LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

FIFTH SEMESTER – **APRIL 2024**

UCO 5502 – INCOME TAX LAW AND PRACTICE

Date: 02-04-2024 Dept. No. Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

	SECTION A - K1 (CO1)		
	Answer ALL the Questions		**(10 x 1 = 10)**
1.	**Define the following**		
a)	Short term capital gain		
b)	Non Resident in India		
c)	Taxable perquisite under income from salary		
d)	Fringe benefits		
e)	Gross Total Income		
2.	**Match the following**		
a)	Long Term Capital Gain	:	Bonus
b)	Income from Salary	:	Indexing facility
c)	Income from House property	:	Gain from sale of land
d)	Capital Gain	:	profit computed
e)	Income from Business/Profession	:	Municipal valuation
	SECTION A - K2 (CO1)		
	Answer ALL the Questions		**(10 x 1 = 10)**
3.	**True or False**		
a)	Short term capital gain are taxed at higher rate than long term capital gain		
b)	Salary includes arrears of salary		
c)	Net Annual Value is calculated from Gross Annual Value		
d)	Gifts received on account of marriage is taxable		
e)	Winnings from lottery, puzzles are taxable under income from other sources		
4.	**False/ Fill in the blanks**		
a)	1) Rental income is charged under ____________________		
b)	1) Dearness allowance is a _____________ allowance		
c)	1) The Basic condition for Resident in India is continuous stay in India for ____ days		
d)	1) Deduction under 80D is allowed for __________________		
e)	1) Statutory limit for exemption of Gratuity is __________________		
	SECTION B - K3 (CO2)		
Answer any TWO of the following in 100 words each.			**(2 x 10 = 20)**
5.	Explain Basic condition and Additional conditions for Resident, ordinarily resident and non an ordinarily resident of India		
6.	Mr. Raj and Mr. Ravi are brothers employed in Chennai in reputed private company Mr. Raj receives Rs.12,000 p.m. as House Rent Allowance. His Basic Monthly salary is Rs.30,000/- and receives Dearness Allowance of 60% of salary. Rent paid by him Rs.10,000 per month. Mr. Ravi receives a cash gift of Rs. 25,00,000 from his father's brother during the year 2022-23. He also received Rs. 10,000 from his close friend and Rs.25,000 from his sister during marriage in the year 2022-23 Calculate taxable HRA of Mr. Raj and Income from other sources of Mr. Ravi for Assessment year		

2023-24

7. Calculate Net Annual Value under Income from house property and income from other sources from the following information of Mr.Zenith and Yadav residents in India

Municipal Value Rs.2,25,000
Fair Rental Value Rs.2,50,000
Standard Rent Rs.2,00,000
Rent Received Rs.2,25,000
Municipal Tax paid Rs.50,000

Interest on enhanced compensation received by Mr.Yadav during 2023-24 is Rs.5,00,000. Out of the above interest includes Rs.1,50,000 is for 2021-22, Rs.1,00,000 is for 2022-23. Discuss the tax implication for the Assessment year 2023-24

8. Mr. Tandon had following income during the previous year ended 31st March, 2022:

a) Salary Income in India for three months Rs. 1,00,000
b) Income from house property in India Rs. 1,00,000
c) Interest on Fixed Deposit in SBI Rs. 10,000
d) Amount brought into India out of the past untaxed profits earned in UK Rs. 25,000
e) Income from agriculture in Malaysia Rs. 25,000
f) Income from business in Karnataka Rs. 35,000.
g) Dividends received in Germany Rs. 33000
h) Gift received from his foreign friend Rs.10,00,000
i) Pension received from Government of France Rs.2,00,000
j) Dividend received in England for Rs.5,00,000 and later on remitted to India

You are required to compute his total income for the PY 2022-23, if he is a
(a) Resident; (b) Not ordinarily resident; and (c) Non-resident.

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each. **(2 x 10 = 20)**

9. Explain the various deductions available under Section 80C & 80D under Income Tax Act, 1961

10. Mr. Pawar owns three house properties in Chennai, the particulars of which are given below:

	House I	House II	House III
Particulars	(Rs.)	(Rs.)	(Rs.)
Municipal Valuation	1,20,000	1,60,000	1,70,000
Fair Rent	1,90,000	1,80,000	1,60,000
Standard Rent	1,95,000	2,10,000	N.A.
Actual Rent(p.m.)	20,000	22,500	20,500
Period of vacancy	Nil	1 Months	6 Months
Municipal Taxes paid	20,000	80,000	15,000
Interest on loan paid	10,000	20,000	30,000

Compute his income from house property for the assessment year 2023-24.

11. Mr. Antony received a vacant site as gift from his friend in November 2008. The site was acquired by his friend for Rs. 4,00,000 in April 2002. He constructed a residential building during the year 2009-10 in the said site for Rs. 10,00,000. He carried out some further extension of the construction in the year 2012-13 for Rs. 5,00,000. Once again he made an improvement of house costing Rs. 2,00,000 in the year 2014-15. He sold the residential building for Rs. 50,00,000 in January 2022 but the State stamp valuation authority adopted Rs. 65,00,000 as value for the purpose of stamp duty.

	Compute his long term capital gain, for the assessment year 2023-24 based on the above information. Giver Cost of Inflation Index 2002-03 105 2008-09, 137 2009-10, 148 2010-11, 167 2011-12 184 2012-13 200 2013-14 220 2014-15 240 2015-16 254 2019-20 289 2020-21 301 2021-22 317 2022-23 331
12.	Mr. A dealer in shares received the following consideration during the previous year 2021-22 from his friend B 1) Cash gift for Rs.75,000 on his Birthday 2) Bullion of the market value of Rs.60,000 on the same day 3) A plot at Tiruvallur whose stamp value was Rs.5,00,000 on 10th July 2021 was received as gift from his friend 4) Received Rs.25,000 as gift from his father during his marriage 5) Received Rs.15,000 as gift from his uncle during his marriage A purchased shares from his friend C who is dealer in shares 1000 shares in X Ltd @ Rs. 400 each on 19th July 2022 the fair market value of shares which was Rs.600 and A sold those shares in his course of business on 23rd December 2022 Furthur on 1st November 2022, A took possession of a building booked by him two years back at Rs.20 lakhs and the stamp duty value of the same property was Rs.32 lakhs on the same day and on the date of booking was Rs.23 lakhs He had paid Rs.1 lakhs as advance through Account payee cheque. On 1st March 2023 he sold the plot at Tiruvallur for Rs.7 lakhs. Computer the taxable income from other sources of Mr.A for the Assessment year 2023-24
SECTION D – K5 (CO4)	
Answer any ONE of the following in 250 words	**(1 x 20 = 20)**
13.	Explain the provisions relating to taxability of Entertainment Allowance and Gratuity.
14.	Mr. Arvind retired on 10.11.2022 receiving Rs.10,000 per month as pension. On 1.1.2023 he commuted 50% of his pension and received Rs.5,00,000 as commuted pension. Computer his taxable pension if he is a) Government employee B) Private employee who received Gratuity Rs.7,00,000 during retirement C) Private employee who did not received any Gratuity during retirement
SECTION E – K6 (CO5)	
Answer any ONE of the following in 250 words	**(1 x 20 = 20)**
15.	Mr. Joe is working in XYZ Limited provides the following details of his income during 2022-23. You are required to compute the Taxable Gross salary for the Assessment year 2023-24 Basic Salary — Rs.32,000 DA (50% entering into retirement benefit) — Rs. 9,000 Commission as fixed percentage on Turnover — 0.1% Turnover for the year — Rs.60,00,000 City Compensatory Allowance — Rs. 10,000 House Rent Allowance — Rs. 5,000 Encashment of Earned Leave — Rs. 50,000 Gift from employer during marriage — Rs. 10,000 Medical Allowances — Rs. 5,000 Special Allowance — Rs. 3,000 Festival Advance — Rs. 10,000 Lunch and Dinner Allowance — Rs. 5,000 Salary Loan repayable in 5 Instalments — Rs. 60,000 Education Allowance — Rs. 5,000

Bonus	Rs. 50,000
Gratuity	Rs. 30,000
Income tax paid by employer not deducted	Rs. 25,000
His own contribution to Recognised RPF	Rs. 25,000
Employer's contribution to Recognised RPF	20%
Interest accrued in RPF @ 13% p.a	Rs. 13,000
Professional tax paid by employer	Rs. 2,500

16. i. Following is the profit and loss account of Mr. X for the year ended 31-03-2023:

Particulars	Rs.	Particulars	Rs.
To Repairs on Building	2,71,000	By Gross Profit	7,91,000
To Amount paid to IIT, Mumbai for an approved scientific research programme	2,00,000	By I.T. Refund	8,100
		By Interest on Deposits	6,400
		By Dividend	40,000
		By profit from sale of shares	10,000
To Interest	2,10,000	By Rent received	73,000
To Interest on Capital	10,000		
To Travelling	30,550		
To Depreciation	50,000		
To Donation	5,000		
To Insurance	10,000		
To Bonus	25,000		
To Municipal tax	3,000		
To Petrol expenses	20,000		
To Net Profit	93,950		
	9,28,500		9,28,500

Following additional information is furnished:

(1) Repairs on building includes Rs. 1,00,000 being the cost of building a new toilet and Rs.5,000 for repairs made to residential house

(2) Interest payments include Rs. 50,000 on which tax has not been deducted and penalty for contravention of Central GST Act of Rs. 24,000.

3) Depreciation as per Income Tax Act Rs.40,000 and 50% is claimed is for his personal asset

4) 50% of Insurance paid towards premium for his house

5) 50% of petrol expenses incurred for his personal use

Compute the income chargeable under the head "Profits and gains of Business or Profession" of Mr. X for the year ended 31-03-2023

ii. Mr. Mohan furnishes the following details for the AY 2023-24:

Particulars	Amount (Rs.)
Net Agricultural Income in India	6,800
Net agricultural income from land in Sri Lanka	20,000
Profit on sale of agricultural land situated in Mangalore City	25,50,000
Vacant land – ground rent received	32,000
Rent received on sub – letting house	57,500
Rent payable for house sub let	35,000
Maintenance expenses on house sublet	3,200
Directors sitting fees	5,600

	Interest on Deposits with nationalized bank	2,000
	Interest on Postal savings – bank account	3,200
	Interest credited to PPF account	7,000
	Interest accrued but not received on NSC VIII Issue	2,050
	Interest received under Post Office Monthly Income Scheme	13,000
	Interest on deposits with HDFC	900
	Interest on securities (gross)	4,000
	Dividends received from Indian Companies	22,000
	Bank Charges for collection of above dividend	100
	Dividend received from foreign companies	4,100
	Interest paid on amount borrowed to invest in shares of foreign co.	8,600
	Gift received from a Charitable Institution registered u/s 12AA	65,000
	Gift from a friend in foreign on marraige	30,000
	Winnings from Lottery (Net of Tax of Rs. 30,000)	70,000
	Cost of Lottery Tickets purchased during the year	4,300
	Winning from Horse races (Gross)	45,000
	Expenditure for maintenance of horses	5,000
	Debenture Interest on 10% debentures of ABC Ltd.	10,000
	Compute the taxable income from other sources of Ms. X who is following mercantile system of accounting for the assessment year 2023-24.	
	iii. Explain the various types of Assessment under Income Tax Act, 1961 with suitable examples	

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