

INTERMEDIATE EXAMINATION

December 2016

P-7(DTX)
Syllabus 2012

Direct Taxation

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Wherever required, the candidates may take suitable assumption(s)
and state the same clearly in the answer.*

Working notes should form part of the relevant answer.

All the questions relate to Assessment Year 2016-17, unless otherwise stated.

Section A

Answer Question No.1, which is compulsory and any four from Question Nos.2 to 6.

1. (a) Fill up the blanks:

1×5 = 5

- (i) The maximum amount deductible under section 80 TTA in respect of interest on savings bank account is ₹ _____.
- (ii) Monetary limit for exemption in the case of encashment of earned leave on superannuation received by private sector employees is ₹ _____.
- (iii) When unrealized rent of ₹ 50,000 in respect of a let-out property is realized subsequently, the amount liable to tax would be ₹ _____.
- (iv) Interest on enhanced compensation received by Mr. A, a resident individual is ₹ 4,00,000 of which 75% pertains to earlier financial years. The amount of such interest to be included in the total income under the head 'income from other sources' is ₹ _____.
- (v) Medical expenditure of ₹ 40,000 was incurred by Mr. A on his mother (being a senior citizen). The amount eligible for deduction under section 80D would be ₹ _____.

(b) Choose the most appropriate alternative:

1×5 = 5

- (i) When a person having agricultural lands sells the seeds taken from such lands in a nursery, which is part of the said lands, the income from such sale is treated as
 - (A) Business income
 - (B) Agricultural income
 - (C) Income from other sources
 - (D) None of the above

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- (ii) An employer has paid medical insurance premium of ₹ 12,000 in respect of a salaried employee drawing annual salary of ₹ 6 lakhs. The amount of perquisite charged in the hands of employee is
- (A) Nil
(B) ₹ 6,000
(C) ₹ 12,000
(D) None of the above
- (iii) The rate of depreciation for a block of assets consisting of buildings used as factory is
- (A) 2.5%
(B) 5%
(C) 10%
(D) None of the above
- (iv) In case of a Hindu Undivided Family, where the return of income cannot be signed by the Karta, the same can be signed by
- (A) the next senior-most male member.
(B) Karta's wife.
(C) any male member of the family.
(D) any adult member of the family.
- (v) In case of an individual or HUF, to determine whether certain TDS provisions are attracted, what has to be seen is whether the person is subject to tax audit under section 44AB in
- (A) the immediately preceding financial year.
(B) current year.
(C) last two continuous financial years.
(D) None of the above
- (c) Match the following: 1×5=5
- | | |
|---|---|
| (i) Securities Transaction Tax | (a) Maximum limit ₹ 50 lakhs |
| (ii) Contribution of Employer to Pension Fund of Central Government | (b) Includible as Salary income of employee |
| (iii) Donation in kind | (c) Not deductible while computing income from property |
| (iv) Ground rent | (d) Deductible as business expenditure |
| (v) Bonds specified in section 54EC | (e) Not eligible for deduction under section 80G |

(d) Answer the following questions with brief reasons / working:

- (i) Mr. Rao sold a vacant site to Mr. Jain in August, 2014 for ₹ 5 lakhs. The stamp duty valuation of the site at the time of sale was ₹ 8 lakhs. The difference of ₹ 3 lakhs was taxed as income in the hands of Mr. Jain under the head 'other sources'. Now in March, 2016 Mr. Jain sold the vacant site for ₹ 12 lakhs. What is the cost of acquisition of site to be adopted by Mr. Jain?
- (ii) Mr. Ajit is employed with XY Co. Ltd. at Mumbai from 01.04.2015. The company took accommodation on lease basis which cost ₹ 3 lakhs per annum. Mr. Ajit is eligible for salary plus DA of ₹ 1 lakh per month. The employer's annual contribution to the recognized provident fund account of Mr. Ajit is ₹ 1,20,000. What is the perquisite value of accommodation liable to tax in the hands of Mr. Ajit?
- (iii) Balaji Ltd, a textile manufacturing company paid ₹ 15 lakhs as contract payments to M/s. Ramesh Engineers (a partnership firm) for construction of godown building. At what rate the tax is deductible at source on such contract payment? 2+2+1= 5
2. (a) VKS Yoga Charities was formed on 14.04.2015, for the purpose of spreading the yoga culture. The charitable trust has received the following amounts during the year ended 31.03.2016:

Particulars	₹ in lakhs
Voluntary donations (non-corporus donations)	5
Donations received towards corpus	3
Agricultural income	2
Dividend from listed shares	1

Will this trust formed for the above purpose, be regarded as carrying on "charitable purpose" and entitled to registration under section 12AA of the Income-tax Act, 1961?

Assuming that no accumulation is planned, what is the minimum amount to be applied for charitable purposes for availing the benefit of exemption as per section 11? 4

- (b) Mr. Ashok owns two buildings which are let out during the financial year 2015-16. The relevant details are as under:

Particulars	House-I	House-II
	Residential	Commercial
	₹	₹
Municipal valuation	1,80,000	3,60,000
Standard rent	1,50,000	3,00,000
Actual rent	2,40,000	6,00,000
Municipal taxes – paid	20,000	30,000
Municipal taxes – outstanding	10,000	15,000
Interest on moneys borrowed – paid	60,000	20,000
Interest on moneys borrowed – outstanding	1,00,000	60,000
Housing loan principal repaid to bank	50,000	30,000

You are requested to compute income of Mr. Ashok under the head "Income from House property" for the assessment year 2016-17. 9

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