

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**B.Com. DEGREE EXAMINATION - COMMERCE**

FIFTH SEMESTER – NOVEMBER 2015

CO 5504 - INCOME TAX LAW AND PRACTICE

Date : 03/11/2015

Dept. No.

Max. : 100 Marks

Time : 09:00-12:00

PART - A**Answer ALL the questions****(10 x 2 = 20 Marks)**

1. Who is resident in the case of Individual?
2. Define Assessee.
3. Give any four examples of perquisites.
4. Who is specified employee?
5. What is meant by deemed to be let out?
6. What is subletting?
7. What are deemed profits?
8. What are the provisions relating to preliminary expenses?
9. What is cost of acquisition?
10. Write a short note on Section 54GA.

PART - B**Answer FOUR questions only:****(4 x 10 = 40 Marks)**

11. Discuss any ten incomes which are exempt from Tax.
12. Following are the incomes of Mr. Daniel for the previous year 2014-15:

	Rs.
i. Profit from business in Chennai	10,000
ii. Income accrued in India but received in Japan	4,000
iii. Profit from business in Canada but received in India	5,000
iv. Income from house property in Karachi received in Mumbai	4,000
v. Profit from business established in England and deposited there, the business being controlled from India	20,000
vi. Income from house property in America and deposited there	2,000
vii. Past untaxed income brought into India during the previous year.	10,000

Compute the total income of Mr. Daniel for the assessment year 2015-16 if he is (a) Resident (b) N.O.R. or (c) Non-resident.

13. Explain the perquisites which are taxable only in the hands of specified employees.
14. Mr. Charles owns two houses: on whose municipal valuation is Rs. 3,000 is occupied by him for his own residence and the other whose municipal valuation is Rs. 2,500 is let out at Rs. 250 p.m. The expenses in respect of both the houses are:

	1 st house occupied for own residence	2 nd house (let out)
Municipal taxes	Rs. 300	Rs. 300

Land revenue	150	200
Interest on loan for reconstruction of the houses	300	400
Fire insurance premium	200	200
Interest on mortgage	-	500
Rent collection charges	-	200

The 2nd house remained vacant for two months. Compute his income from house property.

15. Ram is a registered medical practitioner. He has prepared the following income and expenditure account for the year ending 31st March 2015. You are required to prepare a statement showing his income from profession.

Income and Expenditure Account			
	Rs.		Rs.
Household expenses	20,000	Visiting fees	20,000
Car purchased	30,000	Consultation fees	10,000
Travelling expenses (personal)	4,000	Gains on race	10,000
Charity and donations	1,000	Proceeds of sale of shares	34,000
Income tax	2,000	Profit on sale of securities	6,000
Salaries	8,000	Dividend on units	5,000
Gift to daughter	7,000	Interest on P.O Savings bank	600
Establishment expenses	1,000	Gifts from father-in-law	2,000
Surgical equipment	4,000	Bad debts recovered (not allowed in earlier year)	2,000
Books	2,000	Interest on fixed deposit	1,300
LIC premium	2,000		
Wealth tax	1,000		
Interest on capital	1,000		
Surplus	7,900		
	90,900		90,900

Rate of depreciation allowable on car is 15% and surgical equipments is at 15%. In case of books for profession the rate of depreciation is 60%.

16. Mr. Sivabalan received a gift of a house in Nov. 1997 from Mr. Sivakarthic who had purchased it November 1977 for Rs. 6,30,000. Mr. Sivakarthic renovated the house in March 1980 at a cost of Rs. 2,70,000. Its FMV on 1.4.1981 was Rs. 12,00,000. In 1979-80 Mr. Sivakarthic had agreed to sell the house and had received Rs. 1,00,000 as advance money. The sale could not materialise and advance money was forfeited. The house was further renovated in 1987-88 (CII = 150) at a cost of Rs. 1,00,000. Mr. Sivabalan sold the house in December 2014 for Rs. 45,60,000 and paid Rs. 60,000 as brokerage. Computable his taxable capital gain if CII for 1981-82 was 100, 1997-98 was 331 and for 2014-15 it is 1024.
17. From the following particulars of Mr. Edison for the previous year ended 31st March, 2015, compute his total income for the Assessment year 2015-16.

He received:	Rs.
i. Director's fees from a company	10,000
ii. Interest on bank deposits	3,000
iii. Income from undisclosed sources	12,000
iv. Winning from lotteries (net)	24,500
v. Royalty on a book written by him	8,000
vi. By giving lectures in functions	5,000
vii. Interest on loan given to a relative	7,000
viii. Interest on tax free debentures of a company (listed in recognised stock exchange) (net)	3,600

ix.	Dividend on shares	6,400
x.	Interest on post office savings bank account	5400
xi.	Interest on Government securities	2,200

He paid Rs. 100 for collection of dividend and Rs. 1,000 for typing the manuscript of book written by him.

PART – C

Answer any TWO questions only:

(2 x 20 = 40 Marks)

18. Mr. Robin, an employee of a company at Pune (population above 25 lakhs) furnishes the following particulars of his income for the year ending 31.3.2015:

	Rs.
Basic salary	12,000 p.m.
Dearness allowance 50% of salary (50% of D.A. enters into pay for service benefits)	
Bonus one month salary	12,000
Marriage allowance	600 p.m.
Children's education allowance	600 p.m.
Entertainment allowance	1,200 p.m.

Own contribution to RPF at the rate of 12% of salary; his employer is contributing 14.5%. His employer is also contributing 7.5% of salary to an approved superannuation fund. Mr. Robin owns a car which he is using for his personal purposes only and his employer meets all expenses of this car which are Rs. 12,400.

He is provided with a rent free house at Pune the fair rental value of which is Rs. 9,500 p.m. He is required to give up the right of occupation during the period he is leave. He was on leave from 1.11.2014 to 31.12.2014.

Mr. Robin paid life insurance premium of Rs. 12,000, Rs. 4,000 and Rs. 1,000 on the life of self, wife and married daughter.

Calculate income under the head salaries and qualifying amount for deductions u/s 80C if two children of Mr. Robin are studying in a school in India.

19. Raja owns a building consisting of three identical units, the construction of which was completed on April 1, 2014. The building was occupied from April 1 2014 onwards. The particulars pertaining to the three units for the year ended March 31, 2015 are given below:

	Unit I Rs.	Unit II Rs.	Unit III Rs.
Fair rent	60,000	60,000	60,000
Rent received		72,000	
Municipal taxes: Paid	3,000	5,000	3,000
Due but paid on 15.6.2015	3,000	5,000	3,000
Land revenue due but paid on 15.6.2015	1,200	1,200	1,200
Ground rent due, not paid	2,400	2,400	2,400
Nature of occupation	Self occupied for residence	Let out for residence	Used for business

On April 1, 2013, Raja had borrowed a sum of Rs. 5,00,000 bearing interest at 12% per annum for construction of this building. The total cost of construction of the building was Rs. 12,00,000. Compute income from head house property for the assessment year 2015-16.

20. Following are the details of income from the books of M/s Murugan traders owned by Mr. Varma for the year 2014-15:

Profit and Loss Account			
	Rs.		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 and 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 and 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 Deprecation	10,000		
To Sales tax	10,000		
To Printing and 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	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 include 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 to select customers at a cost of Rs.300 each.
- Entertainment expenses of Rs. 8,000 spent during the year have not been debited.
- He has carried forward he business loss of Rs. 6,000 from the earlier assessments.
Compute his net business income for the assessment year 2015-16.

21. Mr. Subramaniyan owns two residential houses-one at Lalgudi and other at Mannargudi. He submits the following information about sale of assets during the previous year 2014-15 (CII: 1024)

Asset	Residential house	Plot	Jewellery
Date of acquisition	5.3.1979	1.11.1990	3.4.2000
Cost of acquisition	Rs. 1,40,000	Rs. 1,60,000	Rs. 80,000
FMV on 1.4.1981	Rs. 2,00,000	-----	-----
CII	100	182	406
Date of sale	15.6.2014	16.6.2014	17.6.2014
Sale price	Rs. 24,00,000	Rs. 11,20,000	Rs. 2,80,000
Investments	Date of acquisition	Amount invested	
Residential house	19.12.2014	Rs. 13,00,000	
Bonds of National Highway Authority of India	12.12.2014	Rs. 1,00,000	

\$\$\$\$\$\$