

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****B.Com. DEGREE EXAMINATION – HONOURS****FIFTH SEMESTER – NOVEMBER 2023****UBH 5502 – TAXATION**

Date: 03-11-2023

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION A - K1 (CO1)**Answer ALL the Questions (10 x 1 = 10)****1. Fill in the blanks**

- a) Provident fund contribution of employer is exempted up to _____% of salary.
- b) In India GST became effective from ____ 1st ,_____.
- c) A person with a taxable income up to Rs 5,00,000 will be eligible for a tax rebate of Rs._____.
- d) Speculation loss can be carried forward for _____ years.
- e) The basic condition for residential status, states a resident should reside ____ days in the previous year or ____ days in in the immediately preceding four years and ____ days in the previous year.

2. Match the following

- | | |
|--------------------------------------|-------------------|
| a) Standard Rent | i) 50% |
| b) Exempted limit of HRA in Chennai- | ii) 30% |
| c) Intangible Assets | iii)30% of NAV |
| d) Interest on Enhanced compensation | iv)50 % of Salary |
| e) TDS on casual Income | v)25 % |

SECTION A - K2 (CO1)**Answer ALL the Questions (10 x 1 = 10)****3. Answer the following**

- a) State two exempted incomes from Indian taxation.
- b) List out two perquisites which are exempted from tax for all employees
- c) IGST stands for
- d) Name two securities whose interest is fully exempt from tax.
- e) List out two inadmissible business expenses.

4. True or False

- a) Salary received by a member of parliament is exempt from tax.
- b) Long term capital gain on sale of listed shares is exempted.
- c) Bad debts allowed earlier and recovered later on is a business income.
- d) Municipal rent and fair rent whichever is higher is called as expected rent.
- e) The last date to file ITR for individuals is 31st April of the relevant assessment year.

SECTION B - K3 (CO2)**Answer any TWO of the following in 100 words each. (2 x 10 = 20)**

- 5. a. Mr. Ramesh a citizen of America comes to India for the first time on 20.03.2022. On 1.9.2022 he leaves India for Nepal for a business trip. He comes back on 26.09.2022. Determine his residential status for the A.Y. 2023-24. (2 marks)

b. The following are the computed incomes of Mr. Akash for the financial year 2022-23. Compute his total income assuming he is :

a) Ordinary Resident b) Not ordinarily Resident c) Non Resident . (8 marks)

Particulars	Rs.
Income from profession from Bhutan. The profession is set up in Inda	22,000
Income from agriculture in Bangladesh received and spent there	26,000
Income accrued in London but received in India	29,000
Dividend paid by Indian company received in USA	50,000
Interest in USA Government securities; 1/3rd is received in India	30,000
Salary received in India for services rendered in Bhutan	38,000
Income earned outside India in preceding year but remitted in India now	25,000
Profit on sale of building in Chennai but received in USA	24,000
Gift received in India from parents	50,000

6. a. Mr. Nathan retired from service from a private sector company after rendering a period of service of 32 years and 9 months. At the time of retirement, he received Rs. 2,50,000 as leave salary from his employer. The following information is available:
Salary at the time of retirement -Rs.10,000 P.M, Leave availed while in service -20 months, Average salary per month from January to November 2022 -Rs.9,800. Date of retirement 31st December 2022. Compute the taxable leave encashment. (4 marks)
- b. Mr. Anand, retired from service in Mysore Minerals on 31st December 2022. In this company, he has put in 33 years and 9 months of service. On retirement, the company paid him a gratuity of Rs. 3,25,000. His monthly salary at the time of retirement was Rs.12,000, DA (entering service benefits) Rs.3,000 and HRA Rs.2,0000. Find out the exempted amount of gratuity if:
i) he is covered by Gratuity Act 1972 and
ii) not covered by the payment of Gratuity Act 1972. (6 marks)

7. Dr. Ashok is a professor of Economics. He submits the following information related to 2022-23 and wants you to compute his income from other sources for the AY 2023-24
(i) He is an author of a text book and received royalty of Rs. 45,000. He claims the following deductions from this amount. Cost of other publication and reference works borne by him-Rs.6,800.
(ii) Income from articles published in "Economic Times" Rs. 7,000.
(iii) He lives in a rented house paying a rent of Rs.4,000 p.m. He has sub-let half portion of the house for a rent of Rs.3,000 P.M. Dr Ashok pays the municipal tax for the whole house as Rs.4000 PA.
(iv) He received Rs.500 per guest lecture delivered. During year he delivered 2 guest lectures
(v) As an examiner of various universities, he received remuneration of Rs. 5,000 PA.
(vi) His winnings from a crossword game are Rs.1,000 and lottery is Rs. 21,000(net)
(vii) He earned a dividend of Rs.5,000 from few Indian companies and paid Rs. 250 as dividend collection charges to the bank
(viii) Interest from Post office Saving Deposit - Rs.2,500 PA; Interest from Fixed deposit at SBI Rs. 6,000
(ix) Interest from Andra Pradesh Government Securities Rs.1,000; Interest from tax free securities of M Ltd , Rs. 9,000.
(x) He received an enhanced compensation regarding a land seizure case in 2020. The interest on this compensation for 2021- Rs.10,000 and 2022 is Rs.12,0000.

8. Describe the Registration process for GST.

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each.

(2 x 10 = 20)

Mr. Joseph is a salaried employee, wants to know the amount of net income and tax liability in respect of his following particulars:

Particulars	Rs. PA
Basic Salary	12,00,000
Dearness Allowance (forming part of salary)	1,80,000
Travelling allowance (fully utilised for official purpose)	80,000
Project allowance	60,000
Interest on non-government securities (gross)	180,000
Income from house property (computed)	5,00,000
Insurance premium on the life of son depended on him	20,000
Insurance premium paid on the life of major daughter (sum assured Rs. 3,00,000)	60,000
Investment in shares of an infrastructural facility company	16,000
Contribution towards recognised Provident Fund	20,000
Repayment of loan taken for construction of a house (principal amount)	80,000
Contribution towards PPF	20,000

Jenifer (resident) owns three houses in Bangalore the municipal valuations of which are Rs. 22,000, Rs. 36,000 and Rs.31,000. The following are the further details about three houses:

(i) The first house built in 2013, has been let out on a monthly rent of Rs. 3,500. The expenses in connection with this house are: Interest on mortgage Rs. 2,000, Land revenue Rs.100, Fire Insurance premium Rs. 800. Interest on loan for the construction of the house Rs. 4,000. Municipal Taxes Rs. 1,500. The house remained vacant for two months. Unrealised rent of the current year amounts to Rs. 7,000. The assessing officer has been satisfied about this unrealised rent.

(ii) The second house was built in 1985 and it is used for owner's residential purposes. In connection with this house Rs.800 were spent on repairs, Rs.200 were paid as fire insurance premium. The house remained vacant for three months as the owner had to stay in Chennai in a rented house in connection with her profession.

(iii) The construction of third house was completed on 30th June 2016 and from 1st July 2016 it was let-out for residential purposes on a rent of Rs. 2,500 p.m. Municipal Tax Rs.3,200 and Interest on loan Rs. 16,000 were paid during the year 2022-23.

Compute her income from House Property for the A.Y. 2023-24.

Mr. Rowan owns a residential house property at Dehradun. From the following information compute the amount of capital gain for the Assessment year 2023-24.

Particulars	Amount (Rs.)
Sales Consideration (sale made on 20/02/2023)	72,50,000
Cost of acquisition (1/12/2004)	8,30,000
Cost of improvement (20/06/2007)	2,04,000
Expenses on transfer	40,000
Cost of new house purchase in Noida (on 23/12/2022)	30,00,000
Cost of another new house purchase in Haridwar (on 05/04/2023)	11,50,000

Cost of inflation index for 2004-05 is 113 for 2007-08 is 129 and for 2022-23 is 331.

Mr X furnishes the following particulars of his income for the Previous year 2022-23: Compute

the Gross total income after setting off the losses.

Particulars	Rs.
Income from Salary (Computed)	70,000
Income from house at Pune	28,000
Loss from house at Indore	20,000
Loss from hose at Raipur	18,000
Profit from textile business	50,000
Profit from footwear business	45,000
Profit from share business(speculative)	80,000
Loss from silver business(speculative)	90,000
Short term capital loss on sale of land	40,000
Income from card games	18,000
Winnings from lotteries (gross)	50,000
Loss from card games	5,000
Income from horse races in Jaipur (Gross)	30,000
Loss from horse races in Mumbai	20,000

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

(A). The following is the receipts and payments account of Mrs. Yash, a practicing-chartered accountant for the year ended 31.3.2022. Compute her professional income. (10 marks)

Receipts	Rs	Payments	Rs
Bal c/d	7500	Salaries	14,000
Fees from audit	80,000	Rent of chamber	4,500
Accounting charges received	40,000	Telephone expenses	1,000
Consultation charges	15,000	Professional expenses	3,000
Gift from clients	5,000	Scooter expenses	5,000
House Rent	22,500	Office expenses	5,500
Winnings from lottery (net)	8328	Purchase of scooter	20,000
Income from let out property	18,172	Income tax (advance)	35,000
		Donation	8,000
		National Saving Certificate purchases	20,000
		Gift to daughter	5,000
		LIC premium paid	10,000
		House property expenses	10,000
		Bal c/d	45,000

Compute her income from profession for the AY 2023-24 after taking into account the following also:

(i) $\frac{1}{4}$ of scooter expenses relate to personal use. Depreciation of the scooter amounts to Rs.3000

(ii) Mrs. Yash stays in her own house. The municipal value of the house is Rs.8000

(iii) The house property expenses in pertaining to the house let out which included Municipal taxes Rs.2000.

(B). Following is the profit and loss of Mr. Sanjan Daniel for the year ending 31.3.2023. Compute his income from Business for the AY 2023-24 from the given particulars. (10 Marks)

Particulars	Rs.	Particulars	Rs.
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To office expenses	4,500	By gross profit	1,50,000
To fire insurance premium	5,600	By Bad debts recovered (allowed earlier)	5,000
To Bad debts	800	By interest on securities	6,000
To salary to staff	78,000	By interest from debtors for delayed payments	3,000
To audit fee (paid in cash)	22,250	By discount received for early payment to creditors	12,000
To proprietor's bonus	13,000	By LIC maturity amount	3,000
To interest on capital	3,000		
To Income tax	1,900		
To Depreciation	2,500		
To GST (paid after due date)	3,000		
To advance wealth tax paid	1,200		
To charities	900		
To motor car expenses	750		
To electricity (business)	6,000		
To net profit	34,600		
	1,79,000		1,79,000

Additional Information:

- (i) Office expenses include Rs. 3,000 paid as compensation to an old employee whose services were terminated in the interest of business and Rs.1,200 to help a poor student.
- (ii) WDV value of plant and machinery on 31.3.2023 is Rs.10,000. A new machinery costing Rs.20,000 was purchased on 16.1.2023. (Rate of depreciation for plant and machinery followed by IT provisions is 15%)
- (iii) 60% of Motor car expenses are for proprietor's personal use.

(A) Mr. X owns in an industrial undertaking, which is situated in Mangalore, Mr.X shifted this industrial undertaking to a rural area near Managalore. For shifting purposes, he had to sell the following assets of the undertaking:

Particulars	Plant & Machinery	Land & Building	Furniture
Acquired in	2011	2012	2013
Net sale consideration	Rs. 22,00,000	Rs. 36,00,000	Rs. 85,000
Date of sale	25/9/2022	15/10/2022	20/11/2022
Cost of acquisition u/s 50(2)	Rs.9,20,000	Rs.16,00,000	Rs.30,000
Cost of assets purchased	Rs.11,20,000	Rs.18,00,000	Rs. 1,00,000
Date of purchase	31/12/2022	20/01/2023	20/2/2023

14. If the industrial undertaking is shifted to rural area on 25/3/2023. Calculate the capital gains chargeable to tax for the assessment year 2023-24. (10 Marks)

(B) XYZ Ltd. owns industrial undertaking manufacturing chemicals. It owns the following assets. (10 Marks)

- (i) Plant and machinery (WDV Rs. 5,00,000) sold for Rs.15,00,000.
- (ii) Building (WDV Rs. 8,50,000) sold for Rs.46,00,000
- (iii) Furniture and fixtures (WDV Rs. 60,000) sold for Rs. 1,80,000.
- (iv) Land cost of acquisition Rs. 13,00,000 during the 2003-04 and sold for Rs. 46,00,000.

Cost inflation index for the 2003-04 - 109; 2022-23 – 331.

The industrial undertaking was shifted as per policy of the government from urban area to non-urban area.

The new assets acquired during the period 10/1/2023 to 20/3/2023 are as under:

Plant & Machinery Rs. 25,00,000; buildings Rs. 38,00,000.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

15. (A). Mr. Elango is the owner of three houses. The particulars are as follows:

Particulars	House I Amount (Rs.)	House II Amount (Rs.)	House III Amount (Rs.)
Annual fair rent	50,000	38,000	80,000
Municipal valuation	60,000	48,000	80,000
Standard rent	55,000	45,000	85,000
Let out (per month)	4,000	3,000	-
Purpose of use	Let out Residential	Let out Business	Self Occupied
Repairs	2,000	-	7,000
Collection charges	3,000	1,000	-
Interest on loan	16,000	8,000	5,000

Municipal Tax is 10% of municipal value. Municipal tax of House-I was paid by tenant, but Municipal tax of House-II was not paid till 31.03.2023. Municipal tax of House-III was paid by owner. House-I remained vacant for 4 months. Compute income from House Property for Assessment Year 2023-24.

(15 Marks)

(B) Explain the treatment of unrealized rent and its recovery in subsequent years under the provisions of Income Tax Act, 1961.

(5 Marks)

From the following particulars compute the tax liability of Mr. Rajkumar working as a Managing Director in a private firm at Mumbai. He is given a rent-free accommodation (owned by the company); the fair rental value is Rs.80,000. The accommodation also has furniture which costs about Rs.50,000. Additionally, one air conditioner was hired for Rs.1000 p.m.

He is also provided with a chauffeur driven Hyundai car (1.4 ltr) for both personal and official use by the company. All expenses (like fuel, maintenance) are met by Mr. Rajkumar for the car. The company also gave him a free membership to the Mumbai Sports Academy worth Rs.10,000 p.a.as he is a district level athlete. Apart from the above, following are his other salary details:

Particulars	Rs.
Salary	60,000(p.m)
Dearness allowance (forming part of salary)	2,500(p.m)
CCA	1,000(p.m)
Children's educational allowance (he has one child)	3,000(p.a)
Gardener appointed by Mr. Ramesh; salary paid by employer	2,000(p.m)
Entertainment allowance	5,000(p.a)
Travelling allowance (actual expenditure-Rs 1500 pa)	2000 (p.a)
Fixed medical allowance	3500(p.a)
Laptop given for official purpose	55,000
Purchase of books and journals for his office work	1000
Gift of Bluetooth speaker on occasion of annual day at work worth	2000
Mr. George underwent a medical treatment in a hospital owned by the employer	3,500
Credit card bills paid by employer (Rs.5000 relates to official purpose)	6,000

	Lunch facility availed at office premises	Rs.40 per meal for 220 days
	Conference attended (for training purpose)	1,500
	Professional tax paid by employer	1600 p.a
	Income from a small handicraft business done by him	72,000
	Carried forward business loss from 2021-22	5,000
	Income from interest on Kotak Saving Bank A/C	30,000
	Gift of a gold ring from spouse	60,000
	Gift of a watch from friends	25,000
	He contributes the following: Rs.20,000 towards the LIC premium of his own Rs.15,000 towards his wife Rs.20,000 towards his father's life Rs.10,000 towards his son's life Contribution to PPF -45,000 PA Tuition fee paid to son's college – Rs.18,000(out of which 2000 is for development fee) Contribution towards National Illness Scheme – Rs.5000 Contribution towards Rajiv Gandhi Memorial Scheme -Rs.8000 Rs.5000 towards P.M Relief Fund	

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