

EXAMINATION OF ARTICLED CLERKS**PAPER IV****TAXATION**

WEDNESDAY, 23RD NOVEMBER, 2016

TIME : 3 HOURS [1-00 P.M. TO 4-00 P.M.]

(TOTAL MARKS—100)

- Notes.**— (1) Figures to the right indicate *full* marks.
 (2) Answer should be legible and to the point.
 (3) Answer to every question should be on a fresh sheet of paper.
 (4) Reference to “the Act” means Income Tax Act, 1961.

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| 1. Explain in brief what is a slump sale? What are the provisions for computation of capital gains in a case of slump sale? | 10 |
| 2. What is a “Capital Asset”? What is not a “Capital Asset”? What is excluded from the definition of “Capital Asset” under section 2 (14) of the Act? What are the assets not described as Capital Assets which are liable to be taxed under the head “Capital Gains”? | 10 |
| 3. You are acting for the purchaser, purchasing a flat from a Non-Resident. What precautions would you suggest to your client whilst making payment of the earnest money and / or deposit and the balance purchase price to protect claims from the Tax Department against your client? | 5 |
| 4. Your client is a tenant of a residential flat. The landlord has offered to your client an amount to vacate the flat and surrender the tenancy. Whether surrender of the flat by your client to the landlord and receipt of compensation by your client is liable to be taxed? If so under what head of income? Whether the amount received can be utilized by your client for purchasing a flat or by investment in specified securities or both? | 5 |
| 5. Differentiate between Tax Planning and Tax Avoidance. | 5 |
| 6. A Developer has given a proposal to a Co-operative Housing Society in Mumbai and its members for redevelopment of the property of the Society by demolishing the existing building and reconstructing a new building utilizing the entire FSI of the land plus TDR plus Fungible FSI by making payment if required. Upon development each member will get a flat of same area or of a higher area in the newly constructed building and there would be a lump sum amount payable to each members of the Society. You have to advise the Society and its members on the tax implication of this Development Agreement. | 10 |
| 7. What does the expression “Charitable purpose” mean under the Act Discuss briefly the provisions regarding income of a Charitable Trust with special reference to accumulation of income? | 5 |
| 8. Discuss the taxability or otherwise of the following in the hands of the recipient under section 56 of the Act :—
(a) Atul purchased a piece of land from M/s. Ramesh and Co., a partnership concern, for ₹ 7,49,000. The ready reckoner / stamp duty value of the property was ₹ 15,00,000. | 10 |

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- (b) Mr. Manmohan received 50 shares of ACC Ltd. from his friend as a gift on the occasion of his birthday. The fair market value of these 50 shares on that date was ₹ 450/- per share. He had also received jewellery worth ₹ 60,000 (fair market value) from his niece on the same day.
- (c) Anil, a member of his father's HUF, transferred a house property to the HUF without consideration. The ready reckoner / stamp duty value of this house property is ₹ 11,20,000/-.
9. Discuss provisions relating to principles underlying Capital Expenditure and Revenue Expenditure citing decisions. 5
10. Discuss very briefly five deductions available to an individual under the provisions of Chapter VI A of the Act. 10
11. Explain the provisions of carry forward and set-off of business losses under section 72 of the Act. 5
12. Explain Bad Debt and its effect on Income Tax liability. 5
13. A Tenant transfers his tenancy rights in the premises to another with the consent of the landlord and receives an amount : 10
- (a) Whether such transfer is liable to capital gains ?
- (b) What would be the cost of acquisition in respect of the said premises ?
- (c) Whether such transfer is regarded as transfer of house property ?
- (d) In what circumstances such transfer is not chargeable to capital gains ?
14. What is a discretionary trust ? How is the assessment made in respect of a discretionary trust ? 5