

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

**Course: Income Tax: Theory, Practice and Management
Semester- IV (Batch: 2019-24)**

End Semester Online Examination: July-August 2021

Date: 07th August, 2021

Duration: 8 hours

Max. Marks: 50

Instructions:

- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- Word Limit: 10 Marks: 600-700 words and for 5 Marks: 300-350 words.

Marks

Q.1 "It is within the legislative competence of the Parliament to effect retrospective amendments to tax laws. The broader objective of such amendments should be to address unlawful avoidance and evasion of tax. However, the retrospective amendments shouldn't create uncertainty and unpredictability which have a tendency to push the assessee into economic distress." (10 + 5 = 15)

- a) In view of the above statement, analyze the Vodafone judgment [Vodafone International Holdings B.V. v. Union of India & ANR. (2012)(SC)] and Cairn Energy case [Cairn Energy PLC and Cairn UK Holdings Limited v. The Republic of India (PCA Case No. 2016-7)].
- b) Critically analyze the rationale of the recent Bill pending in the Parliament titled The Taxation Laws (Amendment) Bill, 2021 and the statement of object and reasons thereof in light of the above judgments.

Q.2 a) Ms. Deepika aged 60 years, was a private sector employee, covered under The Payment of Gratuity Act, 1972. She was working in Visakhapatnam. She retired on 31.01.2021 after serving 30 years and 7 months. At the time of retirement, her monthly emoluments were: Basic Salary- Rs.80,000, Dearness Allowance- 10% of basic salary (100% for retirement benefits) and other components as mentioned below. (5x2= 10)

1. Leave Encashment at the time of retirement [Leave entitled- 35 days per year, leave availed- 10 months for the entire tenure]	Rs.4,00,000
2. Commuted Pension (She commuted 75% of the total pension on the date of retirement)	Rs.7,50,000
3. Un commuted Pension	Rs. 10,000 p.m. after commutation
4. Gratuity	Rs.15,00,000

5. She received a lump sum of Rs.30,00,000 from an unrecognized provident fund which had an interest component of Rs.7,00,000 and Rs.5,00,000 from maturity of public provident fund deposit.

She paid Professional Tax of Rs. 2,400 for the entire year. From the above information calculate the income under the head Salaries for Ms. Deepika, for the A.Y. 2021-22.

- b) Determine the taxable income under the head Salary for Ms. Agarwal working for Indian Railways. Her monthly emoluments are: Basic Salary- Rs.50,000, Dearness Allowance- 10% of basic salary (100% for retirement benefits), and other allowances and perquisites for the PY 2020-21 are as mentioned below.

1. Overtime Pay	Rs.40,000 for the year
2. Bonus	Rs.60,000 for the year
3. Advance Salary	Rs.30,000 (One time)
4. Fixed Medical Allowance	Rs.5,000 p.a.
5. Entertainment Allowance	Rs.10,000 p.a.
6. Travelling Allowance	Rs.20,000 for the year. The amount utilized for travelling is Rs.15,000.
7. Rent Free Accommodation	The fair value of the house is Rs. 20,000 p.m. License fee is Rs. 12,000 p.m.
8. Leave Travel Concession	Railways paid Rs.50,000. The travel is not covered under LTC.
9. Electricity Allowance	Rs.2,000 p.m.
10. Club Allowance	Rs.1,000 p.m.

- Q.3 a) X owns a residential house property. It has two equal residential units, unit 1 and unit 2. Unit 1 is self occupied by X for his residential purpose, unit 2 is let out (rent being Rs. 6,000 per month and rent of 2 months could not be recovered). Municipal Value of the property is Rs.1,30,000, Standard Rent is Rs.1,25,000 and Fair Rent is Rs.1,40,000. Municipal Tax is imposed @ 12% which was paid by X. Other expenses for the previous year 2020-21 being: Repairs- Rs. 250, Insurance- Rs. 600, Brokerage- Rs.300. Interest on Capital (borrowed during 2016) for constructing the property is Rs.80,000. Find the income of X under the head House Property for the AY 2021-22. (5X2=10)
- b) Y owns a house which has a Municipal valuation of Rs.30,000 and the fair rent is Rs.43,200 per annum. During the previous year, the house was let out for residential purposes w.e.f. 1st April, 2020 to 30th June, 2020 at the rate of Rs.4,000 per month and self-occupied for residential purposes for the remaining months of

the year. He incurred the following expenses in respect of this house: Municipal taxes Rs.6,000, Ground rent Rs.5,000 and Fire Insurance Premium Rs.1,000. A loan of Rs.50,000 was taken on 1st April, 2018 at the rate of 10% per annum for the construction of the house which was completed on 1st January, 2020. No part of the loan has been repaid so far.

Find the income of Y under the head House Property for the AY 2021-22.

Q.4 Mr. Adhikari, an assessee having income under the heads of Profits and Gains of Business and Professions and Capital Gains has reported the following details of his transactions during the Previous Year 2020-21. (10)

1. He has a business of manufacturing electronic components.
2. His turnover (gross receipts) for the year 2020-21 is Rs. 20,00,00,000. This also includes some sales returns of Rs.20,000 for which he has agreed to refund the amount to the customers.
3. His other income includes receipt of rent from his staff accommodation of Rs.50,000.
4. He also received interest on investment in a bank of Rs.60,000. The Assessing officer has classified this income as income from other sources whereas, the assessee wishes to cover it under PGBP.
5. He has spent for advertising and promotion a huge sum of Rs.1,00,00,000. The assessing officer claims that it is inadmissible as the amount is almost 10% of the total gross receipts. Further, the assessee is not able to show receipts/vouchers for some gifts presented to small farmers for sales promotion amounting to Rs.30,00,000 during an agricultural festival.
6. He has made donations to a religious trust of Rs.3,00,000. The trust is an unregistered trust having the objective of promotion of religious harmony among communities.
7. He has invested in employee development and training an amount of Rs.5,00,000. All of those employees have left his business.
8. He has made some donations to the PM Relief fund in June 2020, but he wishes to claim the same as a deduction for the AY 2021-22.
9. He has donated to political parties to the tune of Rs.20,00,000 by way of advertisements in party souvenirs.
10. He has invested in scientific research conducted by CSIR an amount of Rs.30,00,000. He purchased land of Rs.2,00,00,000 for developing a R&D facility. He incurred an amount of Rs.40,00,000 for annual salary of research staff.
11. He has got plants and machinery worth 3,00,00,000 belonging to 20% block. The written down value of the same is Rs.2,80,00,000. He wishes to avail depreciation and additional depreciation as per straight line method. The assessing officer objects to the method of straight line.
12. He has made payments of Rs.30,000 in cash to suppliers two times during the year.
13. He has sold the following assets during the PY.
 - i. Plant and Machinery of Rs.50,00,000 WDV at Rs.35,00,000.

- ii. Land of Original Cost of Acquisition of Rs.30,00,000 bought during 2003-04 and sold at Rs.4,00,00,000. He filled the land with sand in 2009-10 spending Rs.20,00,000.
- iii. He sold a factory land and building of Rs.50,00,000. The cost of land in 2001-02 was 10,00,000 and construction cost during that time was Rs.5,00,000. He never availed depreciation benefits on the same.
- iv. He sold patents worth Rs.40,00,00,000. The cost of development of the same was Rs.10,00,000 only. He has fully amortized/depreciated the development cost.

Determine income taxable under the head Profits and Gains of Business and Profession for the A.Y. 2021-22.

Q.5 From the following information, compute taxable capital gains for the A.Y. 2021-22. (5)

The following assets were sold:				
Asset	Date of Sale	Sale Proceeds (Rs.)	Date of Purchase	Cost of Acquisition (Rs.)
Urban Agricultural Land	19/03/2021	1,13,00,000	31/03/2000	3,00,000
Personal Car	15/11/2020	50,000	16/08/2002	WDV- 15,000
Plant and Machinery	23/04/2020	5,00,000	14/07/2011	WDV-4,00,000
Debentures	04/10/2020	4,50,000	14/07/2001	2,00,000
Piece of Art (Personal)	30/04/2020	60,000	12/01/2013	1,00,000
Personal Jewellery (Gold)	03/04/2020	6,00,000	23/02/2002	30,000
The following new assets were purchased:				
Residential House Property			18/08/2020	15,00,000
Commercial House Property			13/03/2021	45,00,000
IRFC Bonds			16/06/2020	15,00,000
Rural Agricultural Land			15/09/2020	10,00,000

The following new assets were sold:	Date of Sale	Amount(Rs.)
Rural agricultural land	31/01/2021	6,00,000
IRFC bonds	25/03/2021	5,00,000

Cost Inflation Index Number Series:

Financial Year	Cost Inflation Index (CII)
2001-02 (Base year)	100
2002-03	105
2003-04	109
2004-05	113
2005-06	117
2006-07	122
2007-08	129
2008-09	137
2009-10	148
2010-11	167
2011-12	184
2012-13	200
2013-14	220
2014-15	240
2015-16	254
2016-17	264
2017-18	272
2018-19	280
2019-20	289
2020-21	301
2021-22	317

Or,

Discuss the legal provisions surrounding taxability of gifts from relatives and non relatives and ingenuine gifts from relatives.
