

EXAMINATION OF ARTICLED CLERKS

PAPER IV

TAXATION

Monday, 20th May, 2013

TIME : 3 HOURS (1.00 P.M. TO 4.00 P.M.)

(Total Marks – 100)

- Notes.*—(1) Figures in the right hand side indicate *full* marks.
 (2) Answers should be legible, precise and to the point.
 (3) Answers to every question should be on a fresh sheet of paper.
 (4) No tax computations are required under any of the questions.
 (5) Reference to the Act means Income Tax Act, 1961.

	Marks
1. Discuss provisions relating to principles underlying capital expenditure and revenue expenditure.	12
2. (a) Whether the following receipts are taxable under the head 'Salaries' stating relevant provisions of the Act :—	5
(i) Any arrears of salaries paid or allowed to an employee in a previous year by or on behalf of an employer or a former employer, if not charged to income tax for any earlier previous year?	
(ii) Any annuity or pension,	
(iii) Any gratuity any advance of salary,	
(iv) Any payment received by an employee in respect of any period of leave not availed by the employee,	
(v) the contribution made by the employer in a previous year to the account of an employee under a pension scheme referred to in section 80CCD.	
(b) Discuss provisions relating to gratuity received by an employee of private sector stating relevant provisions of the Act.	4
(c) Discuss provisions relating to relief when salary is paid in arrears stating relevant provisions of the Act.	4

OR

Discuss provisions relating to relief to an employee who receives house rent allowance from his employer stating relevant provisions of the Act and the Income Tax Rules, 1962.

3. (a) Discuss provisions relating to appeal before the Supreme Court of India under the Act.	6
(b) Discuss powers to admit additional evidence(s) under the Act :—	6
(i) before the Tribunal, and	
(ii) before the High Court.	
4. * How is the income from House Property determined ?	10
* What are the deductions permissible under this head of income ?	
* What are the amounts that are not deductible from income under this head of income ?	

OR

Discuss the types of income of other persons that are to be included in

- 5 Discuss whether the following receipts are taxable and also indicate the head of income under which the same is taxable :—
- (a) Bonus shares received by an equity shareholder.
- (b) Loan advanced by a company in which public are not substantially interested to a person holding 15% of the beneficial ownership share capital of the Company.
- (c) Medical allowance received by an employee, the entire amount of which has been spent by him for medical treatment.
- (d) Receipt of a cash gift of Rs.60,000 from a friend on the occasion of wedding anniversary.
- (e) Contribution to provident fund recovered from an employee by an employer.
- (f) Gift of a plot of land given to a lawyer by one of his clients. The lawyer has been fully compensated for his services and this gift has been given in appreciation of his personal qualities.
- (g) A lawyer closed down his profession. Subsequently he accepted a case on the insistence of his friend, but advised his friend to pay the fee payable to him directly to a charitable trust.
- (h) Payment from an unrecognized provident fund at the time of retirement which consists of employer's contribution and interest on both contributions.

8

OR

Discuss the taxability or otherwise of the following in the hands of recipient under section 56 of the Act :—

- (a) Ms. Dhillon purchased a land from ABC Co., a partnership concern, for Rs.5,50,000. The stamp duty value of the same was Rs.10,00,000.
- (b) Patel HUF gifted a computer to the son of karta for scoring good marks in final LLB examination. The fair market value of the computer is Rs.60,000.
- (c) Mr. Manmohan received 50 shares of XYZ 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 Rs.300 per share. He had also received jewellery worth Rs.37,000 (fair market value) from his niece on the same day.
- (d) Sharad, a member of his father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of this house property is Rs.12,00,000.
- (e) Kamalakant HUF received Rs.1 lakh in cash from nephew of Kamalkant (i.e. son of Kamalkant's sister). Kamalakant is the karta of the HUF.

6. Write short notes on (any **four**) :—

20

- (a) Tax planning v. tax avoidance.
- (b) Rectification of mistake.
- (c) Dividend Distribution Tax.
- (d) Agricultural income.
- (e) Slump sale.
- (f) Liability of directors of a private limited company in liquidation.
- (g) Residence in India.

7. Explain in brief :—

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- (a) Under what circumstances certain transfers are regarded as void under section 281 of the Act.
- (b) What are the exceptions to the said provisions?
- (c) What are the safeguards to be adopted to avoid tax liability ?

8. Answer any **three** with reasons :—

- (a) In A.Y. 2007-08, the assessee sold her residential property and from the sale proceeds, purchased residential property and bonds. The property and the bonds were purchased in the joint names of herself and her husband. Is the assessee entitled to the full benefit under Section 54 & 54 EC of the Act or 50% of the claim for direction? Advise the assessee.
- (b) The assessee was an exporter and was eligible for deduction u/s. 10A. Due to diminution in rupee value, the assessee gained a higher sum in rupee value while earning the export income. The assessee claimed the deduction of the whole of the export profit u/s. 10A including the gains on account of fluctuation in rate of foreign exchange. The Assessing Officer disallowed the claim in respect of the gains on account of rate of foreign exchange. Please advise the assessee.
- (c) Assessee was carrying on the business of conducting and managing a restaurant. Under an agreement, assessee had granted a license and permission to J to conduct and manage the restaurant business. Dispute arose between the assessee and J, which resulted in the filing of a suit before the City Civil Court, in which consent terms were arrived at and a decree was passed by consent. As per the consent decree, the assessee made payment to J which included settlement charges of Rs. 5,50,750/-. The assessee had also incurred legal expenditure of Rs.1,65,500/- in that respect. The assessee claimed both these amounts as deduction as revenue expenditure. The Assessing Officer disallowed the claim. Please advise the assessee.
- (d) The assessee is in the business of manufacturing telecommunication and power cables. For the A.Y. 2001-02, the assessee claimed deduction of the software expenditure as revenue expenditure. The Assessing Officer disallowed the claim, holding it to be capital expenditure. Please advise the assessee.
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