

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

Semester: 1

Subject Code: 16201103

Subject Name: Direct Taxes

Date: 19/04/2019

Time : 10:30 am to 1:00pm

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. Under Section 194- I, what is the rate of TDS for Plant & Machinery?
  - a) 2%
  - b) 10%
  - c) 5%
  - d) 1%
2. Land/ Building held for more than \_\_\_\_\_ months will be treated as a long term Capital Asset.
  - a) 36
  - b) 12
  - c) 24
  - d) 6
3. Ganesh received ` 60,000 from his friend on the occasion of his birthday.
  - a) The entire amount of ` 60,000 is taxable.
  - b) 50,000 is taxable.
  - c) The entire amount is exempt.
  - d) 10,000 is taxable
4. The HRA paid to an employee residing in Patna is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and -
  - a) 30% of salary
  - b) 40% of salary
  - c) 50% of salary
  - d) 60% of salary
5. The maximum ceiling limit for exemption under section 10(10) in respect of gratuity for employees covered by the Payment of Gratuity Act, 1972 is -
  - a) 10,00,000
  - b) 5,00,000
  - c) 3,50,000
  - d) 3,00,000
6. An assessee uses plant and machinery for the purpose of carrying on his business. Under section 31, he shall be eligible for deduction on account of-
  - a) both capital and revenue expenditure on repairs
  - b) current repairs
  - c) current repairs plus 1/5th of capital expenditure on repairs.
  - d) both (a) & (b)

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

1. What do you mean by composite rent?
2. Whether TCS @ 1% on sale of motor vehicle is applicable only to luxury cars? Yes or No?
3. What do you mean by gratuity?
4. Where the property has been acquired or constructed with borrowed capital before 1.4.99, what is the maximum amount of deduction in case of interest on such borrowed loan?
5. What do you mean by Keyman Insurance Policy?
6. What is the full form of TDS?

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

1. Fill the blank columns in 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 km	12,000	

(iii)	C	2 km	11,00,000	
(iv)	D	3 km	80,000	
(v)	E	4 km	3,00,000	
(vi)	F	5 km	12,00,000	
(vii)	G	6 km	8,000	
(viii)	H	7 km	4,00,000	

2. Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961 -

(i) Akhil HUF received ₹ 75,000 in cash from niece of Akhil (i.e., daughter of Akhil's sister). Akhil is the Karta of the HUF.

(ii) Nitisha, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is ₹ 9,00,000.

(iii) Mr. Akshat received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was ₹ 100 per share. He also received jewellery worth ₹ 45,000 (FMV) from his nephew on the same day.

(iv) Kishan HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is ₹ 5,25,000.

3. Poorna has one house property at Indira Nagar in Bangalore. She stays with her family in the house. The rent of similar property in the neighbourhood is ₹ 25,000 p.m. The municipal valuation is ₹ 23,000 p.m. Municipal taxes paid is ₹ 8,000. The house construction began in February 2011 with a loan of ₹ 20,00,000 taken from SBI Housing Finance Ltd. The construction was completed on 30.11.2013. The accumulated interest up to 31.3.2013 is ₹ 1,50,000. During the previous year 2017-18, Poorna paid ₹ 2,40,000 which included ₹ 1,80,000 as interest. Compute Poorna's income from house property for A.Y. 2018-19.

**Q.3 Answer the following. (Any Three)**

(18)

1. Mr. Sagar retired on 1.10.2017 receiving ₹ 5,000 p.m. as pension. On 1.2.2018, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

- He is a government employee.
- He is a non-government employee, receiving gratuity of ₹ 5,00,000 at the time of retirement.
- He is a non-government employee and is not in receipt of gratuity at the time of retirement.

2. Jayashree owns five houses in Chennai, all of which are let-out. Compute the GAV of each house from the information given below –

Particulars	House I (₹)	House II (₹)	House III (₹)	House IV (₹)	House V (₹)
Municipal Value	80,000	55,000	65,000	24,000	80,000
Fair Rent	90,000	60,000	65,000	25,000	75,000
Standard Rent	N.A.	75,000	58,000	N.A.	78,000
Actual rent received/ receivable	72,000	72,000	60,000	30,000	72,000

3. Anirudh has a property whose municipal valuation is ₹ 1,30,000 p.a. The fair rent is ₹ 1,10,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 1,20,000 p.a. The property was let out for a rent of ₹ 11,000 p.m. throughout the previous year. Unrealised rent was ₹ 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @10% of municipal valuation. Interest on borrowed capital was ₹ 40,000 for the year. Compute the income from house property of Anirudh for A.Y. 2018- 19.

4. A Ltd., a domestic company, declared dividend of ₹ 170 lakh for the year F.Y. 2016-17 and distributed the same on 10.7.2017. Mr. X, holding 10% shares in A Ltd., receives dividend of ₹ 17 lakh in July, 2017. Mr. Y, holding 5% shares in A Ltd., receives dividend of ₹ 8.50 lakh. Discuss the tax implications in the hands of Mr. X and Mr. Y, assuming that Mr. X and Mr. Y have not received dividend from any other domestic company during the year.

**Q.4 Answer the following. (Any two)**

**(18)**

1. Mr. Mohit is employed with XY Ltd. on a basic salary of ` 10,000 p.m. He is also entitled to dearness allowance @ 100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of ` 6,000 p.m. which was increased to ` 7,000 p.m. with effect from 1.01.2018. He also got an increment of ` 1,000 p.m. in his basic salary with effect from 1.02.2018. Rent paid by him during the previous year 2017-18 is as under:

April and May, 2017 - Nil, as he stayed with his parents

June to October, 2017 - ` 6,000 p.m. for an accommodation in Ghaziabad November, 2017 to

March, 2018 - ` 8,000 p.m. for an accommodation in Delhi.

Compute his gross salary for assessment year 2018-19.

2. Write a short note on Provident Fund.

3. Mr. X, a proprietor engaged in trading business, furnishes the following particulars:

Particulars	
(1) Opening WDV of plant and machinery as on 1.4.2017	30,00,000
(2) New plant and machinery purchased and put to use on 08.10.2017	20,00,000
(3) New plant and machinery acquired and put to use on 15.05.2017	8,00,000
(4) Printer acquired and installed in the office premises on 2.11.2018	3,00,000

Compute the amount of depreciation and additional depreciation as per the Income-tax Act, 1961 for the A.Y. 2018-19.