LL.B. III Term

<u>Paper – LB – 3033 – Taxation-I (Income Tax)</u>

<u>Prescribed Legislation :</u> The Income Tax Act, 1961

<u>Prescribed Book :</u>

1. Vinod K. Singhania & Kapil Singhania, **Taxmann's *Direct Taxes* – Law & Practice**
2. Girish Ahuja & Ravi Gupta, ***Direct Taxes – Law and Practice***

<u>Topic 1:</u> <u>Introduction</u>

Definition of Income [Section 2(24)] – Application of Income or diversion by overriding title - Capital Receipt v. Revenue Receipt - Tests to distinguish (with special reference to 'Salami'); Assessee; Previous Year (section 3); Assessment year; Basis of charge (Receipt, Accrual, and Arisal); General Scheme of Income Tax Act, 1961

<u>Topic-2 :</u> <u>Agricultural Income</u> – Meaning of Agricultural Income [Section 2(1A), 10(1)]

<u>Topic-3 :</u> <u>Residence and Scope of Total Income</u>

Tests for the determination of residential status of Assessee (section 6); Total income of assessee (sections 4 and 5); Income deemed to accrue or arise in India (section 9); Incidence of tax varies with residential status of an assessee?

Topic-4 : Heads of Income (Sections 14-59)

Heads of Income (section 14), Rationale; Heads, whether mutually exclusive

Head A : Salaries (Sections 15 to 17) – Chargeability - Meaning of Salary; Perquisites; Profits in lieu of salary

[**Head B :** Omitted by the Finance Act, 1988 with effect from 1-4-1989]

Head C : Income from House Property (Sections 22 to 27) - Ingredients of section 22 - Annual Value how to be determined - Deductions under section 24 - Deemed owner (section 27)

Head D : Profits and Gains of Business and Profession (Sections 28 to 44) –Applicability - Deductions - Bad debts

Business Expenditure – Allowability - Tests of distinctions between Business expenditure and Capital expenditure [section 37(1)]

<u>Head E:</u> **<u>Capital Gains</u>** (Sections 45 to 55) – Definition of capital assets [section 2(14)]; Short term capital assets [section 2(42A)]; Short term capital gains [section 2(42B)]; Long term capital assets and Long term capital gain [section 2(29A) and 2(29B)]; Meaning of 'Transfer'[section 2(47)]; computation (section 45); Transactions not amounting to transfer (sections 46 and 47); Mode of computation (section 48); Meaning of 'adjusted', 'cost of improvement' and 'cost of acquisition'(section 55)

<u>Head F:</u> **<u>Income from Other Sources</u>** (Sections 56 to 59)

<u>Topic 5 :</u> **<u>Income of Other Persons included in Assessee's Total Income</u>** (Sections 60 to 64) - concept of clubbing of income – justifiability - throwing of separate property into the common stock of Joint Hindu Family and subsequent partition of the same section 64(2)

<u>IMPORTANT NOTE</u>:

1. The topics and cases given above are not exhaustive. The teachers teaching the course shall be at liberty to add new topics/cases.

2. The students are required to study the legislations as amended up-to-date and consult the latest editions of books.

3. The question paper will include one compulsory question. The question papers set for the examinations held during 2010-11 and 2011-12 are printed below for guidance of the students.

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LL.B. III Term Examinations, December 2010

<u>Note</u>: Attempt *five* questions including Question No. 1 which is compulsory.
All questions carry *equal* marks.

1. Attempt briefly any *four* of the following:
   (i) Explain 'Profits in Lieu of Salary'.
   (ii) Explain the meaning of 'Deemed owner' as provided in Section 27.