

Sr. No. of Question Paper	:	
Unique Paper Code	:	52414304
Name of the Paper	:	Income Tax Law and Practice
Name of the Course	:	B.Com. (P) – CBCS
Semester	:	Semester III
Duration	:	3 hours
Maximum Marks	:	55 Marks

A

Instructions for candidates:

1. Attempt any four questions out of six questions.
2. All questions carry equal marks.
3. Answers may be written either in English or in Hindi; but the same medium should be used throughout the paper.
4. Answers must be given as per the provisions of the Income-tax Act, 1961.

1. The written down value of the block of Machinery and Plant (Rate of depreciation: 15%) consisting of three plants A, B and C, on 1 April 2020 was Rs. 20,00,000. Machine D was acquired as well as put to use on 7 July 2020 for Rs. 3,00,000 and Machine E was acquired as well as put to use on 9 December 2020 for Rs. 4,00,000. Machine B and C were sold for Rs. 5,00,000 (expenses on sale: Rs. 50,000). Compute the following:

- a) The written down value of the block on 31 March 2021;
- b) The depreciation under section 32 for the assessment year 2021-22;
- c) The additional depreciation under section 32 for the assessment year 2021-22; and
- d) The written down value of the block on 1 April 2021.

It is to be noted that the assessee is engaged in the business of manufacturing of garments. Machine D is old while Machine E is new. Further, the assessee has not opted for optional taxation scheme under section 115BAC.

2. Mrs. X, a resident, sells the following capital assets on 31 December 2020:

Particulars	Sale price (Rs.)	Expenses on transfer
Land	48,00,000	1%
Gold	50,00,000	Nil
Listed Debentures	8,00,000	1%

Land was inherited by Mrs. X from her father who died in 2010-11. Father acquired the land on 1 January 2000 for Rs. 50,000 and its fair market value on 1 April 2001 was Rs. 2,00,000. Mrs. X had spent Rs. 90,000 in 2013-14 on the boundary wall of that land.

Gold was purchased on 22 March 2019 for Rs. 48,60,000 and listed debentures were purchased on 17 June 2018 for Rs. 7,92,000. On 31 March 2021, she has purchased a residential house property for Rs. 46,00,000 out of the sale proceeds of land and remaining sale proceeds from land remains with her as cash.

CII for financial year 2001-02 is 100, for 2010-11 is 167, for 2013-14 is 220, for 2018-19 is 280 and for 2020-21 is 301. Compute Mrs. X's total income for the assessment year 2021-22 assuming that her taxable income under the head House Property is Rs. 6,00,000 and she has deposited Rs. 80,000 in her PPF account on 7 February 2021. Further, she has opted for optional taxation scheme under section 115BAC.

3. X, a regular employee of A Ltd. gets the following emoluments during the previous year 2020-21:

- a) Basic salary: Rs. 6,000 per month (which has been increased to Rs. 7,000 per month from 1 January 2021);
- b) Dearness allowance: Rs. 4,000 p.m. (72% of which is part of salary for computing retirement benefits);
- c) Education allowance: Rs. 550 p.m. per child for 4 children;
- d) Medical allowance: Rs. 400 p.m.;
- e) Transport allowance: Rs. 1,950 p.m. (out of which Rs. 1,700 p.m. is used for covering the journey between office and residence and Rs. 250 p.m. is used for meeting his personal needs); and
- f) He gets Rs. 4,500 p.m. as house rent allowance up to 30 November 2020 (rent paid at Ghaziabad is Rs. 5,500 p.m.). With effect from 1 December 2020, he has been provided a furnished flat by the employer in Delhi (rent paid by employer for this house: Rs. 7,500 p.m.; rent of furniture for 4 months paid by the employer to a third party: Rs. 500 and rent recovered from X: Rs. 900 p.m.).

Find out the taxable income of X for the assessment year 2021-22 assuming that his short-term capital gain under section 111A is Rs. 3,80,000. With effect from 1 January 2021, he joins a part-time employment with B Ltd. (basic salary: Rs. 2,000 p.m.) with the permission of A Ltd. without leaving the job of A Ltd. X has not opted for optional taxation scheme under section 115BAC.

4. Explain the provision of set-off or carry forward and set-off of losses of income under the head House Property and income under the head Capital Gains. Also, explain the applicable provisions of clubbing of income when Mr. X is employed in B Ltd. where his wife is also employed and his wife is holding 30% share capital of B Ltd. Further, Mr. X is working at a position and drawing the remuneration which is not as per the standards of his educational qualification and experience.

5. Mrs. R (age 50 years) owns two houses. The details of the two houses for the financial year 2020-21 are as follows:

Particulars	House I (Rs.)	House II (Rs.)
Municipal valuation	3,00,000	2,00,000
Fair rent	3,20,000	2,20,000
Standard rent	2,80,000	2,30,000
Actual rent received/receivable	Self-occupied	1,73,000
Municipal taxes paid [2020-21]	20,000	60,000

She raised a loan of Rs. 15,00,000 from State Bank of India @ 15% p.a. on 1 June 2016 for the construction of House I. The construction of the house was completed on 1 January 2020. Date of repayment of loan is 1 October 2020.

Half of the municipal taxes in respect of let out house, i.e., House II has been paid by the tenant. During the previous year 2020-21, Mrs. R was employed in X Ltd. at a monthly basic salary of Rs. 50,000. The company also paid Rs. 2,000 as professional tax on her behalf during the previous year 2020-21.

Compute the total income and tax liability of Mrs. R for the assessment year 2021-22 assuming that she also has an income from other sources of Rs. 9,10,000 during the previous year 2020-21. Further, she has not opted for optional taxation scheme under section 115BAC.

6. How is the residential status of an individual determined for the assessment year 2021-22? Also, explain both the categories of determining the residential status of an individual where he/ she will be treated as Resident but not ordinarily resident.