

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

**Course: Income Tax: Theory, Practice and Management  
Semester- IV (Batch: 2020-25)**

**End Semester Online Examination: May 2022**

**Date: 13<sup>th</sup> May, 2022**

**Duration: 8 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.
- 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.

**Marks**

**Q.1** Answer the following questions:

(7+3=  
10)

- a) Has the rule of 'Place of Effective Management (POEM)' as a replacement of 'Control and Management' addressed the problem of determining residence and tax evasion of complex multinational corporations? Discuss the efficacy of rule of POEM in the times of COVID-19 pandemic and predominance of big tech companies.
- b) Discuss about instances of revenue expenses *not deductible* under section 37(1) with the help of decided cases.

**Q.2** Ms. Seema, aged 60 years, was working as a Professor in a *not for profit private university* in Chandigarh. She was covered under the Payment of Gratuity Act, 1972. She retired on 31.3.2022 after serving for 30 years and 7 months. At the time of retirement, her monthly emoluments were: Basic Salary- Rs.1,50,000, Dearness Allowance- 30% of basic salary (100% for retirement benefits), fixed academic allowance of Rs.70,000 for the year and other allowances and perquisites as mentioned below.

(10)

1. Rent free furnished bungalow in the professors' residential area. The furniture was owned by herself.	
2. Transport Allowance	Rs.2,000 p.m.
3. Leave Encashment while in service (received on 30.9.2019)	Rs.2,50,000
4. Leave Encashment at the time of retirement [Leave entitled- 40 days per year, leave availed- 210 days for the entire tenure]	Rs.5,00,000
5. Commuted pension (50% of the total pension was commuted)	Rs.15,00,000
6. Gratuity	Rs.12,00,000



7. Reimbursement of expenditure on a Refresher Course	Rs.10,000
8. Conveyance Allowance- Rs.12,000 p.a.; only 60% is used for official purpose.	
9. Motor Car: She has used a car (1.5 litres or 1500 cc) owned by the employer, partly for private and partly for official purposes. Maintenance cost and running expenses are borne by the employer.	
10. She availed an interest free loan of Rs.5,00,000 from the university on 1 <sup>st</sup> June 2018 for her daughter's marriage. SBI reference rate of interest for such a loan is 10% p.a. She repaid the entire loan on her retirement.	
11. She earned a sum of Rs.50,000 as remuneration from consulting assignments from a private company.	
12. She was member of Board of Studies of other universities from which she earned Rs.20,000 as sitting fee.	
13. She received an allowance of Rs.10,000 for purchase of books.	
14. She visited Nepal for a project on SAARC Fellowship of Rs.2,00,000.	
15. She was awarded the Best Teacher Award by the university. She received a Memento worth Rs.30,000 and a cash prize of Rs.50,000 in January 2022.	

From the above information, calculate income under the head salaries of Ms.Seema using relevant provisions of the Income Tax Act, 1961 as amended by the Finance Act, 2021 for the Assessment Year (A.Y.) 2022-23.

Q.3 Mr. Jeevan owns 4 houses, particulars of which are as follows: (Amounts in Rupees) (10)

Particulars	I	II	III	IV
Nature of Occupation	<i>Let out</i>	<i>Self-occupied for residence</i>	<i>Self-occupied for business</i>	<i>Self-occupied for residence</i>
Municipal valuation	30,000	5,000	68,000	95,000
Fair rent	39,000	18,000	77,000	95,000
Standard rent	36,200	12,000	75,000	90,000
Rent (if property is let out for the entire year)	42,000	-	-	-
Unrealized rent	3,500	-	-	-



Municipal Taxes: Paid by Jeevan: Paid by tenant:	- 3,000	500 -	7,000 -	9,000 -
Repairs and maintenance	12,000	3,000	6,000	8,000
Outstanding amount of borrowings for construction as on Apr 01, 2021	15,00,000	20,00,000	30,00,000	24,00,000
Rate of interest applicable on home loan	8%	7.5%	7%	8.5%
Advance rent	7,000	-	-	-
Opportunity cost of rent	-	-	1,50,000	-
Non-refundable deposit (1 year)	5,000	-	-	-
Brokerage paid for loan	2,000	3,000	3,000	4,000

From the above information, compute income under the head house property for Mr. Jeevan for the Assessment Year (A.Y.) 2022-23. Also, discuss rationale of tax treatments for interest on borrowings for the houses on the basis of decided cases.

- Q.4 From the following Profit and Loss Account of Unique Ideas Ltd., a domestic company providing services, for the year ended 31.03.2022 and the additional information, compute income under the head 'profit and gains of business and profession' for the A.Y. 2022-23. Also, mention the specific deductions the company would not be able to avail should it opt for section 115BAA. (10)

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Purchases	20,00,000	By Sales	40,00,000
To Expenditure on scientific research	6,00,000	By Commission	1,00,000
To Goods and Services Tax (GST)	3,00,000	By Interest	1,50,000
To Depreciation	4,00,000	By Unexplained receipts	3,00,000



To Advertisement expenses	40,000	By GST Credit	1,00,000
To Keyman insurance premium	60,000	By Insurance claim on keyman insurance policy	2,00,000
To Income Tax	1,60,000	By Non compete fees	1,00,000
To General expenses	6,40,000	By Export subsidy	50,000
To Net profit	8,00,000		
<b>Total</b>	<b><u>50,00,000</u></b>	<b>Total</b>	<b><u>50,00,000</u></b>

**Additional Information:**

- Purchases include these items: Goods of Rs.40,000(uninsured) were burnt by fire. A free sample of Rs.10,000 received from a supplier was included in Purchases. Purchases also include gift of goods of Rs.30,000 given to a relative. It did not include a compensation received for a defective consignment of goods from a customer for Rs.10,000.
- Scientific Research expenses include capital expenditure on research of Rs.50,000. It also includes a penalty of Rs.10,000 for violating a code of conduct prescribed by the Govt. of India. A donation of Rs.50,000 made to CM Relief Fund was shown under scientific research. A research project costing a revenue expense of Rs.20,000 conducted in house did not succeed in developing any outcome.
- Goods and Service Tax of Rs.1,00,000 was due but not paid.
- General Expenses include a lobbying expense of Rs.30,000 with government officials. It also includes the following:
  - Gifts in cash of Rs.30,000 to a relative.
  - An amount spent for holidays of promoter directors of Rs.20,000
  - An amount of USD 500 (Equivalent Indian Rupees Rs.35,000) for advertising in a foreign electronic media.
  - A donation to a political party of Rs.1,00,000.
- Depreciation is chargeable on the following assets only:

Plant and Machinery (20% block)	WDV: Rs.40,00,000
Plant and Machinery (40% block)	WDV: Rs.20,00,000 Rs.1,00,000 of Plant & Machinery was purchased on 31/12/2021 and used subsequently.



Buildings (10% Block)	WDV: Rs.10,00,000 New building was purchased on 10/01/2022 and used throughout the year.
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6. GST credit is accrued but not yet received.
7. Insurance claim of Rs.50,000 is admitted but yet to be received.
8. The source of unexplained receipt is a customer but it is not yet clear as to why the customer has deposited the amount.

Q.5 From the following information, compute taxable Capital Gains of Mr. Arpan for the Previous Year 2021-22. Explain with reasoning and decided cases, the exemptions Mr. Arpan will be entitled to avail under various provisions of exemptions applicable to Capital Gains. (10)

The following assets were sold:				
Asset	Date of Sale	Sale Proceeds (Rs.)	Date of Acquisition	Cost of Acquisition (Rs.)
Residential House Property	05/04/2021	20,00,000	01/01/2016	19,00,000
Rural Agricultural Land	10/12/2021	45,00,000	Inherited on 01/04/2002	-
Urban Agricultural Land	19/03/2022	13,00,000	31/03/2002	3,00,000
Personal Furniture	15/11/2021	50,000	16/08/2005	15,000
Plant and Machinery	23/04/2021	5,00,000	14/07/2011	WDV-4,00,000
Debentures	04/10/2021	4,50,000	14/07/2012	2,00,000
Gold Wrist Watch (Personal)	30/04/2021	600,000	12/01/2015	2,00,000
Personal Jewellery (Diamond)	03/04/2021	6,00,000	23/02/2002	30,000



<b>The following new assets were purchased:</b>		
Patents	03/09/2021	3,00,000
Residential House Property	18/08/2021	15,00,000
Commercial House Property	13/03/2022	45,00,000
NHAI Bond	16/06/2021	15,00,000
Rural Agricultural Land	15/09/2021	10,00,000
<b>The following value of new assets were sold:</b>	<b>Date of Sale</b>	<b>Amount(Rs.)</b>
Patent	30/09/2021	3,00,000
Rural agricultural land	31/01/2022	6,00,000
NHAI bonds	25/03/2022	5,00,000

<b><u>Cost Inflation Index (CII) Values:</u></b>		
<b>Sl. No.</b>	<b>Financial Year</b>	<b>Cost Inflation Index</b>
1	2001-02	100
2	2002-03	105
3	2003-04	109
4	2004-05	113
5	2005-06	117
6	2006-07	122
7	2007-08	129
8	2008-09	137
9	2009-10	148
10	2010-11	167
11	2011-12	184
12	2012-13	200



13	2013-14	220
14	2014-15	240
15	2015-16	254
16	2016-17	264
17	2017-18	272
18	2018-19	280
19	2019-20	289
20	2020-21	301
21	2021-22	317

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