

Faculty : Commerce and Management
Program No. & Name of the Examination : 2C00454 / S.Y.B.Com (A & F) (CHOISE BASED)
Subject (Paper Code) : 78012/TAXATION-III (Direct Taxes Paper II)
Date of Exam : 02-May-2019

SYBAF - Semester-IV [Time: 2 ^{1/2} Hours] [Marks: 75] Q.P.Code:66412

MODEL ANSWERS AND MARKING SCHEME

Q.1 A True or False. (1 mark each, restricted to maximum 8 marks) (8 Marks)

| | | | | | | | | | |
|------|------|------|-------|-------|------|------|------|-------|-------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| True | True | True | False | False | True | True | True | False | False |

Q.1B) Rewrite the following sentences by selecting correct option. (Any 7) (7 Marks)
 (1 mark each, restricted to maximum 7 marks)

| | | | | | | | | | |
|------------------------|---|--------------------------------------|-----|----------------------------|-----|-----|------|-------------|-----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Long term Capital Gain | 8 | parent whose total income is greater | 12% | 30 th September | 10% | 15% | 234C | Rs 1,80,000 | 30% |

| Q.2 A) Computation of total income | | | |
|--|-----------------------------|-------------|--------------|
| Name of the Assessee: PQR & CO. | | | Marks |
| Legal Status:Firm | Residential Status:Resident | | 1 |
| Previous Year:2017-18 | Assessment Year:2018-19 | | |
| Particulars | Rs | Rs | |
| Income from Business or Profession | | | |
| Net Profit as per Profit & Loss A/c | | 420,000 | 1 |
| Add: Inadmissible expenses | | | |
| Income tax Paid | 200,000 | | 1 |
| Excess interest disallowed(Rs 1,80,000-1,80,000x12/18) | 60,000 | | 2 |
| Salary to partners | | | |
| Partner P | 300,000 | | |
| Partner Q | 300,000 | | |
| Partner R | 300,000 | 1,160,000 | 1 |
| Book Profit | | 1,580,000 | 1 |
| Less: Remuneration to partners | | | |
| As per Partnership Deed (paid to working partners i.e. Q & R) or | 600,000 | | |
| As per section 40(b)(as per working note below) | 1,038,000 | | |
| whichever is less | | 600,000 | 2 |
| Total Taxable Income | | 980,000 | 1 |
| Computation of Tax Liability of the firm | | | |
| Tax on Rs 9,80,000 @ 30% | | 294,000 | 1 |
| Add Education cess@2% and SHEC@ 1% | | 8,820 | 1 |
| Total Tax Liability | | 302,820 | 1 |
| | | | |
| Working Note:Calculation of Remuneration U/S 40(b) | | | |
| On Rs 3,00,000@90% | | 270,000 | |
| On balance book profit of Rs 12,80,000@60% | | 768,000 | |
| Total | | 1,038,000 | 2 |
| | | Total Marks | 15 |

OR

**Q.2 B) Computation of total income of
Mr Z, Mrs Z & C(Minor child)**

Rs
Lakhs

| Particulars | Mr Z | Mrs Z | C | Marks |
|---|-------|-------|-------------|-------|
| Salary received by Mrs Z (to be clubbed with the income of Mr Z) | 4.35 | 0 | | 2 |
| Income from House Property | 2 | | | 1 |
| Income from Business | 6 | | | 1 |
| Professional income of C (minor child of Z) from singing(not to be clubbed) | | | 1 | 1 |
| Income from Other Sources | 3 | | | 1 |
| Less:Loss from IFOS of Mrs Z to be clubbed | (2) | 1 | 0 | 1 |
| Total Income | 13.35 | 0 | 1 | 1 |
| | | | Total Marks | 8 |

Q.2 C)

| | Marks |
|---|-------|
| 1.Payment of brokerage to Mr B, sub broker of Rs 12,000 does not exceed Rs 15,000,hence TDS u/s 194 H is not applicable. | 1 |
| 2.Payment of royalty to Mr John of Rs 23,000 does not exceed Rs 30,000, hence TDS u/s 194 J is not applicable. | 1 |
| 3.Rent for use of factory building of Rs 2,40,000 exceeds Rs 1,80,000 hence TDS u/s 194 I is applicable. TDS on Rs 2,40,000 @ 10%=Rs 24,000. | 2 |
| 4.TDS u/s 194 A is not attracted in respect of Interest on business loan paid to bank. | 1 |
| 5.TDS u/s 194C is applicable on advertisement expenses as a single payment exceeds Rs 30,000. TDS on Rs 50,000 @ 1%=Rs 500. | 2 |
| | 7 |

Q.3 A)

| | | | | |
|-------------------------------------|-----------|-------------------------|-----------|-------|
| Name of Assessee: Miss Megha Sawant | | Legal Status:Individual | | Marks |
| Previous Year:2017-18 | | Assessment Year:2018-19 | | |
| Particulars | Rs | Rs | | |
| Salary Income | | | | |
| Basic Salary(Rs 70,000 x 12) | | 8,40,000 | | 1 |
| Dearness Allowance(Rs 20,000 x 12) | | 2,40,000 | | 1 |
| Conveyance received | 30,000 | | | |
| Less-Amount spent | (24,000) | 6,000 | | 1 |
| Arrears of salary | | 50,000 | | 1 |
| Bonus | | 35,000 | | 1 |
| | | 11,71,000 | | |
| Less-Profession Tax | | (2,500) | 11,68,500 | 1 |
| Income from Other Sources | | | | |
| Dividend from SBI | 7,000 | | | 1 |
| Less-Exempt | (7,000) | - | - | |
| Interest received on NHAI Bonds | | 12,000 | | 1 |
| Royalty received | | 26,000 | | 1 |
| Interest on Savings Bank | | 8,000 | 46,000 | 1 |
| Gross Total Income | | | 12,14,500 | 1 |
| Less-Deduction under Chapter VI A | | | | |
| U/S 80 C-LIC Premium paid | | | 50,000 | 1 |
| U/S 80 TTA-Interest on SB A/c | | | 8,000 | 1 |
| Net Taxable Income | | | 11,56,500 | 1 |
| Tax Payable on Rs 11,56,500 | | | 1,59,450 | |
| Add : EC & SHEC@3% | | | 4,784 | |
| Tax Payable | | | 1,64,234 | 1 |
| Net Tax payable rounded off | | | 1,64,230 | |
| | | | | 15 |

Q.3 B) Interest payable by Mrs Kohli

(a) Interest u/s 234 A for delay in filing of return=Rs 20,000 x 1% x 1 month=Rs 200

(b) Interest u/s 234 B for non-payment of advance tax= Rs 20,000 x 1% x 5 months=Rs 1,000

| |
|-------|
| Marks |
| 2 |
| 2 |
| 3 |
| 7 |

| Interest u/s 234 C for non payment of advance tax instalments | Rs |
|---|--------------|
| 1.Advance tax payable on 15-6-17=Rs 20,000 x 15%=Rs 3000 | |
| Interest on the above shortfall=Rs 3000 x 1% x 3 months= | 90 |
| 2.Advance tax payable on 15-9-17=Rs 20,000 x 45%=Rs 9000 | |
| Interest on the above shortfall=Rs 9000 x 1% x 3 months= | 270 |
| 3.Advance tax payable on 15-12-17=Rs 20,000 x 75%=Rs 15000 | |
| Interest on the above shortfall=Rs 15000 x 1% x 3 months= | 450 |
| 4.Advance tax payable on 15-3-18= Rs 20,000 x 100%=Rs 20,000 | |
| Interest on the above shortfall=Rs 20000 x 1% x 1 month= | 200 |
| Total Interest U/S 234 C | 1,010 |

Total

OR

Q.3 C)

Name of the Assessee: MrShelke

Legal Status:Individual

Previous Year:2017-18

Total Tax liability =Rs 2,00,000

Residential status:ROR

Assessment Year:2018-19

| |
|-------|
| Marks |
| |
| |
| |
| 7 |

| Due date of advance tax payment | % of advance tax | Cumulative Amount of advance tax payable Rs | Advance Tax instalment Rs | |
|---------------------------------|------------------|---|---------------------------|---|
| 15-6-17 | 15 | 30,000 | 30,000 | 2 |
| 15-9-17 | 45 | 90,000 | 60,000 | 2 |
| 15-12-17 | 75 | 150,000 | 60,000 | 2 |
| 15-3-18 | 100 | 200,000 | 50,000 | 1 |
| | | | | 7 |

| Q.4 A) Computation of total income | | | Marks |
|---|-------------------------|---------------|-------|
| Name of the Assessee: Miss Priyanka | | | |
| Legal Status:Individual | Residential Status:ROR | | 1 |
| Previous Year:2017-18 | Assessment Year:2018-19 | | |
| Particulars | Rs | Rs | |
| Income from Business or Profession | | | |
| Indian Income | | 3,000,000 | 1 |
| Foreign Income | | 1,500,000 | 1 |
| Gross Total Income | | 4,500,000 | 1 |
| Less:Deduction under Chapter VI-A | | | |
| U/S 80C:PPF Investment | 150,000 | | 1 |
| U/S 80D:Mediclaime insurance premium | 25,000 | 175,000 | 1 |
| Total Taxable Income | | 4,325,000 | 1 |
| Computation of Tax Liability | | | |
| Tax on total Income | | 1,110,000 | 1 |
| Income Rs | Tax Rate | Tax amount Rs | |
| 0-250,000- | %- | Nil | |
| 250,000-5,00,000- | 5%- | Rs 12,500 | |
| 5,00,000-10,00,000- | 20%- | Rs 1,00,000 | |
| above 10,00,000- | 30%- | Rs 9,97,500 | |
| Add: EC & SHEC @ 3% | | 33,300 | 1 |
| | | 1,143,300 | 1 |
| Average rate of tax in India | | | |
| (11,43,300/43,25,000 x 100) | | 26.43% | 1 |
| Average rate of tax in Foreign Country | | | |
| (2,25,000/15,00,000 x 100) | | 15% | 1 |
| Doubly taxed income | 1,500,000 | | 1 |
| Rebate under section 91 on Rs 15,00,000 @ 15% | | 225,000 | 1 |
| (lower of average Indian Tax rate and foreign tax rate) | | | |
| Tax Payable in India | | 918,300 | 1 |
| | | | 15 |

OR

| Q.4 B) Computation of total income | | | |
|---|-------------------------|-----------|-------|
| Name of the Assessee: Mr D | | | Marks |
| Legal Status:Individual | Residential Status:ROR | | 1 |
| Previous Year:2017-18 | Assessment Year:2018-19 | | |
| Particulars | Rs | Rs | |
| (I)Income from Salary | | 120,000 | 1 |
| (II)Income from House Property | | | |
| House I (Income) | 70,000 | | |
| House II (Loss) | (35,000) | | |
| House III(Loss) | (50,000) | | |
| Less-Set off against Salary income | | (15,000) | 2 |
| (III)Income from Business or Profession | | | |
| Speculative business profit | 90,000 | | 1 |
| Non-speculative business loss | (125,000) | | 1 |
| Set off against Long term cap gain | (35,000) | | 1 |
| (IV)Capital Gains | | | |
| Long term capital gain on sale of land | 3,00,000 | | |
| Less-Non-speculative business loss | (35,000) | | |
| Less- Short term loss brought forward from 2016-17 | (5,000) | 2,60,000 | 2 |
| Long term capital loss on shares listed(STT paid)(exempt income so not to be set off) | Nil | | 1 |
| Short term capital gains | 25,000 | | 1 |
| Short term loss brought forward from 2016-17 | (25,000) | Nil | 1 |
| (V)Income from Other Sources | | | |
| Dividend from domestic company(exempt) | | Nil | 1 |
| Gross Total Income | | 3,65,000 | 1 |
| | | | |
| Losses to be carried forward to Assessment Year 2019-20 | | Nil | 1 |
| | | | 15 |

Q.5 A State the provisions of section 70 related to Inter-Source Adjustment. (8)

Any loss in respect of one source shall be set off against income from any other source under the same head of income.

Exceptions-Loss from long term capital asset can be set off against income from long term capital gains only.

Loss from exempt source cannot be set off against taxable income.

A loss cannot be set off against winnings from lotteries, crossword puzzles etc.

Q.5 B Explain any three circumstances under which income of other persons is included in the assessee's total income as per Income Tax Act. (7)

1. Minor's income clubbed with parent's income
2. Transfer of income without transferring the assets
3. Revocable transfer of assets

OR

Q.5) Write a short note on (any 3): (15)

(i) TDS on payment to contractors u/s 194C

It is applicable to any payment against any contract, if the value of such contract exceeds Rs 30,000 or total in a year with the same contractor exceeds Rs 1,00,000.

If recipient is Individual/HUF, TDS rate is 1%

Any other person, TDS rate is 2%

Without PAN-TDS rate 20%

(ii) Ethical duties of tax payer

- Pay tax on time
- Do not hide income to evade tax
- Avoid making untrue statement, misrepresentation or concealment of income while filing the return
- Provide correct information and maintain authentic records.

(iii)Set off provisions for loss under Capital Gains

-Loss under the head of Capital Gains cannot be set off against any other head.

-Long term capital loss can be set off against long term capital gains only.

-Short term capital loss can be set off against short term as well as long term capital gains.

(iv) Eligibility conditions for relief under Section 91

- The assessee should be a resident in India during the previous year.
- The income accrues to him outside India.
- Such income is not deemed to accrue or arise in India.
- The income is taxed in foreign country.
- There is no DTAA for relief to the tax payer.

(v) Revised Return

If a person who has filed return discovers any omission or any wrong statement in it, he may furnish a revised return at any time before the end of the relevant assessment year or before completion of assessment whichever is earlier.

Belated return can be revised.

The revised return replaces the earlier return.

A revised return can be again revised.

For any queries, you are requested to contact the below stated paper setters.

| | |
|-------------------|------------|
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