

Name:

Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2019

Course: Income Tax, Wealth Tax and Tax Planning (Hons 1)
Program: B.COM.LLB. (Hons.) Taxation Laws 2016
Course Code: LLBL 481

Semester: VII
Time: 03 hrs.
Max. Marks: 100

Instructions: Read all questions carefully. Calculators with 12 digits function are allowed.

SECTION A

| S. No. | | Marks | CO |
|--------|---|-------|------|
| Q1. | Answer the following: (Attempt any 5): | | |
| a. | The Income Tax Act does not make any distinction between illegal income or legal income. Income (any income) is taxable if earned by a resident during previous year within the territory of India. Discuss | 2 | CO 1 |
| b. | Exemption vs. Deduction under Income Tax | 2 | CO 1 |
| c. | Business Connection in India | 2 | CO 1 |
| d. | Pre-requisites of income under the head Salary | 2 | CO 1 |
| e. | Tax free perquisites | 2 | CO 1 |
| f. | Exemption in respect of an electoral trust | 2 | CO 1 |

SECTION B

Answer the following: (Attempt all)

| | | | |
|-----|--|----|------|
| Q2. | Write a short note on: a. Long-Term Capital Gains and Short-Term Capital Gains b. Transfer | 10 | CO 1 |
| Q3. | What are the provisions relating to: a. Set off and Carry forward of losses b. Income from other Sources | 10 | CO 3 |

SECTION-C

Answer the following: (Attempt all)

- Q4. What are various deductions/ expenditure allowed in respect of income under the head Profits and Gains from Business and Profession? What are the pre-requisites to claim depreciation under Section 32 of Income Tax Act? Can payment made against extortion be allowed? **10** **CO 3**
- Q5. The relationship of payer and payee must be of employer and employee for an income to be categorized as salary income. As such the existence of “employer-employee” relationship is the “sine-qua non” for taxing a particular receipt under the head salaries. It does not matter whether the employee is a full-time employee or a part-time one. In light of statement answer the following questions: **10** **CO 2**
- What all incomes are taxable under the head salary?
 - What is difference between perquisites and allowances
 - Fully taxable perquisites

SECTION-D

Answer the following: (Attempt all)

- Q6. Income tax shall be charged at the rate or rates prescribed in the finance act of the assessment year for income earned in the relevant previous year. In light of this statement answer the following questions: **20** **CO 3**
- What is difference between Financial Year, Previous Year and Assessment Year.
 - Is it necessary that Assessment Year or Previous Year is always of 12 Months or can it be for less than 12 months?
 - Is there any exception to the above stated rule that only income earned in Previous Year is assessed in the Assessment Year?
 - Income of Mr. X comprises of only property income up till March 10, 2016. On March 10, 2016, he starts a new business. From the data given below, find out the taxable income of X for the assessment years 2015-16 to 2017-18:

| Previous Year | 2014-15 | 2015-16 | 2016-17 |
|-----------------|---------|---------|---------|
| Property Income | 25,000 | 32,000 | 40,000 |

Note: Business income: Rs. 75, 000 from March 10, 2016 to March 31, 2017 (Out of which Rs. 24, 000 is for the period ending March 31, 2016)

- Q7. Mr. Robin, a resident of India, is a shareholder in two Tea companies, Tata Tea Ltd., and Tetley Tea Ltd., and received from the aforesaid companies' dividends aggregating to Rs. 5 Lacs. The two companies carried on business of growing and manufacturing tea. By Rule 8 of the Indian Income-tax Rules, 1962, it is provided that 'any income derived by a person from selling tea (in India) manufactured from self-grown tea leaves (in India) shall also be composite income comprising of agricultural income and non-agricultural income and 40% of total income of such tea industries will be chargeable to tax under the head Profits and Gains of Business or Profession'. According to Mr. Robin, the dividend income received by him in respect of the shares held by him in the said Tea companies is to the extent of 60% agricultural income in his hands exempt from tax. The department has made a contention that the entire amount of dividend shall be subjected to tax not being an agricultural income. You are appointed as Appellate Assistant Commissioner of Income Tax. Decide citing the relevant leading case laws. **15 CO 3**
- Q8. Calculate the Income under the head House Property of A for the Assessment Year 2019-20:
A owns a residential flat in Delhi, details of which are given below:
- | | | |
|---|----------|----------------|
| Municipal value p.a. | 2,66,000 | |
| Fair rent p.a. | 2,18,000 | |
| Standard rent p.a. | 2,85,000 | |
| Expenses incurred by A: – | | |
| Municipal taxes (actually paid) | 9,000 | 15 CO 3 |
| Repairs | 1,300 | |
| Common maintenance charges | 7,000 | |
| Insurance | 2,700 | |
| Interest on capital borrowed for acquiring the flat | 82,000 | |
- The flat is let out up to 31.1.2018 on a monthly rent of Rs. 20,000 per month. From 1.2.2018, the flat is self-occupied for own residence.