-632; 1999-2000-389; 1995-96-281) ..... 4,62,500  
(ix) Sale of shares of Voltas Ltd. (listed) ..... 1,62,000 (Purchased at Rs. 22,500 on 10-10-98)  
(x) Dividend of Co-operative Bank ..... 750  
(xi) Dividend from Indian companies ..... 950  
(xii) PPF Interest ..... 22,750.

**OR**

- 5** Aarav, a businessman of Surat, furnishes the following information relevant for the A.Y. 2010-11. **10**
- (i) Income from House property (computed) ..... 5,20,000  
(ii) Business profits (before claiming the following deductions) ..... 4,68,000  
- Current depreciation allowance ..... 2,16,000  
- Unabsorbed depreciation allowance of the previous year :  
2003-04 ..... 26,000  
1993-94 ..... 7,000  
- Unabsorbed business loss :  
2003-04 ..... 18,000  
1993-94 ..... 8,000  
- Current scientific research expenditure ..... 2,12,000  
Determine the net income of Aarav for the assessment year 2010-11.

**6** Write short notes on any **two** : **10**

- (i) Exemption u/s 54F of purchase of Residential House under Capital Gain.
  - (ii) House - Rent Allowance under Income-tax Act, 1961.
  - (iii) Clubbing of income of spouse.
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