



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2016

CO 5504 – INCOME TAX LAW AND PRACTICE

Date: 26-04-2016

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

PART – A

Answer **ALL** the questions:

(10 x 2 = 20 marks)

1. Define the term Assessee.
2. What is an Assessment Year?
3. Who is an Ordinary Resident?
4. What is Profit-in-lieu of salary?
5. Give any differences between deduction and exemption.
6. Define Annual Value.
7. Define the term Profession.
8. Compute capital gain for the following details:

	Debentures (Rs.)
Year of purchase	1997-98
Cost of acquisition (Rs.)	60,000
Year of sale	2014-15
Sale value (Rs.)	1,20,000
Selling expenses (Rs.)	500
CII: 1997-98	331
2014-15	1024

9. Suresh purchases a house property on July 9, 2012 for Rs.8, 00,000 and incurred an additional cost of Rs. 6, 00,000 for improvement on 1-10-2013. Fair market value of the property on July 9, 2012 is Rs. 5, 00,000. It is sold on June 15, 2014 for Rs.17, 00,000. Determine the taxable capital gain.
10. Venumadhav gives the following particulars of his income for the previous year ending 31st march, 2015.
Winnings from Lottery on Jan. 1, 2015 – net amount Rs.49, 000
Dividend from an Indian Company – Rs. 50,000
Dividend from a Foreign Company – Rs. 52,000
Winnings from horse race received – Rs.56,000
Compute taxable income under the head income from other sources.

PART – B

Answer any **FOUR** questions:

(4x10=40 marks)

11. Explain any ten incomes which are totally exempt from tax.
12. Explain the various types of Provident Fund and their tax implications.
13. Following are the incomes of R for the PY 2014-15:
 - 1) Profit from business in Bangalore 10,000
 - 2) Income accrued in India but received in Japan 4,000
 - 3) Profits from business in Canada but received in India 5,000
 - 4) Income from house property in Karachi received in Mumbai 4,000
 - 5) Profits from business established in England and deposited there, the business being controlled from India 20,000
 - 6) Income from house property in America and deposited there 2,000
 - 7) Past untaxed income brought into India during the previous Year 10,000Compute the total income of Mr. R for the AY 2015-16 if he is a) Resident b) NOR and c) NR.

14. a) Mr. John a foreign national came to India for the first time on June 15, 2009. During the financial years 2009-10,2010-11,2011-12,2012-13,2013-14 and 2014-15, he stays in India for 120 days, 115 days, 15 days,191 days,124 days and 80 days respectively. Determine his residential status for the AY 2015-16.
- b) State rules for residential status for companies.

15. a) Compute the qualifying mount for deduction u/s 80C to Srinivasan from the following:

	Rs.
Life Insurance premium on his own life	7,000
Life Insurance premium on life of his wife	4,000
Life Insurance premium on his son	2,500
Life Insurance premium on life of his brother	1,500
Contribution to RPF	1,000
Children's tuition fees paid by srinivasan	80,000
Repayment of housing loan principal amount	25,000
Subscription to eligible debentures u/s 80C	35,000
Fixed Deposit with SBI (5years)	10,000

- b) State the rule for House Rent Allowance.

16. Dr.Satish is a medical practitioner. He gives the following summary of cash book for the year ending 31-03-2015.

To balance	10,000	By Rent of clinic	18,000
Consulting fees	60,000	Purchase of medicine	38,000
Visiting fees	45,000	Staff salaries	24,000
Gifts and presents	8,000	Surgical equipment	40,000
Sale of medicines	42,000	Motor car expenses	8,000
Dividend from UTI	6,000	Purchase of motor car	1,40,000
Life insurance maturity	1,00,000	Household expenses	7,000
Dividend from NDS	6,000	Closing balance	2,000
TOTAL	2,77,000	TOTAL	2,77,000

Additional information: 50% of the motor car expenses incurred in connection with profession. Car was purchased in December 2014. Household expenses include 6,800 insurance premiums. Gifts and presents include 3,000 from relatives. Compute his professional income.

17. Mr. Kesav has the following income. Compute his taxable income and tax Liability for the Assessment Year 2015-16.

	Rs.
Salary Income (computed)	6,00,000
Rent from house (per annum)	2,00,000
Municipal tax paid during the year	20,000
Short term capital gain on sale of listed equity shares on 1-09-2014	5,000

PART – C

Answer any **TWO** questions:

(2 x 20 = 40 marks)

18. Raghu, an employee in a company is drawing Rs.2500/- p.m. as salary plus dearness allowance @ 20% of his salary during the financial year 2014-15. He is also getting city compensatory allowance of Rs.4000/- per annum, Medical allowance of Rs.1000/- per annum, Bonus Rs.4800/- per annum and Commission Rs.4000/-per annum. He is provided with a rent free unfurnished house owned by the employer of the fair rental value of Rs.12000/- per annum. He is provided free of charge a sweeper and a cook whose wages are Rs.150/- p.m. He is also given free electricity for personal use for which the employer has paid Rs.1800/- during the year to Electric Supply Company. Compute his taxable salary for the assessment year 2015-16. Population of the town is 3,90,000.

19. From the following Profit and Loss Account of a manufacturer, calculate the income under the head 'Profits and Gains of Business or Profession' for the year ending on 31st March.

Particulars	Rs		Rs.
Salaries to employees	95,000	Gross profit	3,80,000
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 1.7.2014)	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	90,000		
TOTAL	4,31,000	TOTAL	4,31,000

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, 000/-.

Bonus was paid to employees on 30.6.2015 and date of filing of return is 31.7.2015.

20. Mr. Ansari is the owner of two houses and provides the following:

	A	B
Date of completion	1-6-2014	1-8-2013
FRV	18,000p.a	24,000p.a
Standard Rent	15,000p.a.	-
MRV	12,000p.a.	20,000p.a.
Actual Rent	12,000p.a	Self-occupied
Municipal taxes	1,200	10% of MRV
Interest on loan for the construction of the house		
For 2011-12	4,000	11,000
For 2012-13	4,000	11,000
For 2013-14	3,000	11,000
For 2014-15	3,000	7,000

Calculate the income from house property for the assessment year 2015-16.

21. Mr. Paneerselvam owned two motor cars which were mainly used for business purposes. The WDV on 1st April, 2014 of these cars is Rs.1, 81,000. The block of assets comprising of only these two cars, was sold in June 2014 for Rs.1, 50,000. In Sep. 2014, he sold 1000 shares in X Ltd. for Rs.30, 00,000. He had purchased the same during March, 1995 for Rs.3, 10,000. He owned a residential house at Madurai, the original cost of which was Rs. 1, 00,000. It was acquired on 1-09-1992. He sold the house on 31-03-2006 for Rs.8, 00,000 and constructed another house on 31-03-2009 at Tiruchi for Rs.6, 00,000. Compute the taxable capital gain for the Assessment Year 2015-16.

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