

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – NOVEMBER 2019

CO 5504 – INCOME TAX LAW AND PRACTICE

Date: 29-10-2019

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

PART -A

ANSWER ALL THE QUESTIONS:

(10 X 2 = 20)

1. What is Gross Total Income?
2. What do you mean by 'Perquisite'?
3. Mr Harish is a salaried employee working in Delhi. He gives the following details.
Salary Rs.20,000 p.m
D.A (forming part) Rs.10,000 p.m
HRA Rs.8,000 p.m (rent paid by him Rs.10,000 p.m)
Calculate exempted HRA.
4. Calculate Gross Annual Value from the particulars given below.
MRV Rs.80,000 p.a
FRV Rs.85,000p.a
Standard Rent Rs.60,000 p.a
Actual Rent Rs.50,000 p.a
5. What is casual income?
6. What is previous year?
7. What is capital asset?
8. Define profession.
9. What is Grossing up?
10. What is indexed cost of acquisition?

PART-B

ANSWER ANY FOUR QUESTIONS:

(4 X 10 = 40)

11. Explain the various types of 'provident funds'
12. How to determine residential status of an individual?
13. Mr X had the following income during the previous year 31-03-2019.

Sl. No.	Particulars	Rupees
1	Salary received in India for three months	9,000
2	Income from House Property in India (computed)	13,470
3	Interest on Savings Bank Deposits in SBI	1,000
4	Amount brought into India out of the past untaxed profits earned in Germany	20,000
5	Income from Agriculture in Indonesia being invested in India	12,350
6	Income from Business in Bangladesh, being controlled from India	10,150

7	Dividends received in Belgium from French companies out of which Rs.2,500 were remitted to India	23,000
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You are required to compute his total income for the assessment year 2019-20, if he is:

a) Ordinary Resident b) Resident but Not Ordinarily Resident and c) Non Resident.

14. From the following information compute the taxable income under the head salaries of Mr X , who is working as a driver in a transport company.

Salary	Rs.8,000 p.m
Arrears of salary	Rs.4,000
D.A	Rs.2,000 p.m
Employer is paying insurance premium of Rs.10,000 p.a on X's life	
Bonus received	Rs.15,000
Education allowance for grand child	Rs.400 p.m
Cash gift	Rs.10,000
City compensatory allowance	Rs.1,000 p.m
He contributes 15% of his salary to a recognized provident fund and his employer contributes the same.	
He is given lunch allowance @Rs.100 per day for 250 days during the previous year 2017-18	
He is provided with a mobile bill of which is paid by company Rs.6,000.	

15. Laxmi, vidya, Radha, Lalitha and Nalini separate own the following properties-

(Rupees in Thousands)

Particulars	Laxmi	Vidya	Radha	Lalitha	Nalini
Fair Rent	109	109	108	108	108
Municipal value	106	106	106	106	-
Standard Rent	NA	108	109	104	102
Actual Rent	100	110	90	112	95
Period of let out(months)	12	12	12	12	12

Determine the Gross Annual Value for the assessment year 2018-19.

16. Kumar a lawyer by profession keeps his cash book as per cash system of accounting. The following is the summary of his cash book for the year ended 31st March 2019.

Receipts	Rupees	Payments	Rupees
To Balance	5,000	By rent of chamber	2,400
To Fees	35,000	By car expenses	3,600
To remuneration as examiner	3,000	By household expenses	12,000
To interest on bank deposits	2,500	By local taxes for the house	1,200
To rent from house property	8,000	By repair of the house	4,000

To dividends	1,600	By LIC premium for self	4,800
		By cost of books for profession	4,000
		By Medical treatment of self	5,000
		By balance	18,100
	55,100		55,100

Additional information

- $\frac{1}{3}^{\text{rd}}$ of the house is used by kumar for his own residence.
- Kumar is insured for Rs.40,000.
- Kumar has to get medical treatment for an eye ailment caused by intensive study of law books.
- $\frac{1}{2}$ of the car expenses relate to personal use of the car by kumar
- Depreciation computed at the prescribed rate on the written down value of the car is Rs.2,000.

17. From the following particulars for the year compute the income under the head “Income from other sources”.

Dividends	25,200
Dividends	12,000
Collection charges in respects of dividend	1% of dividend
Rent from letter out of building along with plant and machinery	30,000
Depreciation on building	4,000
Insurance on buildings	1,600
Office expenses relating to buildings	1,600
Repairs, rate etc.,	1,600

PART-C

ANSWER ANY TWO QUESTIONS

(2 X 20 = 40)

18. From the following profit and loss account of a manufacturer, calculate income under the head “profits and gains of business or profession” for the year ending 31st March 2019.

Particulars	Rupees	Particulars	Rupees
Salaries to employees	95,000	Gross Profit	3,80,000
Advertisement expenses (paid 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 01-07-2017)	6,000		
Interest on proprietor’s capital	7,000		
Repairs	2,500		
Rent	21,000		

Legal Expenses	5,000		
Depreciation	15,000		
Bonus	6,000		
Bonus to proprietor	4,000		
Car purchased	72,000		
Expenses on car during the year	12,000		
Donation	2,000		
Provisions for bad debts	6,000		
Net Profit	90,000		
	4,31,000		4,31,000

From the examination of books of accounts, the following other information are available.

- Advertisement expenses were spent on insertion 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.14,400.
- Bonus was paid to employees on 30-06-2019 and due date of filing returns is 31-07-2019.

19. Mr X own 2 acres of agricultural land in an urban area of Ludhiana which he sold on 30th Nov.

2018 @ 50 lacs per acre. Other particulars are:-

- Cost of 2 acres of land purchased in 1997 Rs.6 lacs.
- F.M.V as on 01-4-2001 Rs.25.50 lacs.
- Selling expenses Rs.1 lac.
- He owns one residential house on 30-11-2018.
- Date of filing of return of income is 31st July 2019.
- Mr X purchased 10 acres of agricultural land in a rural area for Rs.10 lacs on 10th June, 2019.
- Mr X purchased a piece of plot to construct a residential building for Rs. 6 lacs at Ludhiana.
- He deposits Rs.15 lacs in a scheduled bank in a Capital gain deposit Account scheme on 30th July 2019 to construct residential house.
- Amount invested in bonds of NHAI Rs.8 lacs on 31st March 2019.

Assume that he actually withdraws Rs.12 lacs from the deposit account to complete his residential house.

20. From the assessment year 2019 – 20, 'X' submits the following information:

Income from Business (Speculative) : Rs.40,000

Property	House – I	House – II
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	Rupees	Rupees
FRV	3,60,000	-
Municipal Valuation	3,50,000	8,00,000
Annual Rent	3,80,000	6,80,000
Standard Rent	3,40,000	8,50,000
Municipal taxes paid by tenant	3,000	4,000
Municipal taxes paid by 'X'	20,000	40,000
Repairs paid by tenant	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Unrealized rent of the previous year 2018-19	-	50,000
Interest on loan borrowed for payment of municipal tax of house property	-	1,20,000
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	April, 2014	July, 1999

Rs.5,00,000 is borrowed to construct the House I on 01-07-2012 and the loan was repaid on 01-01-2014.

Rate of interest is 12%.

Rs.6,00,000 is borrowed to construct House II on 01-01-1998 and the loan is still due. Rate of interest is 12%.

Determine the taxable income if 'X' for the assessment year 2019-20.

21. Explain any fifteen incomes exempted from income tax under Section 10 of Income Tax Act, 1961.
