

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com. (Hons) Summer 2018 – 19 Examination

Semester: 5

Date: 01-05-2019

Subject Code: 16101302

Time: 10.30 am to 1.00 pm

Subject Name: Elements of Direct Tax

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Multiple choice type questions. (Each of one mark)****(06)**

1. Persons responsible for deducting tax or collecting tax at source should apply to the Assessing Officer for the allotment of a
 - a) "tax account number".
 - b) "tax-deduction account number".
 - c) "tax-deduction and collection-account number".
 - d) "tax-collection account number".
2. The rate of TCS on tendu leaves is _____.
 - a) 2.5%
 - b) 5%
 - c) 1%
 - d) 1.5%
3. Any person responsible for paying to a resident any sum exceeding ` 2.5 lakh towards compensation for compulsory acquisition of his urban industrial land under any law has to deduct income-tax at the rate of -
 - a) 2%
 - b) 20%
 - c) 5%
 - d) 10%
4. The rate of TDS on rental payments of plant, machinery or equipment is -
 - a) 2%
 - b) 10%
 - c) 5%
 - d) 1%
5. Mr. A, a salaried individual, pays rent of ` 51,000 per month to Mr. B from June, 2017. Which of the statement is true?
 - a) No tax is deductible at source since Mr. A is not liable to tax audit u/s 44AB.
 - b) Tax is deductible at source every month @10% on rent paid to Mr. B.
 - c) Tax is deductible at source every month @5% on rent paid to Mr. B.
 - d) Tax is deductible at source @5% on annual rent from the rent paid for March 2018.
6. Mr. X paid fees for professional services of ` 40,000 to Mr. Y, who is engaged only in the business of operation of call centre, on 15.7.2017. Tax is to be deducted by Mr. X at the rate of -
 - a) 1%
 - b) 2%
 - c) 10%
 - d) 20%

B) Definitions / One-liners / Terms. (Each of one mark)**(06)**

1. What is the meaning of Block of Assets?
2. What is the rate of depreciation on Life Saving Medical Equipments?
3. What do you mean by a "Forward Contract"?
4. Define Capital Asset as per Section 2 (14).
5. For how many months should the assessee hold Zero Coupon Bond to make it a Short Term Capital Asset?
6. Give few examples of persons who can be said to be carrying on a "Profession" but not a business.

Q.2 Answer the following. (Each of 04 mark)**(12)**

1. Define "Transfer" as per Section 2 (47).
2. Mr. X, a salaried individual, pays rent of ` 55,000 per month to Mr. Y from June, 2017. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.
 Would your answer change if Mr. X vacated the premises on 31st December, 2017? Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?
3. Mention the assets and the conditions subject to which additional depreciation will be allowable.

Q.3 Answer the following. (Any Three)

(18)

1. Mr. Abhimanyu is engaged in the business of generation and distribution of electric power. He always opts to claim depreciation on written down value for income-tax purposes. From the following details, compute the depreciation allowable as per the provisions of the Income-tax Act, 1961 for the assessment year 2018-19:

(i) Opening WDV of block (15% rate)	42
(ii) New machinery purchased on 12-10-2017	10
(iii) Machinery imported from Colombo on 12-4-2017.	9
This machine had been used only in Colombo earlier and the assessee is the first user in India.	
(iv) New computer installed in generation wing of the unit on 15-7-2017	2

2. (I) Mrs. Indira, a landlord, derived income from rent from letting a house property to M/s Vaibhav Corporation Ltd. of ₹ 1,00,000 per month. She charged service tax @ 15% on lease rent charges. Calculate the deduction of tax at source (TDS) to be made by M/s Vaibhavi Corporation Ltd. on payment made to Mrs. Indira and narrate related formalities in relation to TDS.

(II) What do you mean by Rent?

3. Fill the last column of the table:

	Area	Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item (a)	Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year.	Is the land situated in this area a capital asset?
(i)	A	1 km	9,000	
(ii)	B	1.5 kms	12,000	
(iii)	C	2 kms	11,00,000	
(iv)	D	3 kms	80,000	
(v)	E	4 kms	3,00,000	
(v)	F	5 kms	12,00,000	
(vi)	G	6 kms	8,000	
(vii)	H	7 kms	4,00,000	
(viii)	I	8 kms	10,50,000	
(ix)	J	9 kms	15,00,000	
(x)	K	10 kms	1,20,000	
(xi)	L	8 kms	9,00,000	
(xii)	M	6 kms	10,00,000	

4. Examine the applicability of TDS provisions and TDS amount in the following cases:

(a) Rent paid for hire of machinery by B Ltd. to Mr. Raman ₹ 2,10,000.

(b) Fee paid to Dr. Srivatsan by Sundar (HUF) ₹ 35,000 for surgery performed on a member of the family.

(c) ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2018 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

Q.4 Answer the following. (Any two)

(18)

1. Mr. Venus., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai, for the year ending 31-3-2018:

	(` in lacs)
Opening WDV of Plant and Machinery	20
New machinery purchased on 1-9-2017	10
New car purchased on 1-12-2017	8
Computer purchased on 3-1-2018	4

Additional information:

- All assets were put to use immediately.
- Computer has been installed in the office.
- During the year ended 31-3-2017, a new machinery had been purchased on 31-10-2016, for ` 10 lacs. Additional depreciation, besides normal depreciation, had been claimed thereon.
- Depreciation rate for machinery may be taken as 15%.

Compute the depreciation available to the assessee as per the provisions of the Income- tax Act, 1961 and the WDV of different blocks of assets as on 31-3-2018.

2. (i) Mention the main differences between TDS and TCS.

(ii) Examine with reasons, for the following sub-divisions, whether the following statements are true or false having regard to the provisions of the Income-tax Act, 1961:

(a) It is mandatory to provide for depreciation under section 32 of the Income-tax Act, 1961, while computing income under the head “Profits and Gains from Business and Profession”.

(b) An existing assessee engaged in trading activities, can claim additional depreciation under section 32(1)(iia) in respect of new plant acquired and installed in the trading concern, where the increase in value of such plant as compared to the approved base year is more than 10%.

3. Write a short note on “Exclusions from the definition of Capital Asset”.