

January - 2007

Subject Code—5876-X

**B.B.A. (Third Year) EXAMINATION**

(Re-appear)

BBA-306

**INCOME TAX LAW AND PRACTICE**

*Time : 3 Hours*

*Maximum Marks : 80*

**Note :** Attempt any *Five* questions. All questions carry equal marks.

1. "Income-Tax is charged on income yet it is not properly defined in the Income-Tax Act, 1961." Discuss this statement and give the essential characteristics of the term 'Income'.  
16
2. What are the different categories of assesseees according to their residential status ? How is the status determined ? Explain the incidence of residence on tax liability.  
16

3. Mr. D is the principal of a college at Delhi. He is in the grade of Rs. 12000-420-18300 since 1st January, 2000. He gets 60% of his basic salary as dearness allowance and 10% of the basic pay as city compensatory allowance. He has been provided with a furnished house by the college owned by it, of the estimated rental value of Rs. 12,000 p.m. Furniture costing Rs. 25,000 has also been provided by the college. Shri D has been using his personal car of 1600 cc for his official and personal purposes also. The driver's remuneration and all expenses of the car amounting to Rs. 25,000 are borne by the college. He has been provided with the facility of a gardener, a watchman and a servant who are paid salary by the college @ Rs. 450 p.m., Rs. 450 p.m. and Rs. 300 p.m. respectively. In the month of Jan., 2005 he surrendered leave and got one month's basic pay and dearness allowance.

He contributes 15% of his pay and D.A. to the recognised provident fund towards which the college contributes an equal amount. Interest amounting to Rs 12,500 @ 12.5% has been credited to his PF account.

Assuming that salary becomes due on 1st day of the next month, determine his taxable income under the head 'Salaries' for the assessment year 2005-06. 16

4. Explain the capital gains which are exempt partially or wholly under Income Tax Act. 16
5. What do you understand by 'Clubbing of Income' and 'Converted Property' ? How is the income of 'Converted Property' and 'Impartible Estate' treated for tax purposes ? 8,8
6. From the following information compute the total income of the firm and tax payable by it for the assessment year 2005-06 :
- (a) Profit from small scale industrial undertaking established in rural area in Feb., 2002 Rs. 40,800
  - (b) Profit from business of poultry breeding Rs. 50,000
  - (c) Short-term capital gains Rs. 25,000
  - (d) Long-term capital gains Rs. 50,000
  - (e) Interest from Bank Rs. 6,000



- (f) Loss from house property Rs. 15,000 on account of interest on loan taken to construct the property.
- (g) Donation to approved charitable institution Rs. 15,000. 16
7. Explain the term 'Company'. How does Indian Company differ from Domestic Company ? Also explain the terms 'General Amalgamation' and 'Special Amalgamation'. 8,8
8. Write notes on the following :
- (a) Revised return of Income
  - (b) Permanent Account Number
  - (c) Self Assessment. 5,5,6
9. Briefly explain the provisions of payment of advance tax for company operating in India. 16
10. What is the difference between double taxation relief and double taxation avoidance ? 16