



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com.DEGREE EXAMINATION –COMMERCE

FIFTH SEMESTER – APRIL 2019

CO 5504– INCOME TAX LAW AND PRACTICE

Date: 22-04-2019
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

SECTION - A

Answer ALL Questions:

(10 X 2 = 20)

1. Who is called “Representative Assessee”?
2. What do you mean by Casual Income?
3. Who is a “Not Ordinarily Resident”?
4. What are “Tax- Free Perquisites”?
5. How annual value of Let-out house is determined?
6. Determine the residential status of Mr.X for the P.Y 2017-18 who left India for the first time on 15.9.14 and came back on 1.9.16. He again left for Dubai on 15.6.17 and came back on 14.2.2018 to settle in India for forever.
7. Compute taxable HRA of Mr.R who is working inTrichy. Basic salary Rs.3,000 p.m. HRA Rs.700 p.m. (Rent paid is Rs.400 p.m.).
8. Calculate the amount of R.P.F which is taxable.
 - a) Salary Rs.7,500 p.m.
 - b) Employer’s contribution to R.P.F @ 14% of Salary.
 - c) Interest credited to R.P.F during the year @ 12% is Rs.24,000.
9. Compute Gross annual value of a House Property from the following:
 - a) Actual rent is Rs. 7,000 p.m.
 - b) Municipal rental value is Rs. 80,000 p.a.
 - c) Fair rental value Rs.66,000p.a.
10. A firm’s stock of goods valued on 1.4.17 @ Rs. 2,50,000 @ 20% below the cost. Calculate the amount of under valuation of stock.

SECTION - B

Answer any FOUR Questions:

(4 X 10= 40)

11. Enumerate the exceptions to the rule that income of the Previous Year is taxable in the following Assessment Year.
12. Explain the various types of Provident Funds and their tax treatment.
13. Explain any ten Exempted Incomes.

14. Examine the Tax treatment of the following allowances received by Mr.X employed in a Pvt. Co.

Particulars	Amount (Rs)
City Compensatory Allowance	5,000 p.m
Tiffin Allowance	300 p.m
Servant Allowance	1,200 p.m
Entertainment Allowance	9,000p.m
Uniform Allowance	600 (fully spent)
Tribal Area Allowance	300 p.m
Marriage Allowance	300 p.m
Over time Allowance	150 p.m
Helper Allowance	80 p.m (50% is spent)
Project Allowance	100 p.m

15. Dr.P a medical practitioner, furnishes the following Receipts and Payments Account for the year ended 31st March, 2018. Compute his Professional Income for the A.Y 2018-19.

Particulars	Rs	Particulars	Rs
To Balance b/d	1,22,000	By Motor Car	1,20,000
To Consultation fees	55,000	By Cost of Medicines	10,000
To Visiting fees	24,000	By Dispensary rent	1,600
To House property Income	3,600	By Surgical Equipment	8,000
To sale of Medicine	25,250	By salary	4,600
To Dividend	4,500	By LIC Premium	3,000
To loan from bank	3,000	By General expenses	300
		By Personal expenses	11,800
		By Car Expenses	6,000
		By Interest on Bank Loan (for profession)	350
		By Municipal Taxes	200
		By Balance c/d	71,500
	<u>2,37,350</u>		2,37,350

Additional Information:

(i).Rate of Depreciation allowable on Car is 15% and Surgical Equipment 15%.

(ii).1/3 of the car expenses are attributed to personal use.

16. Find out the indexed cost and capital gain in following cases:

S.No.	Particulars	Rs
1	WDV of furniture as on 1-4-2017[which was purchased on 15-9-2008 for Rs.20,000 and sold on 1-9-2017 for Rs.26,000 (CII=272)]	18,000
2	Bonds purchased on 1-11-2006 (CII=122) for Rs.2,60,000 were sold on 1-1-2018 (CII=272) for	4,00,000
3	Cost of acquisition of house at Delhi in 1996-97	1,00,000
	Cost of improvement made in 1999-2000	50,000
	FMV on 1-4-2001 (CII=100)	4,60,000
	Cost of additions made in 2008-09 (CII=137)	3,20,000
	Sale price of the house on 1-11-2017 (CII=272); Expenses on sale Rs. 60,000	28,60,000
4	Mr.R inherited a house @ Ludhiana from his father Mr.D on 1-1-2006 (CII=117). The house was acquired by Mr.D in 1989-90 for Rs.60,000 & its FMV as on 1-4-2001 was Rs.5,20,000 and it was sold in 2017-18 (CII=272) for Rs. 13,50,000.	

17. Compute the total income when the residential status of Mr.X is: a) Resident b) Not Ordinary Resident c) Non-Resident?
- Salary received in India Rs.60,000.
 - Profit from business in Germany but received in India Rs.15,000.
 - Income from house property in Pakistan deposited in a bank there Rs. 12,000.
 - Profit from business established in Bangladesh being controlled from India Rs. 46,000.
 - Income accrued in India but received in Sweden Rs.25,000.
 - Mr. X in this accounting year has brought into India foreign income of earlier year Rs.42,700.
 - Profit from sale of plant @ Mumbai (50% received in Bangkok) Rs. 1,60,000.
 - Interest on Japan Development Bonds (60% received in India) Rs. 1,00,000.

SECTION - C

Answer any TWO Questions:

(2X 20= 40)

18. 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 31st March, 2018:

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
Salaries to employees	1,95,000	Gross Profit	5,80,000
Advertisement expenses (cash)	24,000	Interest on securities	14,000
General expense	16,000	House property income	25,000
Entertainment expense	22,000	Bad debts recovered (allowed earlier)	12,000
Bad debts	1,500		
Drawings by proprietor	24,000		
Sales tax (due and paid on 01-07-2017)	6,000		
Interest on owners capital	7,000		
Repairs	2,500		
Rent	21,000		
Legal Expense	5,000		
Depreciation	15,000		
Bonus (due)	6,000		
Bonus to owner	4,000		
Purchase of Car	72,000		
Car Expense	12,000		
Donations	2,000		
Provision for bad debt	6,000		
Net profit	1,90,000		
	6,31,000		6,31,000

From the examination of books of accounts, the following other information's are available:

- Advertisement expenses were spent on insertion in newspapers.
- Rs.3,000/- were spent on purchase of land and are included in legal expense.
- 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 30-06-2018 and date of filing of return is 31st July.

19. Mr.B has occupied three houses for his residential purposes. Compute Income from House Property for the A.Y.2018-19 from the following particulars.

Particulars	House I (Rs)	House II (Rs)	House III (Rs)
Standard Rent	15,000	20,000	-
Municipal Valuation	10,000	30,000	30,000
Fair Rent	18,000	18,000	35,000
Municipal Taxes Paid	1,200	2,400	3,600
Repairs	-	-	200
Insurance Premium	1,200	1,300	1,600

Mr. B borrows Rs.30,000 @ 20% p.a for construction of house III, (date of borrowing: June 1, 2008, date of repayment May 10, 2018).

20. Mr. B owns two residential houses at Ludhiana and Chandigarh and he submits the following information about sale of assets. Compute capital gain for the year 2018-19.

Particulars	Residential House	Plot	Jewellery
Date of Acquisition	1/3/1979	1/11/2002	3/4/2004
CII	100	105	113
Cost of Acquisition (Rs)	1,10,000	3,50,000	80,000
FMV on 1/4/2001 (Rs)	6,80,000	-	-
Sale Price (Rs)	25,00,000	11,60,000	2,80,000
Date of Sale	15.6.2017	16.6.2017	17.6.2017

Amount invested in New Residential house Rs.13,00,000, purchased on 19/12/2017. Amount invested in bonds of National Highway Authority of India on 12/12/2017 for Rs.1,00,000. The C.I.I for 2017-18 is 272

21. Mr. M who is an officer of a company in Chennai furnishes the following details of his salary income. Compute his taxable income under the head salary for the A.Y 2018-19.

S. No	Particulars	Amt (Rs.)
1	Basic Salary	1,20,000 p.a.
2	DA – forming part	24,000 p.a.
3	Children's educational allowance (for 2 children's)	6,000 p.a.
4	Medical Allowance	4,800 p.a.
5	Employee's Contribution to RPF	12,000 p.a.
6	Employer's Contribution to RPF	12,000 p.a.
7	Interest credited to RPF @ 14%	3,700 p.a.
8	Services of Cook paid by employer	500 p.m
9	Services of watchman paid by employer	600 p.m
10	Provided with a car of 1.6 ltr capacity for both official and personal purposes	
11	Expenses of car met by the Company	
12	HRA received by him is Rs.12,000 p.m. and rent paid by him is Rs.1,500 p.m	
13	Insurance premium paid by him on his own life Rs.3,00,000	
