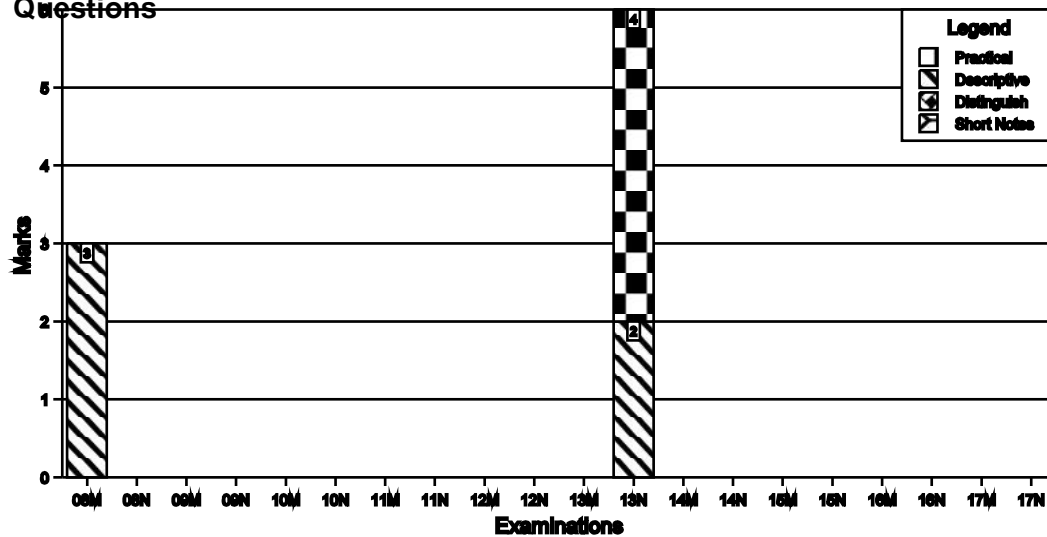


Star Rating

On the basis of Maximum marks from a chapter Nil
 On the basis of Questions included every year from a chapter Nil
 On the basis of Compulsory questions from a chapter Nil

CHAPTER	Basic Concepts
1	
THIS CHAPTER COMPRISES OF	
☞ Important Definitions ☞ Previous year and Assessment year ☞ Charge of Income-tax ☞ Rates of Tax ☞ Surcharge.	

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions



Solved Scanner CA Final Group-II Paper - 7 (New Syllabus)

DESCRIPTIVE QUESTIONS

2008 - May [6] (a) "Income-tax Act, 1961 extends to whole of India". What meaning has been assigned to "India" under this Act ? (3 marks)

Answer :

According to Sec. 2(25A) India means the territory of India as referred to in Article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 and the air space above its territory and territorial waters.

2013 - Nov [3] (a) Examine the following statements in the context of provisions contained in the Act relevant for the previous year ended on 31.03.2018:

- (i) The additions to income made by invoking provisions of Section 68 are subject to normal rates of tax as applicable to the assessee.

(2 marks)

Answer:

The said statement is false since u/s 115BBE, where the total income of the assessee includes income by way of additions u/s 68, he shall be liable to tax @ 30% (plus surcharge, if applicable and 3% education cess) on the income u/s 68.

PRACTICAL QUESTIONS

2013 - Nov [4] Examine critically any four out of the following problems/issues/cases in the context of provisions contained in the Act relevant for assessment year 2018-19. Support the answer with the case laws.

- (i) A company received liquidated damages of ₹ 25 lacs from the suppliers of plant & machinery for failure to supply the plant and machinery within the stipulated time. The Assessing Officer treated the same as income chargeable to tax as against the claim of the

company of treating as capital receipt.

(4 marks)

Answer:

Liquidated damages received in connection with a capital asset are capital receipts. It should be reduced from the purchase price of the P&M for calculating actual cost. Hence the treatment of the AO of such receipt as taxable is not tenable. Similar view was echoed by the Supreme Court in *CIT vs Saurashtra Cement Ltd. (2010)*.