

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – NOVEMBER 2019

16/17UCO5MC03 – INCOME TAX LAW AND PRACTICE

Date: 02-11-2019

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

SECTION-A

ANSWER ALL THE QUESTIONS

(10X2=20 marks)

1. Define Person.
2. Who is a Specified employee?
3. How will you calculate the Net annual value of a property?
4. State the Residential status of a HUF.
5. What is 'Block of Assets' under Depreciation?
6. What do you mean by Cost Inflation Index?
7. Bring out the meaning of 'Bond Washing Transaction'?
8. State any four expenses disallowed while computing business income.
9. Mr.Ravi left India for the first time on 20.05.16. During the financial year 2018-19, he comes to India on May 27 and stayed for a period of 53 days in India. Determine his Residential status for the previous year 2018-19 in India.
10. Compute taxable House Rental Allowance of Mr.Raghu who is working in Trichy, Basic salary Rs.3,000 p.m, HRA -Rs.700 p.m (Rent paid Rs.400 p.m).

SECTION-B

ANSWER ANY 4 QUESTIONS

(4X10=40 marks)

11. Explain any 10 Incomes exempted from tax u/s 10.
12. (a) Explain the basic and additional conditions to qualify for Resident and ordinary resident and Resident but not ordinary resident.
(b) State the conditions involved in identifying the residential status of a company.
13. Sunil earns the following income during the previous year 2018-19

PARTICULARS	Rs.
Interest from an Indian company received in Germany	1,00,000
Pension from former employer in India received in U.K	2,00,000
Profits made from a business in Hongkong which is controlled from India (half of the profits being received in India)	20,000
Income from companies in U.S.A & received in India	1,00,000
Income from Agriculture in USA and received in India	10,000
Income from employment in Japan received there	20,000
Past untaxed profits brought to India	50,000

Compute Gross total income of Sunil for the assessment year 2019-2020.If he is :

- a. Resident and Ordinarily resident in India
- b. Resident But not Ordinarily resident in India
- c. Non Resident in India

14. From the following particulars of Mr. Edward for the previous year ended 31st march 2019, Compute his total income for the assessment year 2019-20

He received:

PARTICULARS	RS
Directors fee from a company	10,000
Interest on bank deposits	3,000

Income from undisclosed sources	12,000
Winnings from lotteries (net)	82,200
Royalty on a book written by him	8,000
By giving lectures in functions	5,000
Interest on loan given to a relative	7,000
Interest on tax free debentures of a company (listed in recognized stock exchange) Net	3,560
Dividend on shares	6,400
Interest on post office savings bank a/c	500
Interest on government securities	2,200

a) A sum of Rs.26,000 is received as gift on 1/8/18 from a friend.

b) A sum of Rs.50,000 is received as gift on 1/10/18 from his sister.

He paid Rs.20 for collection of dividend and Rs.1000 for typing the manuscript of book written by him.

15. Kumar a lawyer by profession keeps his cash book as per cash system of accounting. The following is the summary of his cash book for the year ended 31st march 2019.

RECEIPTS	Rs.	PAYMENTS	Rs.
To Balance	5,000	By Rent of Chamber	2,400
To Legal Fees	35,000	By Car Expenses	3,600
To Remuneration as Examiner	3,000	By Household Expenses	12,000
To Interest On Bank Deposits	2,500	By Local Taxes for the House	1,200
To Rent From House Property	8,000	By Repairs of the House	4,000
To Dividends	1,600	By LIC Premium for Self	4,800
		By Cost of Books for Profession	4,000
		By Medical Treatment of Self	5,000
		By Balance	18,100
	55,100		55,100

Additional information:

- 1/3rd of the house is used by Kumar for his own residence
- Kumar is insured for Rs.40,000.
- Kumar has to get medical treatment for an eye ailment caused by intensive study of law books
- 1/2 of the car expenses relate to personal use of the car by Kumar.

Depreciation computed at the prescribed rate on the written down value of the car is Rs.2,000. Compute his income from profession.

16. Mrs. X (aged 32 years) has occupied two houses for her residential purposes, the particulars of which are as follows –

Particulars	House I (Rs.)	House II (Rs.)
Municipal Valuation	30,000	90,000
Fair Rent	28,000	95,000
Standard Rent	20,000	80,000
Municipal Tax paid	3,000	9,000
Interest on Borrowed Capital	400	1,200
Repairs	Nil	100

Business income of Mrs. X is Rs.4,26,000. Besides Mrs. X is employed by a private limited company on monthly salary of Rs.18,500. Mrs. X contributes Rs.1,22,000 towards public provident fund. Determine the taxable income and tax liability for the assessment year 2019-20.

17. X gives the following information –

Particulars	(Rs.)
Residential House Situated at Kolkata	
Date of Transfer	Dec 30, 2018
Date of Purchase	June 30, 2002

Sale Consideration	35,00,000
Cost of Acquisition	3,90,000
Expenses on Transfer	40,000
Deposited in Capital Gain Deposit Account Scheme on July 20, 2019	21,00,000

The following residential house property was purchased at Chennai by withdrawing from the deposit account –

Date of purchase	June 20, 2020
Cost of acquisition	15,00,000

Find out the following–

- Capital gain chargeable to tax for different assessment years.
- He does not want to purchase or construct another property, what is the earliest date when he can withdraw the unutilized amount from the deposit account, and
- Is it possible to take back the exemption claimed in the subsequent year?

SECTION-C

ANSWER ANY 2 QUESTIONS

(2 X 20 = 40 marks)

18. Mr. X is a part-time lecturer in a college of the Delhi University. The details of his salary and other income for the previous year 2018-19 are as follows –

Basic salary	Rs.2,60,000
Dearness Allowance (forming part of salary)	Rs.52,400
Education allowance for two children (expenditure being Rs.600)	Rs.3,600
Hostel expenditure allowance for one child (expenditure being Rs.7,000)	Rs.6,800
House rent allowance	Rs.80,800
Remuneration from the Kolkata University for acting as examiner	Rs.1,42,180
Allowance for research which is to be completed during January – April 2019 (actual expenditure incurred for completing the research – upto March 31, 2019 – Rs.1,500; during April 2019 – Rs.3,000).	

He is a member of statutory provident fund to which he contributes 12% of his salary and similar amount is contributed by the college. Besides, the college reimburses Rs.21,000 being expenditure incurred by Mr. X on medical treatment of his daughter in a private clinic.

During the year, he spent Rs.700 on the purchase of books for his teaching purposes. He has maintained a scooter for the whole year for office as well as private purposes. He has been living in a rented house and paying Rs.9,000 per month as rent.

For the year 2018-19, he paid Rs.6,500 as insurance premium on his life policy for Rs.40,000 (date of payment – April 3, 2019). He deposits Rs.80,000 in public provident fund every year. Compute the total income for the assessment year 2019-20.

19. For the assessment year 2019-20, X submits the following information:

PROPERTY	House I	House II
Fair Rental Value	3,60,000	-
Municipal valuation	3,50,000	8,00,000
Annual rent	3,80,000	6,80,000
Standard rent	3,40,000	8,50,000
Municipal taxes paid by tenant	3,000	4,000
Municipal taxes paid by X	20,000	40,000
Repairs paid by tenant	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Unrealized rent of the previous year 2018-19	-	50,000
Interest on loan borrowed for payment of municipal tax of house property	-	1,20,000
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	April 1,2014	July 1, 1999

Rs.5,00,000 is borrowed to construct the house I on 1-7-12 and the loan was repaid on 1-1-2014. Rate of interest is 12%. Rs.6,00,000 is borrowed to construct 2nd house on 1-1-98 and the loan is still due. Rate of interest is 12%.

Determine the Taxable income of X for the assessment year 2019-20.

20. From the following Profit & loss a/c of a manufacturer calculate the income under the head “Profits and Gains of Business or Profession” for the year ending 31st march 2019.

PARTICULARS	RS	PARTICULARS	RS
Salaries to employees	95,000	Gross profit	3,80,000
Advertisement expenses (paid 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 1/7/17)	6,000		
Interest on proprietor’s capital	7,000		
Repairs	2,500		
Rent	21,000		
Legal expenses	5,000		
Depreciation	15,000		
Bonus	6,000		
Bonus to proprietor	4,000		
Car purchased	72,000		
Expenses on car during the year	12,000		
Donation	2,000		
Provision for bad debts	6,000		
Net profit	90,000		
	4,31,000		4,31,000

From the examination of books of accounts the following other information are available.

- Advertisement expenses were spent on insertion 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 30/6/19 and due date of filling of returns is 31/7/19.

21. During the previous year 2018 – 2019 Mr. Xavier sells the following assets

Particulars	Commercial Property	Residential Land	Shop	Urban Agricultural Land
Date of Sale	Jan 3, 2019	Nov, 17, 2018	Mar 3, 2019	Mar 3, 2019
Year of Acquisition	2002 – 2003	2003 – 2004	2007 – 2008	2001 – 2002
Sale Consideration	Rs.7,00,000	Rs.4,00,000	Rs.8,90,000	Rs.7,80,000
Indexed Cost of Acquisition	Rs.3,05,000	Rs.1,05,172	Rs.6,97,534	Rs.1,68,593

Mr. Xavier owns one residential house property. On 3rd April, 2019 he invests in the following assets:

- Residential house property Rs.2,15,000;
- Bonds of NHAI (Maturity Period – 6 years) – Rs.3,70,000;
- Bonds of REC (Redeemable after 7 years) – Rs.7,80,000.

Find out the income chargeable to tax under the head capital gain after giving maximum permissible exemption under different sections. C.I.I for 2001 – 02 is 100; 2002 – 03 is 105; 2003 – 04 is 109; 2007 – 08 is 129 and 2018 – 19 is 280.