

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2022

16/17/18UCO5MC03 – INCOME TAX LAW AND PRACTICE

Date: 17-06-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

PART-A

Answer all questions:

10X2= 20 MARKS

1. What is meant by Perquisites?
2. Define Assessment Year.
3. What are revenue receipts? Give examples.
4. When a company is Resident and Non-resident?
5. Write a note on Gratuity.
6. Define Profession.
7. What do you mean by income From Other Sources?
8. What do you mean by commuted pension?
9. What do you understand the term “Incidence of Tax”?
10. Define Capital gains.

PART—B

Answer any four questions:

4X10= 40 MARKS

11. Explain in brief the fully taxable allowances from Salary.

12. Mr. Chandra is an employee of an industrial unit at Guwahati. The particulars of his income from salary areas under:

(1) Basic Salary	
(2) Dearness allowance	Rs. 40,000 per month
(3) Bonus	Rs. 30,000 per month
(4) Entertainment allowance	Rs. 30,000
(5) House rent allowance	Rs. 6,000 per month
(6) He contribute 15% per month of his basic salary towards recognized provident fund	Rs. 30,000 per month
(7) His employer also contributes 15% of basic salary towards recognized provident fund	
(8) Interest credited to recognized provident fund @ 12% p.a.	Rs. 12,000
(9) A car of 1.8 litre capacity was provided by the employer for office and private use.	
All expenses of the car are borne by the employer.	
(10) He paid professional tax—	Rs.1,300

Compute income under the head salary for the Assessment Year 2021–22.

13. Mr. Rajesh, an advocate, furnishes the following Receipts & Payments A/c for the Previous Year 2020–2021

Receipts & Payments A/c

Receipts	Rs.	Payments	Rs.
To Opening Balances	7,000	By Rent	18,000
To Legal Fees	1,24,000	By Stationery	4,800
To Interest on Debentures	18,000	By Books (annual publications)	6,000
To Rent from Property	24,000	By Travelling Expenses	18,000
To Gifts from Clients	30,000	By Telephone	16,600
To Examiner's Fees	24,000	By Income Tax	12,400
To Special Commission Fees	15,000	By Office Expenses	19,200
		By LIC Premium	3,200
		By Donations	6,000
		By Motor Car Expenses	12,800
		By Purchase of Court Fees Stamps	9,000
		By Balance c/d	1,16,000
	2,42,000		2,42,000

Additional Information:

- Closing stock of stationery— 600.
- Closing stock of court stamps— 1,800.
- Gifts from clients include— 6,000 received from his mother.
- Donation is given to National Children Fund.
- 1/4th of motor car expenses is for personal use.

Compute the professional income of Mr. Rajesh.

14. What do you mean by capital assets? And explain its different types.

15. Mr. D is employed as an accountant in an office in Guwahati. He furnishes the following particulars related to the Previous Year 2020–2021:

(1) Salary	Rs. 41,000 p.m.
(2) Income from let-out house	Rs. 9,000 p.m.
(3) Income from cloth business	Rs. 55,000
(4) Interest on savings Bank Account	Rs. 18,000
(5) Dividend from Indian Company	Rs. 10,000
(6) Dividend from foreign company	Rs. 70,000
(7) Short-term capital gain	Rs. 9,000
(8) Long-term capital gain	Rs. 15,000
(9) Winning from lottery (net)	Rs. 35,000

During the previous year, Mr. D had contributed Rs.12, 000 towards recognized provident fund. He has also made donations to a political party (by cheque) Rs.5, 000; Assam Govt.CM Relief Fund Rs.15, 000 and PM's National Relief FundRs.10,000. Compute total taxable income of Mr. D for the Assessment Year 2021–22.

16. Explain the Admissible deductions under Business and profession.

17. Following are the particulars of taxable income of Sri Arjun for the previous year ended 31st March 2021:

- a) Royalty received from Govt. Of India Rs. 24,000
- b) Income from business earned in Afghanistan Rs. 25,000 of which Rs. 15,000 were received in India.
Business is controlled from India.
- c) Interest received from Sri Kumar, a non-resident against a loan provided to him to run a business in

India Rs. 5,000.

- d) Royalty received from Sri Al-Aftan, a resident for technical services provided to run a business outside India Rs. 20,000
- e) Income from business in Jaipur Rs 40,000; this business is controlled from France Rs. 20,000 were remitted to France.

Find out the GTI of Sri Arjun for A.Y 2020-21, if he is: (i) R-OR (ii) R-NOR (iii) NR

PART-C

Answer any two questions:

2X20=40 MARKS

18. The following are particulars of Mr. Lokesh's income:

- (i) Salary Rs. 2, 14,000 per annum.
- (ii) Dearness Allowance (under the terms of employment) Rs .72, 000 per annum
- (iii) Education allowance (for three children) Rs .5, 200 per annum.
- (iv). Medical allowance (actual expenditure Rs .8000) Rs .9000 per annum.
- (v) Rent free house in a city with population 15 lakhs) for which the company paid Rs .4, 000 per month as rent. The house is furnished and the rent of the furniture is Rs .1, 500 per month.
- (vi) The company spent Rs .4, 000 on her refresher course.
- (vii) The contribution to R.P.F. Rs .28, 000 and employer's contribution 26,000.
- (viii) Professional tax 1,000 paid by Mr Lokesh .

Computation of taxable Income from salary for the AY 2021-22.

19. Explain the Exemption and relief for house property income.

20. The following is the Profit and Loss Account of the Raj Oil Mills for the financial year 2020-21.

Compute its business income on the basis of additional information.

Profit and Loss Account

(For the year ended 31st March, 2021)

Particulars	Rs	Particulars	Rs
Office Salaries	15,000	Gross Profits	80,000
General Expenses	7,000	Profit on Sale of car	15,000
Bad Debts	1,000	Recovery of bad debts	5,000
Advertising Expenses	3,700	Interest on Govt. Securities	3,500
Insurance Premium (fire)	1,500	Dividends	3,500
Depreciation	5,000	Gifts on the occasion of Gruhapravesam	5,000
Reserve for bad debts	3,000		
Donation to a school	2,500		
Car Expenses	2,000		
Net Profit	71,300		
Total	1,12,000	Total	1,12,000

Additional information:

(a) General expenses include:

- (i) Rs 2,500 as compensation paid to an accountant who had to be removed from service in the interest of business, and
- (ii) Rs 3,300 as contribution paid to the Govt. for laying electric cables for the company's plant.
- (b) Depreciation as regards to the relevant blocks of assets under the Income Tax Act was Rs 3,500.
- (c) In the assessment year 2015-16 the Assessing Officer had refused to allow deduction for the bad debts of Rs 5,000 now recovered.
- (d) Car expenses include Rs 500 attributable to use of car for personal work.

21. Explain in brief any FIFTEEN incomes which are exempted u/S 10 of the Income-tax Act, 1961