



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2024

UCO 5502 – INCOME TAX LAW AND PRACTICE

Date: 04-04-2024

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION A

Answer ALL the Questions

(10 x 2 = 20)

1. Define the term 'Salary' as per Income Tax Act.
2. What is a capital asset?
3. What is deemed to be let out property?
4. What is depreciation allowance as per Income Tax Act?
5. How will you calculate the taxable portion of the commuted pension?
6. Mr X is a salaried employee working in Chennai. He gives the following details.
Basic Salary Rs.30,000 p.m
D.A (forming part) Rs.2,000 p.m
HRA Rs.8,000 p.m (rent paid by him Rs.20,000 p.m)
Calculate his exempted HRA.
7. Calculate Net Annual Value from the particulars given below.
Municipal valuation Rs. 90,000 p.a
Fair Rental Value Rs. 95,000p.a
Standard Rent Rs.60,000 p.a
Actual Rent Rs.50,000 p.a
Municipal Taxes Rs. 2,000 pa. (due)
8. Mr. X buys a house property in London for an amount of 10,000 GBP (Conversion rate was Rs. 70 per pound) during the financial year 1998-99. He sells it during the year 2022-23 for an amount of 20,000 GBP (Conversion rate was Rs. 100 per pound). He received online payment for the transaction through SBI in London. Calculate the taxable capital gain in India for the AY 2023-24. CII for the year 2001-02: 100, and for the year 2022-23 : 331. He is a non-resident for the relevant assessment year.
9. Mr. X receives Rs. 5,00,000 (cash) as a gift from his friend during the year 2022-23. Find out his tax liability if he has no other income.
10. Mr. X is a senior partner of a firm. He receives Rs. 25,00,000 as salary from the firm during the year 2022-23. Find out his tax liability for the year 2023-24.

SECTION B

Answer any 4 Questions

(4 x 10 = 40)

11. How will you determine the residential status of an individual? Illustrate with examples.
12. Write any ten incomes which are exempted from income tax.
13. Mr X had the following income during the year ending 31-03-2023.
1 Salary received in India for three months - 10,000 pm.
2 Income from House Property in India (computed) 2,00,000
3 Interest on Savings Bank Deposits in SBI located in Srilanka 10,000
4 Amount brought into India out of the past untaxed profits earned in UK 2,00,000
5 Income from Agriculture in Indonesia being invested in India 1,00,000

	6 Gift from a friend (iphone) worth Rs. 2,00,000 7 Gift from his father Rs. 70,000 8 Income tax refund Rs. 500 9 Interest on loan given to friend Rs. 7,000 10 Cash received from a client for illegal activity Rs. 5,00,000 Calculate his taxable income if he is a Resident and Ordinarily Resident for the relevant assessment year.																
14.	Mrs. X working in a Pvt. Ltd., has the following incomes for the financial year 2022-23. Find out her taxable income for the assessment year 2023-24. Basic pay: Rs. 80,000 p.m DA: Rs. 11,000 p.m (10 % forms part of retirement benefits) CCA: Rs. 2,000 p.m HRA: Rs. 10,000 p.m Rent paid in Chennai: Rs. 9, 000 p.m Leave encashment received: Rs. 3,80,000. Leave surrendered: 120 days. Company gives 45 days leave per year. She has 20 years of experience in the same company. She has not availed or surrendered any leave so far. She got a loan of Rs. 10,00,000 from his employer on 1.4.2021 @5% p.a. SBI rate is 12%. Education allowance received for 2 children: Rs. 8000 p.m per child. Entertainment allowance: Rs. 8000 per year. She pays Rs. 20,000 p.m as Life Insurance Premium for her life. Policy amount Rs. 35,00,000. She contributes Rs. 25,000 per month towards Public provident Fund.																
15.	Mrs. X owns three residential house properties in Chennai for her own residential purposes. Find out her taxable income for the assessment year 2023 – 24. <table><tr><td>Particulars</td><td>House 1</td><td>House 2</td><td>House 3</td></tr><tr><td>Municipal Valuation p.a. in Rs.</td><td>6,00,000</td><td>6,00,000</td><td>7,00,000</td></tr><tr><td>Fair Rental value p.a. in Rs.</td><td>5,00,000</td><td>5,00,000</td><td>8,00,000</td></tr><tr><td>Standard Rent p.a. in Rs.</td><td>6,00,000</td><td>6,00,000</td><td>5,00,000</td></tr></table> She incurs the following expenditure also during the previous year. Repairs: Rs. 2,00,000 for each house. Painting Rs. 6,00,000 for each house. She borrowed Rs. 50,00,000 loan for house 1 and Rs. 60,00,000 loan for House 2. She purchased those houses on 1.4.2019 and the loan was also taken on that date. She makes a repayment of principal for both the houses. Each month she pays Rs. 20,000 and Rs. 30,000 towards Principal repayment from 30.4.2019 for house 1 & 2 respectively. The interest paid by her is Rs. 4,00,000 pa and Rs. 4,80,000 pa for house 1 and 2 respectively.	Particulars	House 1	House 2	House 3	Municipal Valuation p.a. in Rs.	6,00,000	6,00,000	7,00,000	Fair Rental value p.a. in Rs.	5,00,000	5,00,000	8,00,000	Standard Rent p.a. in Rs.	6,00,000	6,00,000	5,00,000
Particulars	House 1	House 2	House 3														
Municipal Valuation p.a. in Rs.	6,00,000	6,00,000	7,00,000														
Fair Rental value p.a. in Rs.	5,00,000	5,00,000	8,00,000														
Standard Rent p.a. in Rs.	6,00,000	6,00,000	5,00,000														
16.	Mr. X an Indian origin comes on a visit to India on 1.1.2022 and left India on 31.3.2023. He also stayed in India during the following years. 2020 - 2021 - 182 days 2019 – 2020 – 65 days 2018 – 2019 – 180 days 2017 – 2018 – 80 days 2016 – 2017 – 210 days 2015 – 2016 – 180 days Find out his residential status for the assessment year 2023- 2024. Also find out the answer if he is not an Indian origin /Indian Citizen.																
17.	Mr. X purchases a house property for Rs. 2,50,000 on May 10, 1982. He gets the first floor of the house constructed in 1987-88 by spending Rs.4,00,000. He dies on September 12,1988. The property transferred to Mrs. X by his will. Mrs.X spends Rs. 13,00,000 and Rs. 20,00,000 during 1999-2000 and 2005-06 respectively for renewals reconstruction of the property. Mrs. X sells the house property for Rs. 50,00,000 on March 15, 2023 (brokerage paid by Mrs.X is Rs.50,000). The																

fair market value of the house on April 1, 2001 is Rs.25,00,000. Compute the assessee's taxable capital gain for the Assessment Year 2023-24. C.I.I. for 2022-23 is 331; 2001-02 is 100; 2005-06 is 117.

18. What are the provisions to be applied for the calculation of taxable gratuity, cost of acquisition when property purchased before 1.4.2001, taxable pension, and deductions under section 24.

SECTION C

Answer any TWO questions.

(2 x 20 = 40)

19. Mr. X joined a new job in a private limited company at Chennai during April 2014. His particulars of salary for the previous year 2022-23 are as under: -
 Basic Salary Rs. 7,50,000 p.a.
 Dearness allowance Rs. 30,000 p.m. (40% forming part of salary)
 Commission received on the basis of turnover achieved by him Rs. 2,00,000 p.a.
 Bonus - Rs. 55,000 p.a.
 Medical allowance - 1,000 p.m.
 Lunch allowance - Rs.8,000 p.a.
 City Compensatory allowance - Rs. 1000 p.m.
 He engaged a helper at Rs. 2,500 p.m. and his employer pay him Rs.3,000 p.m. as helper allowance
 Transport allowance Rs. - 10,000 pa.
 Education allowance for Rs.700 per month per child for two children
 Hostel allowance to two children - Rs. 5,000 p.m. per child
 Entertainment allowance - Rs.30,000 p.a.
 House Rent Allowance received Rs. 2,00,000 p.a. and the Rent paid by him Rs. 25,000 p.m.
 Overtime allowance Rs. 50,000 p.a.
 Gas, Water and electricity bills issued in the name of employee but paid by employer –Rs. 35,000 p.a.
 Determine his Salary Income for the Assessment Year 2023-24.

20. The following is the profit and loss account of Mr. X for the year ending 31.3.2023

Debits	Rs	Credits	Rs
To salary	3,00,000	By Gross profit	10,85,000
To office expenses	48,000	By bad debt recovered	15,000
To Depreciation	80,000	By commission	22,000
To Audit fees	25,000	By Sundry receipts	13,000
To Repairs	48,000	By custom duty recovered (disallowed earlier)	30,000
To amount transpired to special reserve	90,000		
To expenses on Diwali festival	10,000		
To contribution to unapproved gratuity fund	18,000		
To interest	70,000		
To interest on loan from Mr. X	20,000		
To Expenses on research	50,000		
To provision for income tax	60,000		
To Bonus	18,000		
To Provision for GST	15,000		
To Employers contribution to employees PF	11,000		
To Legal expenses	10,000		
To Net profit	2,92,000		
	11,65,000		11,65,000

Other information:

- a. Depreciation includes Rs. 20,000 being unabsorbed depreciation of earlier years.
- b. Repairs include Rs 18,000 being expenditure in construction of wash rooms which were completed on 31.12.2022.
- c. Research expenses include Rs 30,000 being cost of a computer acquired for research, which is not connected to assessess field of business.
- d. GST is actually paid on 10.04.2023.
- e. Salary includes payment of Rs 40,000 given as compensation to the widow of a deceased employee.
- f. Out of bad debts recovered only Rs 10,000 were allowed as deduction earlier.
- g. Loan was taken from Mrs. X for the payment of Income tax.

From the information given above calculate the business income of Mr. X for the Assessment Year 2023-2024.

21. Following are the particulars of two houses owned by Mr. X.

Particulars	House –I	House – II
Municipal Valuation	90000 pa	1,00,000 pa
Fair Rent	80000 pa	90,000 pa
Standard Rent	82,000 pa	108000 pa
Actual Rent Received	10,000 p.m	12,000 pm
Self Occupied period	1-4-22 to – 30-11-22	1-12-22 to 31-3-23
Let out period	1-12-22 to – 31-03-22	1-4-23 to 30-11-23
Municipal Taxes – Due	6000	8,000
Paid	3000	NIL
Interest on borrowed money	10,000	42,000
Loan taken to construct House – II is still outstanding. Loan was taken on 1.4.98.		
Find out Mr X's income from house property for the Assessment year 2023-24		

22. What are the deductions available for an individual under section 80 C of the Income Tax Act.

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