

BASIC CONCEPTS

Question 1

Explain the concept of "Marginal Relief" under the Income-tax Act, 1961. (4 Marks)(Nov 2008)

Answer

The concept of marginal relief is applicable only in the case of companies w.e.f. A.Y.2010-11. Marginal relief is available in case of companies having a total income exceeding Rs.1 crore i.e. the additional amount of income-tax payable (together with surcharge) on the excess of income over Rs.1 crore should not be more than the amount of income exceeding Rs.1 crore.

Question 2

- (a) Explain "Previous year" for undisclosed sources of income. (4 Marks)(June 2009)
- (b) Define the meaning of "Infrastructure Capital Fund" as per section 2(26B) of the Income-tax Act, 1961. (4 Marks)(June 2009)

Answer

- (a) There are many occasions when the Assessing Officer detects cash credits, unexplained investments, unexplained expenditure etc., the source for which is not satisfactorily explained by the assessee to the Assessing Officer. The income from these undisclosed sources of income would be deemed to be the income of that financial year for which assessee failed to explain the nature or source of income.
- (i) Cash credit - previous year is that previous year for which Assessing Officer finds any credit in the books of the assessee.
 - (ii) Unexplained Investments - previous year is that financial year in which the assessee has made investments which are not recorded in the books of account.
 - (iii) Unexplained money etc. - previous year is that financial year in which the assessee is found to be owner of any money, bullion, jewellery or other valuable article which are not recorded in the books of account.
 - (iv) Amount of investments etc. not fully disclosed in the books of account - previous year is that financial year in which the assessee is found to be the owner of any

Taxation

money, bullion, jewellery or other valuable article the value of which exceeds the amount recorded in the books of account.

- (v) Unexplained expenditure – previous year is that financial year in which the assessee incurs unexplained expenditure.
- (vi) Amount borrowed or repaid on hundi – previous year is that financial year in which the assessee has borrowed any amount on a hundi or repaid any amount due thereon other than through account-payee cheque drawn on a bank.

Note - Students may mention any two out of six examples given above.

- (b) As per section 2(26B) of the Act, "Infrastructure Capital Fund" means such fund operating under a trust deed registered under the provisions of the Registration Act, 1908 established to raise monies by the trustees for investment by way of acquiring shares or providing long term finance to -
 - (i) any enterprise or undertaking wholly engaged in the business referred to in section 80-IA(4) or section 80-IAB(1) or
 - (ii) an undertaking developing and building a housing project referred to in section 80-IB(10) or
 - (iii) a project for constructing a hotel of not less than three-star category as classified by the Central Government or
 - (iv) a project for constructing a hospital with at least 100 beds for patients.

Question 3

Describe average rate of tax and maximum marginal rate under section 2(10) and 2(29C) of the Income-tax Act, 1961. (4 Marks) (Nov 2009)

Answer

As per section 2(10), "Average rate of Tax" means the rate arrived at by dividing the amount of tax calculated on the total income, by such total income.

Section 2(29C) defines "maximum marginal rate" to mean the rate of income tax (including surcharge on the income-tax, if any) applicable in relation to the highest slab of income in the case of an individual, AOP or BOI, as the case may be, as specified in Finance Act of the relevant year.