

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: Law of Taxation-I  
Semester-VII (Batch: 2016-21)

End Semester Examination: October-2019

Date: 20<sup>th</sup> October, 2019

Duration: 3 hours

Max. Marks: 50

**Instructions:**

- Read the questions properly and write the answers in the given answer book.
- \* The respective marks for each question are indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- Only simple calculator is allowed.

**Part-A****Marks**

- Q.1 (a) With the help of relevant provisions, explain the tax treatment for a self-occupied house property under the Income Tax Act 1961? (4+4=08)
- (b) X owns a property at Delhi (Municipal value Rs 1,64,000 fair rents: Rs 2,16,000, standard rent: Rs 1,80,000). The house is let out from April 01, 2018 to January 31, 2019 (Monthly rental being Rs 14,000). From 01.02.2019, the property is self-occupied for own residential purpose. Expenses occurred by X are Municipal tax Rs 6,000 (actually paid), Repairs Rs 2,100, insurance Rs 1,100, interest on capital borrowed (date of borrowing being 10.06.1991 for acquiring the property Rs 1,23,000. There is no unrealized rent. Assuming that the income of X from other sources is Rs 1,86,000, find out the total income of X for the assessment year 2019-20.
- Q.2 (a) Explain the statement, “the question, whether a particular income is income from salary or income from business depends on, whether the contract is a contract of service, or is a contract for service”. With the help of relevant provisions, state the conditions, to be fulfilled for treatment of an income as salary income. (4+4=08)
- (b) The following particulars relate to the income of Sri Ramji Mehta for the previous year 2018-19:  
He is employed in a cotton textile mill at Bengaluru on a monthly salary of Rs.25,000. He is also entitled to a commission @1% of sales effected by him. The sales effected by him during the previous year amounted to Rs. 40,00,000. He received the following allowances and perquisites during the previous year:
- (i) Dearness pay @ Rs.6,000 per month.
  - (ii) Bonus @ two months basic salary.
  - (iii) Entertainment allowance @ Rs.2,000 per month.
  - (iv) House Rent Allowance @ Rs.5,000 per month.
  - (v) The employer paid Rs.10,000 towards the income-tax liability of Sri Ramji Mehta.
  - (vi) The employer provided him L.T.C. (Leave Travel Concession) of Rs.35,000 for going to Shimla. The employee utilized the full amount for travel.

- (vii) He has also been provided with gas, electricity and water facility and employer spent Rs.15,000 on these.
  - (viii) The employer gave him a gift of Rs.1,000.
  - (ix) He and his employer both contributed 15% of his salary to his recognized provident fund and interest credited to this fund @ 9% amounted to Rs.30,000 during the previous year.
  - (x) He spent Rs.10,000 per month as the rent of the house occupied by him in Bengaluru.
- Compute his taxable income under the head 'Salaries' for the Assessment Year 2019-20.

Q.3 (a) Generally speaking, property of any kind is a capital asset. The term "property" is a term of the widest amplitude and is subject to any limitation which the context may otherwise require, it signifies every possible interest which a person can clearly hold and enjoy. Explain the statements with the help of relevant provisions. (3+2+2=07)

(b) Mr. Adi Mishra, purchases from broker 500 equity shares of Rs. 10 each for Rs 40 per share in 2007-2008 and incurred an expenditure of Rs 400 on brokerage. In May 2011, he receives 100 bonus shares. In Sept 2018, he gets 100 rights shares for Rs 20 each. He sold 100 bonus shares in November 2018 at Rs 90 per share and 100 right share @ Rs 30 per share in December 2018. Find out the total capital gains for the assessment year 2019-20. Refer the cost inflation index provided in the Annexure.

(c) Mr X, purchased a plot of land on 4-1-1998 for Rs 50,000. This land was sold by him on 02-09-2018 for Rs 15,00,000. The market value of land on 1.4.2001 was Rs 1,00,000. Expenses on sale were 2 % of the transfer price. Compute the capital gain (taxable) for the Assessment Year 2019-2020. Refer the cost inflation index provided in the Annexure.

Q.4 (a) Profits should be computed after deducting the losses and expenses incurred for the purpose of the business, profession or vocation, though such losses and expenses may not be expressly allowed u/s. 30 to 43, unless the losses and expenses are expressly or by necessary implication disallowed by the Act. What income are taxable under profit and gains from business and profession? Which are the basic principles for arriving at business income. (4+4=08)

(b) Discuss with reason the admissibility or otherwise of the following expenditure by an assessee under the provisions of the Income Tax Act 1961.

- i. A sum of Rs 30,000 was provided towards GST Tax liability in the account for the year ending 31.03.2019.
- ii. An expenditure of Rs 15,000 incurred towards the cost of neon sign board fixed on office for advertisement of his products.
- iii. Stock and trade was lost in fire amounting to Rs 10,000 and was debited to profit and loss account.
- iv. Interest paid on funds borrowed specifically for the acquisition of capital asset.

Q.5 Determine the residential status of the assessee in the following situations, give reasons. (4x1=04)

(a) Mr M, a citizen of UK, came to India for the first time on 01.05.2012. He stayed here without a break for 3 years and left for Bangladesh on 01.05.2015. He returned to India on 01.04.2016 and went back to the UK on 01.12.2016. He was posted back to India on 20.01.2019. Determine his residential status for the A.Y. 2019-20.

(b) Mr Sunil was sponsored by his employer for a training in USA. He left India on

03.06.2018. He came back to India on 01.05.2019. Determine his residential status for the Assessment year 2019-2020, assume that he did not go out of India previously.

- (c) Mr Jones, an Italian citizen, came to India for the first time on 10.01.2015 and left for Australia on 15.09.2015. He then came back to India on 01.05.2018 to leave for South Africa on 15.07.2018. Determine his residential status for the previous year 2018-19.
- (d) Mr Manoj Singh, a Karta of the HUF, travelled to Taiwan on 01.05.2018. He returned to India on 10.02.2019. In his absence, the business of the family was controlled by his brother. The family has business in India, as well as in China. Determine the residential status of HUF for the Assessment Year 2019-2020.

### Part-B

Answer the following (any five):

(5x3=15)

- Q.6 An assessee, is not only liable for his own income for tax purposes but, his liability may extend to some other incomes also". Comment on this statement with the help of relevant provisions.
- Q.7 Explain in brief the rules of adjustment of set off in the given assessment year with reference to its exceptions.
- Q.8 What is the Arm's Length Principle (ALP) of Transfer Pricing? What are the methods for determination of ALP?
- Q.9 What is the basis for the application of General Anti Avoidance Rule (GAAR) in the Income tax Act 1961?
- Q.10 What is depreciation? What are the methods of calculation of depreciation? Explain with relevant examples.
- Q.11 What is the Tax treatment of monetary gifts received by an individual or Hindu Undivided Family (HUF) under the ITA 1961?

### Annexure-I

#### NOTIFIED COST INFLATION INDEX UNDER SECTION 48, EXPLANATION (V) - FINANCIAL YEAR 2018-19<sup>1</sup>

As per Notification no. So 1790(e)[no. 44/2017 (f. No. 370142/11/2017-tpl)], dated 5-6-2017, following table should be used for the Cost Inflation Index :-

Sl. No.	Financial Year	Cost Inflation Index		Sl. No.	Financial Year	Cost Inflation Index
(1)	(2)	(3)		(1)	(2)	(3)
1	2001-02	100		11	2011-12	184
2	2002-03	105		12	2012-13	200
3	2003-04	109		13	2013-14	220

<sup>1</sup> <https://www.incometaxindia.gov.in/Pages/charts-and-tables.aspx>

4	2004-05	113		14	2014-15	240
5	2005-06	117		15	2015-16	254
6	2006-07	122		16	2016-17	264
7	2007-08	129		17	2017-18	272
8	2008-09	137		18	2018-19	280
9	2009-10	148		19	2019-20	289
10	2010-11	167				

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