

# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



## B.Com.DEGREE EXAMINATION –COMMERCE

FIFTH SEMESTER – NOVEMBER 2018

### CO 5504– INCOME TAX LAW AND PRACTICE

Date: 23-10-2018  
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

#### PART- A

Answer ALL Questions:

(10 X 2 = 20)

1. Define the term “Person”.
2. What is meant by Deemed Assessee?
3. What do you mean by Income earned in India?
4. What is “Allowance”?
5. Define the term “Gratuity”.
6. Mr.R an Indian citizen goes to Singapore for employment during the P.Y 2017-18 on 1<sup>st</sup> September 2017. He was in India from his birth during the year 1990. Identify the residential status.
7. Compute taxable HRA of Mr.R who is working in Chennai. Basic salary Rs.3,000 p.m. HRA Rs.350 p.m. ( Rent paid is Rs.400 p.m.). He is getting 2% commission on turnover achieved by him and turnover is Rs.1,50,000.
8. Mr.X is getting a pension of Rs.8,000 per month from a company. During the P.Y he got his three-fourth pension commuted and received Rs. 7,20,000. Compute the exempted amount assuming if he also received gratuity.
9. Compute Gross annual value of a House Property from the following:
  - a) Standard rent is Rs. 75,000.
  - b) Municipal valuation is Rs. 80,000.
  - c) Fair rental value Rs.90,000.
  - d) Monthly rent Rs.7,000.
  - e) Vacancy period was 2 months.
10. Mr.A sold the plot of land on 1<sup>st</sup> July 2018 for Rs.15,00,000, which was purchased in March 2005 at a cost of Rs.4,00,000. Compute the indexed cost of acquisition for the A.Y. 2018-19. CII for 2017-18= 272; 2004-05= 113.

#### PART- B

Answer any FOUR Questions:

(4 X 10= 40)

11. Explain the Principles or Canon of Taxation.
12. Mr.S furnished the following particulars of his investments for the P.Y ended 31/3/2018:
  - a) Rs.30,000 units of UTI (Dividend declared Rs.4,000).
  - b) Rs.40,000 in post office S.B a/c @ 5% interest p.a.
  - c) Rs.90,000 F.D in Syndicate Bank @ 11% interest p.a. made on 1/11/2016. Amount of interest credited to his account.
  - d) Rs.40,000 deposit in Punjab Finance Corporation @ 13% interest p.a.
  - e) Rs.25,000, 10 % debentures of Pfizer Ltd. (listed) (Interest is paid in A/c payee cheque).
  - f) Rs.30,000, 10 % Haryana Electricity Board Bonds.
  - g) Rs.4,500 Interest received on National Development Bonds.
  - h) On 1/11/2017 he purchased Rs. 45,000, 7 % Capital Investment Bonds for which he borrowed Rs.30,000 @ 15 % interest.
  - i) On 25/4/2017 he inherited Rs.45,000, 10 % Debentures of B Ltd. (unlisted) from his uncle.

j) The interest on all these securities is payable on 31<sup>st</sup> December every year.  
From the above compute his income from other sources and bank does not charge any commission on collection of interest on deposits with same bank.

13. Briefly explain about any ten incomes which are exempted U/s .10 of Income Tax Act.
14. From the particulars given below, compute the total income of Mr.X, an executive officer in a company in Bombay, Compute his Salary Income for the A.Y.2018-19. Basic Pay @ Rs.25,000 p.m; D.A @ Rs.5,000 p.m. (Enters into pay for retirement benefits). Provided with rent-free 5-room furnished house: FRV being Rs.12,000 p.m. Cost of furnishing Rs.1,30,000 which included expenditure on furnishing a room Rs.30,000. This room is used by the officer for his employment purposes. His and employer's contribution to R.P.F @ 13% of salary. Other benefits are:
- Telephone Bill Rs.2,500 (official use).
  - Club bill paid by employer Rs. 4,100.
  - Education Allowance Rs.3,900 (His two children are studying in school).
  - Reimbursement of Medical bills for the treatment of notified disease. (Approved hospital Rs.1,555).
  - He is provided with a car 14 H.P which he uses exclusively for employment purposes.
  - Leave Travel Concession for going to hill station Rs.26,500. His actual expenses were Rs.19,650.
15. Dr.P a medical practitioner, furnishes the following Receipts and Payments Account for the year ended 31<sup>st</sup> March, 2018. Compute her Professional Income for the A.Y 2018-19.

Particulars	Rs	Particulars	Rs
To Balance b/d	12,970	By rent of the clinic	3,000
To Consultation fees	9,000	By Cost of Medicines	6,000
To Visiting fees	15,000	By subscription to Medical Magazine	100
To gifts from patients	4,000	By Surgical Equipment	900
To sale of Medicine	13,500	By salary to Compounder	2,000
To Sales Tax on sale of Medicines	500	By LIC Premium	2,000
To profit on sale of Securities	1,000	By gift to Daughter	1,000
To interest on Govt. Securities (listed)	800	By Car purchased	30,000
To Dividend- Gross	1,580	By Car Expenses	3,000
To interest on P.O. Savings account	150	By Sales Tax	500
To interest on F.D	1,500	By Donation to a School	3,000
		By Balance c/d	8,500
	60,000		60,000

Additional Information:

- Rate of Depreciation allowable on Car is 15% and Surgical Equipment 15%.
- 1/3 of the car expenses are attributed to personal use.

16. Mr.B owns a house at Madurai and he submits the following information about sale of assets.  
Compute capital gain for the year 2018-19.

Particulars	Residential House	Plot	Jewellery
Date of Purchase	1/4/1998	1/12/2011	1/3/2002
C.I.I	100	184	100
Cost of Purchase (Rs)	1,40,000	2,00,000	1,00,000

FMV on 1/4/2001 (Rs)	2,00,000	-	-
Sale Price (Rs)	35,00,000	12,00,000	7,00,000
Date of Sale	31 <sup>st</sup> May 2017	1 <sup>st</sup> June 2017	2 <sup>nd</sup> June 2017

New Residential house purchased on 20/09/2017 @ Rs.45,00,000. Amount invested in bonds of National Highway Authority of India on 12/12/2017 @ Rs.2,00,000. The CII of 2017-18 is 272.

17. Compute the total income when the residential status of Mr.X is:  
a) Ordinary Resident b) Not Ordinary Resident c) Non-Resident?
- Salary received in India Rs.9,000.
  - Amount brought to India out of the past untaxed profits earned in Kenya Rs.20,000.
  - Income from house property in India Rs. 5,000.
  - Income from agriculture in Indonesia being controlled from India Rs. 15,000.
  - Interest on savings Bank Deposit in SBI India Rs. 8,000.
  - Income from business in Bangladesh, being controlled from India Rs. 16,000.
  - Dividends received in Belgium from French companies Rs.25,000, out of which Rs.2,500 were remitted to India.

### PART- C

Answer any TWO Questions:

(2X 20= 40)

18. From the following P & L A/c of a manufacturer, calculate the income under the head 'Profits and Gains of Business or Profession' for the year ending on 31<sup>st</sup> March, 2018.

Particulars	Rs.	Particulars	Rs.
Salaries to employees	1,95,000	Gross profit	5,80,000
Advertisement expenses (in cash)	24,000	Interest on securities	14,000
General expenses	16,000	Income from house property	25,000
Entertainment expenses	22,000	Bad debts recovered(allowed earlier)	12,000
Bad debts	1,500		
Drawings by proprietor	24,000		
Sales tax (due and paid on 1.7.2017)	6,000		
Interest on proprietor's capital	7,000		
Repairs	2,500		
Rent	21,000		
Legal Expenses	5,000		
Depreciation	15,000		
Bonus (due)	6,000		
Bonus to the proprietor	4,000		
Car purchased	72,000		
Expenses on car during the year	12,000		
Donations	2,000		
Provisions for bad debts	6,000		
Net profit	1,90,000		
	6,31,000		6,31,000

From the examination of books of accounts, the following other information's are available:

- Advertisement expenses were spent on insertions in newspapers.
  - Rs.3, 000 was spent on purchase of land and is included in legal expenses.
  - Half of the repair expenses were on let-out building.
  - Depreciation allowable on all assets including car is Rs.14,400/-.
  - Bonus was paid to employees on 30.6.2018 and date of filing of return is 31.7.2018.
19. Mr.B owns a house property in Cochin. It consists of 3 independent units and information about the property is given below: Unit I: Own Residence; Unit II: Let Out; Unit III: Own Business. Compute Income from House Property for the A.Y.2018-19.

Particulars	Amount (Rs.)
Municipal Rental Value	1,20,000 p.a

Fair Rental Value	1,32,000 p.a
Standard Rent	1,08,000 p.a
Rent Received for Unit II	3,500 p.m
Unrealised Rent	3 months
Repairs	10,000p.a
Insurance	2,000p.a
Interest on money borrowed for purchase of Property	96,000p.a
Municipal Taxes	14,400 p.a
Date of Completion	1.11.1998

20. Mr. M furnishes the following details of his salary income. Compute his taxable income under the

S.No.	Particulars	Rs.
1	Salary	4,50,000
2	Encashment of Earned leave	20,000
3	Uniform allowance (Expenses for purchase and maintenance Rs.12,000)	10,000
4	Research allowance (Expenses incurred on research is Rs.9,000)	9,000
5	Scholarship granted to his son by the university	4,800
6	Educational allowance for his grand daughter	3,000
7	Educational allowance for his son studying outside India	30,000
8	Loan @ concessional rate to buy a new car @ 6.75% p.a. Prescribed rate of interest by SBI on 1.4.2017 is 9.25% p.a. Date of loan 1-4-2017.	1,80,000
9	Helper allowance (Engaged a helper for the performance of duties of the office and paid him Rs.15,000)	18,000
10	Professional tax paid by the employer	2,000
11	Refreshment during office hours at an estimated cost of Rs. 500 p.m	6,000
12	Employer paid his club bills	15,000
13	Employer's and employee's contribution to RPF is 14% of salary	
14	HRA received by him is Rs.12,000 p.m. and rent paid by him is Rs.15,000 p.m	

head salary for the A.Y 2018-19.

21. During the PY 2017-18, Mrs. Amutha sells the following assets:

Particulars	Commercial Property	Gold	Non-Listed Shares	Diamonds
Date of Sale	03-01-2018	17-12-2017	03-03-2018	15-03-2018
Year of Acquisition	2002-03	2003-04	2007-08	2001-02
C. I. I.	105	109	129	100
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Sale Consideration	7,00,000	4,00,000	8,90,000	7,80,000
Indexed Cost of Acquisition	3,05,000	1,05,172	6,97,534	1,68,593

She owns one residential house property. On April 3, 2018, he invests in the following assets:

- Residential house property Rs.2,15,000;
- Bonds of N H A I (Maturity Period: 4 years) – Rs.3,70,000;
- Bonds of R E C (redeemable after 7 Years) – Rs.7,80,000.

Find out the incomes chargeable to tax under the head Capital Gains for the assessment year 2018-19.

The C.I.I of 2017-18 is 272.

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