

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**B.Com. DEGREE EXAMINATION – COMMERCE****FIFTH SEMESTER – APRIL 2023****UCO 5502 – INCOME TAX LAW AND PRACTICE**

Date: 03-05-2023

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

PART- A**Answer ALL Questions:****(10 X 2 = 20)**

- Briefly explain any two incomes exempted from Tax.
- Who is an Ordinary Resident?
- X has three children. Mr. X is working in A Ltd. and getting children education allowance Rs.500 per month and hostel allowance Rs.1,000 per month. Compute taxable children education allowance and hostel allowance.
- Calculate the taxable amount of contribution and interest credited to R P F.
 - Salary Rs. 48,000 p.m.
 - Commission @ 1% of turnover of Rs.80,00,000 achieved by him during the previous year.
 - Employer's contribution to R.P.F is Rs.7,000 p.m.
 - Interest credited to R.P.F balance @ 12% p.a is Rs.72,000.
- How deemed to be let-out house is treated under Income from House Property?
- Compute ARV in the following case:

MRV	Rs.48,000 p.a
Actual Rent Received	Rs.50,000 p.a
Lift & pump maintenance charge borne by owner	Rs.6,000 p.a

- What is the base for computing Business profits?
- Define Business.
- Cost of acquisition in 2002- 03 is Rs.1,20,000. Find out Indexed Cost of acquisition if sold in 2021- 22. [C.I.I for 2002-03 is 105 and for 2021- 22 is 317].
- From the following investments held by Mr. R., Calculate his income from other sources for the year ending 31/03/2022.
 - Rs.31,840, 10% (Tax free) Commercial securities
 - Rs.6,286 received as interest on Tax Free Public limited company's securities (Listed).

PART- B**Answer any FOUR Questions:****(4X 10= 40)**

- Discuss the canons of taxation.
- Compute the total income of Mr. R for the AY 2022-23 if he is Ordinary Resident, Not Ordinary Resident and Non Resident.

Particulars	Amount (Rs)
Income from business in Mumbai	80,000
Income from house property in Pune	20,000
Income from House property in England and donated there to a notified charitable institution	70,000
Income from agriculture in Nepal; received there but later on remitted to India	60,000
Dividend from Indian Company but received in UK	18,000
Profit from business in England which is controlled from Mumbai Out of this Rs.20,000 were received in India	1,60,000
Interest on bonds issued by UK Govt. out of which 50% is received in India	40,000

Pension from former employer for service rendered in India but received in UK	24,000
Past untaxed income of 2018-19 to 2020-21 brought into India during 2021-22	4,00,000

13. Mr. R a non-Government employee has the following salary details:

- Basic Salary Rs. 5,000 p.m.
 - D.A. Rs. 2,000 p.m.
 - Entertainment Allowance Rs.300 p.m.
 - Professional tax paid by employee Rs. 600
 - LIC Premium paid by employer Rs. 3,600
 - Income tax paid by employee Rs. 2,000
 - Professional tax paid by employer on behalf of employee Rs. 1,600
- Find his taxable salary.

14. Compute income from house property from the particulars given below for the assessment year 2022-23:

Particulars	Amount (Rs)
Municipal Rental Value	24,000 p.a
Actual rent received	30,000 p.a
Ground rent (due)	600 p.a
Fire Insurance premium (due)	400 p.a
Interest on loan taken to construct the house: 2015-16 to 2020-21	@ 15,000 p.a
2021-22	10,000
Interest on delayed payment of interest	1,000
Municipal Taxes	2,400 p.a
Date of Loan	1.04.2015
Date of Completion	1.03.2018
Date of letting	1.04.2018

15. Dr. S, a medical practitioner, furnishes the following summary of cash book for the year ended 31st March, 2022. Compute his Professional Income for the A.Y 2022-23.

Particulars	Rs	Particulars	Rs
To Balance b/d	10,000	By rent of the clinic	18,000
To Consultation fees	60,000	By purchase of Medicines	38,000
To Visiting fees	45,000	By staff salaries	24,000
To gifts & presents	8,000	By Surgical Equipment	40,000
To sale of Medicine	42,000	By Car purchased	1,40,000
To Dividend from UTI	6,000	By Car Expenses	8,000
To life insurance maturity	1,00,000	By household expenses	7,000
To interest from national defense bonds	6,000	By Balance c/d	2,000
	2,77,000		2,77,000

Additional Information:

- 50% of the motorcar expenses incurred in connection with profession. The car was purchased in December 2021.
- Household expenses include Rs. 6,800 for life insurance premium.
- Gifts and presents include Rs. 3,000 from relatives.
- Closing stock of the medicine Rs. 12,000 and on 1.04.2021 opening stock was Rs. 4,000.

16. Mr.S has a residential house property taxable u/s.22. Such property is acquired on 12/08/2005 for Rs.2,00,000. The property is sold on 01/03/2022 for Rs.25,00,000. He acquired another residential house on 31/03/2022 for Rs.17,00,000 for self-occupation. On 01/03/2023, he sold such new residential house for Rs. 30,00,000. Compute his capital gain for the Assessment Years 2022-23 and 2023-24.
CII: 2004-05 = 113; 2005-06 = 117; 2021-22 = 317.

17. Mr. A follows cash basis of accounting and has furnished the Receipts & Payment A/c of previous year 2021-22 for computing his income from other sources:

Particulars	Receipts	Payments
Interest on listed debentures of A Ltd. (Net)	16,200	
Letting of building & machinery @ Rs. 15,000 p.m. under a composite lease	1,50,000	
Collection charges		1,000
Repairs to Machinery		5,000
Interest paid outside India without deducting tax on loan taken for construction of building		8,000
Gift from father	6,000	
Ground rent received (related to financial year 2020-21)	600	

The following additional information are also provided -

Allowable depreciation on Building and Machinery- Rs. 4,000

Fire Insurance on Building and Machinery (not paid) - Rs. 1,000

PART- C

Answer any TWO Questions:

(2X 20 = 40)

18. Mr. A a resident individual is serving in X Ltd. New Delhi (Population more than 25 lakhs) and furnishes the following particulars of his income earned during the year ended 31st March, 2022:

Salary Rs.4,20,000; His own contribution to a R.P.F Rs. 58,800; Employer's contribution to the said fund Rs. 58,800; Bonus Rs. 30,000 (out of this Rs. 6,000 is gratuitous).

- i. He is provided with a motor car of 1.4 lt. capacity, which is owned by the employer, all expenses of maintenance and running being met by employer. He is also provided with a driver for the said car for which the employer makes no charge to him. He uses the car for his personal purposes also.
- ii. Life Insurance premium paid by the employer amounting to Rs. 15,000.
- iii. He is provided with a rent-free unfurnished accommodation the fair rental value of which is Rs. 96,000 p.a. and actual rent of hired furniture is Rs. 800 p.m.
- iv. Gas and electricity bill paid by employer Rs. 12,000.
- v. He was provided with the services of gardener, watchman, and a domestic servant and salary of each of them was Rs. 500 p.m.
- vi. He availed leave travel concession during December 2021 and visited Goa by air along with his wife and two major children. His employer paid him a lump sum amount of Rs. 84,000. The normal one-way airfare for economy class is Rs. 7,500 per person.
- vii. He insured his own life and life of his own wife and paid Rs. 12,000 as premium in May 2021 out of his agricultural income.
- viii. He deposited Rs. 20,000 in ELSS and another Rs. 30,000 in P.P.F in March 2022.

Compute his income under the head salary and qualifying amount for deduction u/s 80 C and the tax liability.

19. Mr. X has three self-occupied houses for his residential purposes, particulars of which are as follows:

Particulars	House I (Rs)	House II (Rs)	House III (Rs)
Municipal rental value	36,000 p.a	24,000 p.a	30,000 p.a
Municipal taxes (50% paid)	4,000 p.a	2,000 p.a	3,000 p.a
Ground rent	600 p.a	500 p.a	1,000 p.a
Fire Insurance premium paid	1,600 p.a	1,000 p.a	2,000 p.a
Interest on loan taken to construct the house	20,000 p.a	15,000 p.a	18,000 p.a
Other Income	-	4,00,000 p.a	-

Advise Mr. X as to which two houses he should claim as self-occupied houses for the A.Y 2022- 23 based on total income mechanism.

20. Following are the details of income from the book of M/s K Traders owned by Mr. S for the Assessment Year 2022- 23.

Profit & Loss Account			
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Opening Stock	72,000	By Sales	12,00,000
To Purchases	8,00,000	By Closing Stock	81,000
To Wages	30,000		
To Carriage & Freight	40,000		
To Gross Profit	3,39,000		
	12,81,000		12,81,000
To Staff Salaries	90,000	By Gross Profit	3,39,000
To Rent & Taxes	20,000	By Life policy amount	5,000
To Advertisement	20,000	By Sale of old machinery	2,000
To Audit Fee	20,000	By Interest	4,000
To Donations	10,000		
To Income Tax	10,000		
To Reserve for Bad Debts	10,000		
To Depreciation	10,000		
To GST	10,000		
To Printing & Stationery	20,000		
To Contribution to Staff Welfare Fund	10,000		
To Patents Purchased	90,000		
To Interest on Capital	10,000		
To Net Profit c/d	20,000		
	3,50,000		3,50,000

Additional information:

- The Opening stock has been valued at cost minus 10% basis, but not the closing stock.
 - Purchase includes a payment for Rs. 30,000 by a bearer cheque to a supplier.
 - Depreciation allowable as per I.T. rules for the year was Rs. 8,000.
 - Freight includes Railway Demurrage Rs. 2,000 and railway penalty Rs. 5,000.
 - Advertisement includes expenses on 30 gift articles given to select customers at a cost of Rs. 300 each.
 - Entertainment expenses of Rs. 8,000 spent during the year has not been debited.
 - He has carried forward the Business loss of Rs 6,000 from the earlier assessments.
- Compute his net business income for the assessment year 2022-2023.

21. Mr. X has sold following assets during the previous year 2021-22

Items	Cost of acquisition	Sale consideration	Year of acquisition
Land	Rs. 10 lacs	Rs. 150 lacs	2000-01
Jewellery	Rs. 30 lacs	Rs. 120 lacs	2008-09

On 31/03/2022, he has purchased a residential house of Rs.30,00,000 for self-occupation as he had no other house till date. Compute capital gain.

CII for the years 2001-02 = 100; 2008-09 = 137; 2021-22 = 317.

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